INFLUENCE OF FINANCIAL INCLUSION ON PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN KERICHO COUNTY, KENYA

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KABARAK UNIVERSITY

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DECLARATION

1. I do declare that;

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DEDICATION

I dedicate this thesis to the love and memory of my late father, Eng. Isaac Kiptabut Sang. He inspired and encouraged me in all my life endeavours. He lived his life well, believing in success through education and hard work. His example kept me working when I felt like giving up.

ABSTRACT

Financing has been identified as a key element for micro and small enterprises to thrive in their drive to build productive capacity, to compete, create jobs and to contribute to poverty alleviation in developing countries. Financial Inclusion consists of all initiatives to make financing a realization for this group. Researchers have argued that lack of financing is almost universally indicated as a key problem for micro and small enterprises thus the need to study influence of financial inclusion on performance of these enterprises. The purpose of the study was to find out the influence of financial inclusion on performance of micro and small enterprises in Kericho County, Kenya. The study was guided by the following specific objectives: to establish the influence of financial access on performance of micro and small enterprises, to determine the influence of financial transparency on performance of micro and small enterprises, to examine the influence of financial credit product on performance of micro and small enterprises and to assess financial literacy of micro and small entrepreneurs and how it influences performance. The study adopted a cross sectional survey design from a population of 7277 micro and small enterprises in Kericho County. Stratified and simple random sampling was used to sample the 380 micro and small enterprises. Questionnaires were used in the data collection phase of the study. Cronbach's alpha was used to assess the degree of instrument reliability while factor analysis was used to check validity of the variables. The data was analysed using both descriptive and inferential statistics. Descriptive statistics included frequencies and percentages while inferential statistics included correlation and regression analysis models with the aid of SPSS version 25. The research findings indicated that there exists a statistically significant positive causal relationship between financial access, financial transparency, financial credit products and financial literacy and performance among micro and small enterprises to credit in Kericho County. This was established from correlation results between the two variables. Results showed a statistically significant positive relationship between financial access and performance (r = 0.215, $p < 0.05$), financial transparency and performance (r = 0.251, $p < 0.05$), financial credit products and performance (r = 0.222, $p < 0.05$) and financial literacy and performance (r = 0.293, $p < 0.05$). This implies that when financial access, financial transparency, financial literacy and financial credit products increases, performance improves among micro and small enterprises in Kericho County, Kenya. Further, interest rates capping significantly moderates the influence of financial access, financial transparency, financial credit products, and financial literacy on performance of micro and small enterprises in Kericho, Kenya. It was concluded that repayment period for MSEs loan was not flexible even after top up or second facility. Micro and small enterprises need guarantors to access financial credit facilities and that they need guarantors to access financial credit facilities for a second or top up facility. Further, collateral and guarantors were needed before credit was given to micro and small enterprises, with financial institutions not having flexible repayment period for loans. Financial institutions did not embrace financial literacy of the micro and small enterprises. The study also concluded that the micro and small enterprises were not provided forums to be educated and informed on any new and changing financial information. The study recommended that financial institutions come up with new products to cover micro and small enterprises financial needs. Further, the study recommended policy formulation and amendments that will include transparency of financial institutions to upheld inclusion of financing. Fora and workshops to be created to educate and inform micro and small enterprises on issues regarding financing.

Keywords: Financial inclusion, enterprise performance, interest rates capping

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LIST OF ACRONYMS AND ABBREVIATIONS

AMP	Austrian Market Process
CBK	Central Bank of Kenya
CBO	Community Based Organization
CBR	Central Bank Rate
EMCCA	Economic and Monetary Community of Central Africa
CIMA	Chartered Institute of Management Accountants
CFO	Chief Finance Officer
CGAP	Consultative Group to Assist the Poor
COSO	Committee of Sponsoring Organizations
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
ESAF	Enhanced Structural Adjustment Facility
GDP	Gross Domestic Product
GOK	Government of Kenya
IMF	International Monetary Fund
KBRR	Kenya Bankers Reference Rate
KNBS	Kenya National Bureau of Statistics
LAC	Latin America and Caribbean
MENA	Middle East and North Africa
MFI	Micro Finance Institutions
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
NESDP	National Economic and Social Development Plan
NGO	Non-Governmental Organization
OFT	Office of Fair Trade
RBT	Resource Based Theory
SACCO	Savings and Credit Cooperative Organization
SAF	Structural Adjustment Facility
SED	Small Enterprise Development
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union

OPERATIONAL DEFINITION OF TERMS

Micro Enterprise: In this study the term referred to a firm, trade, service, industry or a business activity whose annual turnover does not exceed five hundred thousand Kenyan shillings, employs less than ten people and whose total assets and financial investment is to be determined by the Ministry of Industrialization from time to time (MSMEs Act, 2012).

Small Enterprise: In this study the term referred to a firm, trade, service, industry or a business activity whose annual turnover ranges between five hundred and five million Kenyan shillings, employs between ten and fifty people and whose total assets and financial investment is to be determined by the Ministry of Industrialization Cabinet Secretary from time to time (MSME Act, 2012).

Financial Inclusion: In this study, the term refers to all initiatives directed towards making formal financial services available, accessible and affordable to everyone in a given society in our case the micro and small enterprises (Tita & Meshach, 2017).

Performance: In the study, the term refers to a hybrid measures that included increase number of employees, increase in sales, increase in profits and customer satisfaction (Kamunge et al., 2014).

Interest Rates Capping: In the study, the term referred to capping of interest rates to all banks following the government of Kenya putting into law that lending rate of all banks to not more than 4% above the Central Bank rate (Banking Act Amendment Bill, 2015).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial inclusion includes all initiatives directed towards making formal financial services available, accessible and affordable to everyone in a given society. Accessing finance has been identified as a key element for micro and small enterprises to thrive in their drive to build productive capacity, to compete, create jobs and to contribute to poverty alleviation in developing countries (Awuah & Addaney, 2016). Fawzia (2009) defined financial inclusion as a process of bringing the weaker and vulnerable sections of society within the ambit of the organized financial system. It creates conditions for access to timely and adequate credit and other financial services by vulnerable groups, such as weaker sections and low-income groups at affordable cost.

1.1.1 Financial Inclusion from a Global Perspective

Lewis and Lindley (2015) in their study of financial inclusion, financial education, and financial regulation in the United Kingdom found that despite nearly two decades of financial inclusion policymaking, persistent problems remain. The study found that many individuals, often the most vulnerable, were unable to get financial products and services that could meet their needs at affordable prices. New forms of exclusion were emerging as digital technology advances and risk profiling becoming increasingly sophisticated. The study found that the self-employed faced particular problems that included having high levels of unsecured debt.

Despite many small businesses having similar levels of financial sophistication as retail consumers, the regulatory system did not protect them to the same degree. Financial capability was low among the UK population. The groups that had lowest capability were also those at most risk of financial exclusion. The study recommended better coordination for financial inclusion policies; support for teaching financial education in schools; more progressive savings incentives; basic banking to meet the needs of the most vulnerable; streamlining government support for small businesses; and specialized advice and financial education for small businesses and the self-employed (Lewis & Lindley, 2015).

Park and Mercado (2015) and Turegano and Herrero (2018) examined whether financial inclusion contributes to reducing income inequality in Asia. The former constructed a financial inclusion index used to examine the relationship between poverty and income inequality in developing Asia. Results showed that financial inclusion reduced poverty and lowered income inequality. Further results also revealed that financial inclusion reduced income inequality, affecting fiscal policy and economic development (Tita & Meshach, 2017).

Tambunlertchai (2015) conducted a study that addressed the issue of financial inclusion in Thailand through the lens of an institutional analysis. The study took into consideration the desired outcomes, the service providers and enabling agencies and the regulatory context that shape the existing provision of financial inclusion in Thailand. The study suggested that it is not only the services provided and the costs that matter; the quality of financial services and the quality of the service providers themselves are just as important in furthering the goal of financial inclusion. Finally, to ensure a well-functioning system, good regulations and regulatory practices are also essential. In discussing the achievement of the desired outcomes in terms of financial inclusion, the issues of financial education and financial regulation, which provide the contexts within which the provision of financial products and services occur, were also addressed.

Further according to Tambunlertchai (2017) the relevant aspects of financial inclusion are the encouragement of equal access to financial resources at reasonable cost, the encouragement of new financial products such as factoring and leasing, and the regulation of commercial banks regarding risk management to incentivize lending to SMEs, entrepreneurs and low-income groups. These were identified as measures that would lead to sustainable and equitable growth, and for achieving resilience at both the individual and societal levels. Financial education also formed an important part of the strategy to promote equitable and sustainable growth.

1.1.2 Financial Inclusion from a Regional Perspective

According to Tita and Aziakpono (2017), the concept of financial inclusion stretches beyond improving access to credit to include facilitating access to savings, enhancing risk management and ensuring the development of an efficient financial infrastructure that allows individuals and firms to fully participate in the economy while protecting consumer rights. It was also noted that access to financial services and the actual use thereof are two distinct concepts. Some individuals may have access but decide not to use it because of religious, cultural or other reasons. This is called voluntary financial exclusion and may occur because of indirect usage through a family member or lack of demand for financial services. Conversely, some individuals may have the need for financial services but face serious physical barriers to access and, as such, are involuntarily excluded.

Tita and Aziakpono (2017) in his study on the effect of financial inclusion on welfare in sub-Saharan-Africa analysed the relationship between various aspects of financial inclusion and income inequality in sub-Saharan African, found that formal account used for business, electronic payments and formal savings had a positive relationship with income inequality. Furthermore, the positive relationship suggested that owning a formal account did not necessarily lead to improvement in access to credit. That is, most of the account owners were first time users and problems such as moral hazard and information asymmetries, which are associated with a lack of financial infrastructure in the region still holds. This likely encouraged banks to hold excess liquidity and thus grant fewer loans. The study accordingly recommended efforts to increase financial inclusion as well as reduce excess liquidity in the banking system through the development of financial infrastructure in order to encourage banks to support economic activities through lending.

Ibor et al. (2017) conducted a study that found financial inclusion requires particular attention to specific portions of the population historically excluded from the formal financial sector because of their either income levels and volatility, gender, location, type of activity or level of financial literacy. This study concluded that there was a significant relationship between financial inclusion and the growth of micro small and medium scale enterprises in Nigeria. That financial inclusion policy significantly and positively affects the operations of micro, small and medium scale enterprises. Further, the study found that the distance covered access finance financial services points, infrastructural deficiency could challenge how fast, and effectively micro, small and medium scale enterprises would access financial services in Nigeria.

According to Lakuma et al. (2019) in the study on financial inclusion and micro, small, and medium enterprises (MSMEs) growth in Uganda, provided new evidence of the role of finance and the investment climate on firm growth in Uganda. The results suggested that lack of finance and a weak business environment tends to constrain the growth of MSMEs and benefits the growth of large firms. The results also showed a positive effect of increased access to finance on MSMEs growth relative to large firms. These effects were not significant, however. As such, the use of measures to evaluate the effects of finance on firm growth was only significant on medium-sized firms due to downward bias. Measures of regulatory environment and infrastructure suggest that MSMEs benefit from informality, less regulation, and less infrastructure development, which may help divert some economic activity to MSMEs. However, MSMEs were more susceptible to giving bribes to sustain the informal and the invisible status.

1.1.3 Financial Inclusion from a Kenyan Perspective

In Kenya, the micro and small enterprises play a vital role in growth and development of the entrepreneur and the country as a whole. Through revenue and tax, the country is able to grow economically, lives are improved and development occurs. In the research paper of Awuah and Addaney (2016) small and micro-enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms without access to financing. Borrowing is a significant source of finance for most firms. According to the Government of Kenya, through the Microenterprise Act (GoK, 2012), a micro enterprise is a firm, trade, service, industry or a business activity which employs less than ten people and whose annual turnover does not exceed five hundred thousand shillings (GoK, 2012). The sector plays an important role in the Kenyan economy contributing about 82% of total employment and over 40% of the country's GDP (KNBS, 2013).

The overall goal of the MSE Act is to provide a legal and institutional framework for the promotion, development and regulation of micro and small enterprises by providing an enabling business environment. Despite such support, micro and small enterprises still experience challenges that constrain their performance. Empirical studies have identified both internal and external factors, which constrain the performance of micro enterprises. Given the dynamic nature of the business environment, new challenges continue to emerge thus the need for continuous research that identifies and examines emerging factors that influence the performance of micro enterprises (Gathungu & Sabana, 2018).

In addition to generating employment, microenterprises increase the aggregate output, enabling the efficient use of capital and labour, initiating indigenous enterprise and management skills, bringing a regional balance, and improving the distribution of income (Gathungu & Sabana, 2018). The sector sustained the upward growth trajectory and by 2013, it accounted for the largest share of total employment in the country (KNBS, 2014). According to Gathungu and Sabana (2018) in recognition of the role of micro and small enterprises in the economy as well as the constraints they face, Government policy efforts have been directed towards reducing the constraints by creating an enabling environment for microenterprises. This culminated into the enactment of the Micro and Small Enterprises (MSE) Act (GOK, 2012).

Micro and Small Enterprises (MSEs) is an important sub sector for the Kenyan economy like many other developing countries, since it employs about 85 per cent of the Kenyan workforce (about 7.5 million Kenyans of the country‘s total employment). The current Constitution provides a new window of opportunity to address MSEs related issues through regulatory and institutional reforms under a new, devolved governance system as well as the (Micro and Small Enterprises Act, 2012).

In the study conducted by Namusonge et al. (2019), on the effects of firm size on financial inclusion among commercial banks and mobile service providers in Kenya, explains financial inclusion as the process that ensure the ease of access, availability and usage of the formal financial system for all members of an economy. Broadly, it means access to finance and financial services for all in a fair, transparent and equitable manner at an affordable cost. It also denoted it as a delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups including households, enterprises, SMEs, traders.

Kamunge et al. (2014) found that lack of access to credit/ finance is almost universally indicated as a key problem for SMEs. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives was not enough to enable SMEs undertake their business activities optimally. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. Insufficient financing is as much a problem as lack of finance and as a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers.

Kericho County has a large concentration of micro and small enterprises among other counties in Kenya, providing a large number of employments in the sector. The study focused on Kericho County for its cosmopolitan nature hence relatable to other counties of the country. Findings and results of the study represented the entire country. The study also chose Kericho County since it was the first county in Kenya and in history of devolution to enact a County Spatial Plan (Kericho County Spatial Planning Bill 2015). Despite its important role, the microenterprise/informal sector is treated as a marginal economic activity and it is neither adequately regulated nor supported by the authorities who consider informal traders as threats to development (Panyako et al., 2018). In addition to external challenges, microenterprises in Kenya include weak financial literacy, financial access and high transaction costs (Mengich et al., 2013). This study therefore sought to examine the influence of financial inclusion among performance of micro and small enterprises in Kericho County, Kenya.

1.2 Micro and Small Enterprises

The micro and small enterprises play vital role in different countries. Countries have defined MSEs in different ways depending on the indicator that each country uses. Some countries define MSEs using the value of the asset the business has, the number of employees and the average turnover per year (Sitharam & Hoque, 2016). MSEs cover different sector of economy either in agricultural produce, professional and technical services and in general trading. They are also categorized depending on the owner whether individual, partnership or a limited company (Ndungu, 2016).

A panel study of the US states between 1977 and 1997 as noted by Deller and Mc Connon (2009) defined microenterprises as businesses with five or fewer employees and that the basis of micro-enterprising is for every individual in society to have a chance to utilize their talents and be innovative toward the available resource in order to create employment. Countries understanding of microenterprises on the other hand vary from one to another and while the United States may have implemented the Supplemental Security Income (SSI) for funding microenterprises. Shelton (2016) in the study on how the perception of small traders affect relations between different states, concluded that many people will not afford to be employed by large corporations hence they start MSEs to get employment and at the same time stimulate economic growth.

According to Shiralashetti (2012) on his study noted that MSEs constitute 90 per cent of the total enterprises in most of the developing three countries. The ILO (2011) report established that Small enterprises with less than 10 workers contribute about 58 per cent of employment in Paraguay 54% in Mexico and 53 per cent in Bolivia. Further Shelton (2016) assert that MSEs constitutes of small traders who start their business within the segment of the economy coupled with poverty noting that small traders do not go for micro-enterprises by choice and would be glad to take a factory job when the opportunity arises. Majority of the entrepreneur are first employed by large enterprises and after gaining experience and saving, they start their own business.

Over the years, the Micro and Small Enterprises (MSEs) sector has attracted attention from diverse fields in business and economics given its important role towards delivery of essential goods and services, enhancing competition, employment generation and nurturing modernization towards the economic prosperity of various economies around the world. In Kenya, Vision 2030 blue print highlights the all-important feature of elevating the country to become an independent middle-income entity to ensure quality for all inhabitants by the Financial Year 2030. Vision 2030 identifies and prioritizes the MSE sector as crucial towards the achievement of the objective of transforming Kenya towards becoming a Middle Income Status (KNBS, 2016).

According to Muriithi (2017), micro and small enterprises (MSEs) are notably the engines that drive economic development. The businesses account for almost 90 per cent of businesses in both leading and developing economies through job creations, employment, tax provision and contribution to Gross Domestic Product (GDP). However, in Africa, besides their critical and positive role, many MSEs face numerous challenges ranging from power shortage, lack of capital, poor management skills and competencies, and inadequate information and corruption. It is notable that most African governments give very little support to MSEs thereby neglecting a vital economic trigger and should form pillars of development. The Kenyan regulatory and institutional framework on MSEs is based on the number of employees and the yearly revenue of an enterprise (MSME Act, 2012).

Micro enterprises are defined as any firm, trade, service, industry or a business activity with an annual turnover not exceeding Ksh 500, 000, less than 10 employees and whose total assets and financial investment shall be as determined by the Ministry of Industrialization Cabinet Secretary from time to time (MSMEs Act, 2012). On the other hand, small enterprise refers to any firm, trade, service, industry or a business activity whose annual turnover ranges between Ksh 500,000 and Ksh 5,000,000, employs between 10 and 50 workers and whose total assets and financial investment shall be as determined by the Ministry of Industrialization Cabinet Secretary from time to time (MSME Act, 2012).

From the Survey Conducted in 2015, the total number of licensed MSMEs in Kenya was recorded at 1.56 million while that of unlicensed was 5.85 million. These firms run their operations in both the formal and the informal sectors (MSME Survey, 2016). Formal or licensed enterprises refer to those enterprises that are registered at the Registrar of Companies as provided for in the Business Names Act, Partnerships Act and Company's Act (IEA, 2012). Majority of the MSEs however fall under the informal sector based on their size, ownership, location, status of formality and economic activity (KNBS, 2016). In Kenya, over 70 per cent of all licensed MSMEs operate from marketable establishments, approximately 28 per cent of the unlicensed establishments operate at their local environs, majorly their homes while majority of the unlicensed operate in residential areas that are deficient of distinctive features for operations or have no fixed location.

Micro enterprises form the bulk of licensed establishments at 92.2 per cent followed by small enterprises at 7.1 per cent and then medium enterprises at 0.7 per cent. The declining trend in the number of enterprises with increasing enterprise size is an indication of the failure of many micro enterprises to evolve from micro to small, small to medium, and medium to large enterprises. Micro and small enterprises have increasingly become important in Kenya, as they comprise activities considered as sources of employment, competition, economic dynamism and innovation (Ong'olo & Awino, 2013). These are the engines to income generation and employment growth accounting for almost 80 percent of Kenya's employment (Ngui, 2014). Characteristics of MSEs are that of an enterprise that have ease of entry, rely on resources that are locally available, are family-owned and small scale operations make use of high degree of labour and adaptive to technology, employ skills acquired out of formal sector and operate in free, unregulated and competitive markets (IEA, 2012).

1.3 Performance Micro and Small Enterprises

According to Waweru and Ngugi (2014), performance is one of the most important objectives of financial management because one goal of financial management is to maximize the owner's wealth. Thus, performance is very important in determining the success or failure of a business. At the establishment stage, a business may not be profitable because of investment and expenses for establishing the business. When the business becomes mature, profits have to be produced. Due to the importance of performance, researchers have suggested that small firms need to concentrate on performance and found it to be a significant determinant of a small firm's credit risk. It was also noted that the aim of a business is not only the generation of sales, but also generation of profits. Profit is especially important because it is necessary for the survival of a business. Low performance contributes to under-capitalization problems because it leads to retained earnings and therefore to a reliance on external capital.

Key performance indicator (KPI) is a measure used to reflect organisational success or progress in relation to a specified goal. The purpose of KPIs is to monitor progress towards accomplishing the strategic objectives that are typically communicated in a strategy map. KPIs are typically included in a reporting scorecard or dashboard that enables top management, the board or other stakeholders to focus on the metrics deemed most critical to the success of an organization (CIMA, 2013).

Further according to CIMA (2013), financial KPIs are generally based on income statement or balance sheet components, and may also report changes in sales growth (by product families, channel, customer segments) or in expense categories. Non-financial KPIs are other measures used to assess the activities that an organization sees as important to the achievement of its strategic objectives. Typical non-financial KPIs include measures that relate to customer relationships, employees, operations, quality, cycle-time, and the organisation's supply chain or its pipeline. Some prefer to use the term 'extra-financial' rather than non-financial, suggesting that all measures that contribute to organisational success are ultimately financial. Gerba and Viswanadham (2016) conducted a study on Performance measurement of small scale enterprises found that hybrid (financial and non-financial) measures were suggested as better indicators of firm performance as it is strong enough to capture various performance approaches than single approach.

Fadaunsi (2012) convincingly argues, most academic researchers and policy planners appears to be focused on those two measures performance: employment growth (increase in numbers employees), which addresses job concerns and sales growth (increase in sales), which addresses taxations concerns. In conclusion, multi-dimensional approaches that included hybrid measures (financial and non-financial measures) of firm performance has been widely used and suggested by various authors in single study to overcome shortcoming of single measure of small firm performance.

1.4 Statement of the Problem

In most developing countries like Kenya, the micro and small enterprises play a crucial role in contributing to sustained economic growth and development. The government of Kenya sessional paper No 2 of 2005 on development of MSEs for employment creation provide a situation of MSEs and emphasis the need for enterprises to be supported as they contribute to economic growth and create employment. The Kenyan government on its Vision 2030 places MSEs development as one of the means of achieving the vision. According to Kithae et al. (2012), MSEs in Kenya create 80 per cent of employment while the sector contributes only 18 per cent of the GDP of the country hence there is need of more support so as to enhance the performance of MSEs.

Financing has been identified as a key element for micro and small enterprises to thrive in their drive to build productive capacity, to compete, create jobs and to contribute to poverty alleviation in developing countries. In line to the various effects caused by lack of financing, different stakeholders in our country are affected in one way or another, positively or negatively. However, most arguments have given broad aspects of financing leaving a gap in identifying how inclusion can affect each stakeholder individually. Empirical studies have conducted individual aspects of financing for instance accessibility on performance, others on financial literacy living a gap on inclusion and how it can affect performance of the micro and small enterprises.

In Thailand, authorities stated that the purpose of the caps was to make finance affordable for low-income borrowers. In Zambia, authorities introduced the caps to mitigate the perceived risk of over indebtedness and the high cost of credit, as well as to enhance access to the underserved (Helms & Reille, 2004). While interest capping has failed in countries such as Nigeria and India, it has worked in some countries. France, Zambia, Canada and Argentina have successfully resorted to such measure in order to protect its people against the market failures. The study filled the gaps left in investigating how caps has affected our country and further the micro and small enterprises in Kenya.

Three quarters of micro businesses reported problems in obtaining finance as an obstacle to business growth (Ban et al., (2015). Tomlinson (2013) found evidence of poor treatment of MSMEs in financial difficulty, including increasing the pricing of business loans for struggling firms and the application of opaque and arbitrary fees. Leaving gaps on how financing affects the micro and small enterprises performance.

Mwangi and Cheluget (2018) conducted a study on the role of Financial Literacy, Financial Innovation, and Financial Inclusion on SME Access to Credit in Kenya, leaving a gap on how financing affects the micro and small enterprises in Kenya. The study by Mbugua (2015), concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion, while the study by Wambua and Datche (2013), found that innovated channels of distribution are generally underutilised. The banks that roll out new channels of distribution such as Agency banking, E-Banking and M banking are still experiencing influx long queues inside their banking halls especially at enquiry and customer service counters despite these innovated channels. Both studies left gaps in looking at financing as a whole including access, literacy, transparency and products that form inclusion of the micro and small enterprises.

The study by Kibet et al. (2015) was confined to MSEs in Uasin Gishu County whereas the current study focused on all MSEs in Kericho County, which was the first county to implement spatial planning in Kenya. This ensured that the results influenced other counties in providing information that was novel. Odhiambo (2013) sought to study the effects of changes in interest rates on the demand for credit and loan repayment by SMEs in Kenya while Chege (2014) conducted a study that sought to establish the impact of interest rates on non -performing loans in commercial banks in Kenya.

The study examined the whole inclusion aspect of financing which will include accessibility, affordability, availability and literacy and how each aspect in turn affects performance. The study investigated affordability in terms of financial transparency on costs of obtaining financial facilities, availability in terms of the credit products that are available for micro and small enterprises and accessibility to financing. The study examined the micro and small enterprises performance in Kericho County in relation to financial inclusion in Kenya. The study further sought to examine the financial literacy of micro and small enterprises entrepreneurs in Kericho County, Kenya and how it affects performance. The study further examined the moderating effect of interest rate capping on the relationship between financial inclusion and performance of the micro and small enterprises in Kericho County.

1.5 Objectives of the Study

1.5.1 General Objective of the Study

The aim of the research was to examine the influence of financial inclusion on performance of micro and small enterprises in Kericho County, Kenya.

1.5.2 Specific Objectives of the Study

i. To examine the influence of financial access on performance of micro and small enterprises in Kericho County, Kenya.
ii. To determine the influence of financial transparency of banks on performance micro and small entrepreneurs in Kericho County, Kenya.

iii. To evaluate the influence of financial credit products on performance of micro and small enterprises in Kericho County, Kenya.
iv. To assess the influence of financial literacy on performance of micro and small entrepreneurs in Kericho County, Kenya.
v. To find out the moderating effect of interest rates capping on the relationship between financial inclusion and performance of micro and small enterprises in Kericho County, Kenya.

1.6 Research Hypothesis

$H_0$1: Financial access has no significant influence on performance of micro and small enterprises in Kericho, Kenya.

$H_0$2: Financial transparency has no significant influence on performance of micro and small enterprises in Kericho County, Kenya.

$H_0$3: Financial credit products has no significant influence on performance of micro and small enterprises in Kericho County, Kenya.

$H_0$4: Financial literacy has no significant influence on performance of micro and small entrepreneurs in Kericho County, Kenya.

$H_0$5: Interest rates capping has no significant moderating effect on the relationship between financial inclusion and performance of micro and small enterprises in Kericho County, Kenya.

1.7 Justification of the Study

The purpose of this study was to examine financial inclusion and its influence on performance of micro and small enterprises. While government and financial institution such as banks have been identified and studied in previous researches, there is a lack of knowledge about the financial inclusion of micro and small enterprises regarding performance. The broad topic of financial inclusion has received attention, including from the government and financial institutions. Further interest rates capping has emerged as a topic that influences financial inclusion. The study narrowed down to specific stakeholders, in this case the micro and small enterprises. In Kericho County, the findings of this project will provide insight into financial inclusion and how it influences performance.

The research focused on micro and small enterprises and a look at the relationships between financial inclusion and performance. Interest rates capping acted as a moderator, and a look at its influence on financial inclusion as well as performance. The findings from the study will be used to raise awareness of interest rates capping in Kenya and provide information for policy formulation and amendments. In addition, a look at the relationships between financial inclusion and performance will give information on the current issues facing the micro and small enterprises. Furthermore, results of this study provide the government and financial institutions with information that potentially can be used to address the financial challenges among the micro and small enterprises.

Kericho County has a large concentration of micro and small enterprises who provide a large number of employments opportunity in the sector. The study focused on Kericho County for its cosmopolitan nature hence relatable to other parts of the country. Findings and results of the study represented can be generalised to cover the entire country. The study also chose Kericho County since it was the first county in Kenya and in history of devolution to enact a County Spatial Plan (Kericho County Spatial Planning Bill 2015).

Various studies have been done in the various counties in have shown different aspects of financing among the MSEs in Kenya. They have also found that financing is a common problem for the micro and small enterprises The study by Kinyua and Mungai (2018) on financial management practices on financial performance of registered micro and small enterprises in Nairobi City County, Kenya, found that Financial management practices have a huge influence on the performance of MSEs and has become a significant topic in the field of entrepreneurship and MSE sector development. practices.

Omondi and Jagongo (2018) in the study on Microfinance services and financial performance of small and medium enterprises of youth SMEs in Kisumu County, Kenya, found that Lack of access to credit is a major constraint inhibiting the growth of SMEs sector. The issues and problems limiting SMEs acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SMEs

Nabiswa,and Mukwa (2017) revealed that many MSEs received credit packaged as training and monetary and that high level of educational attainment enhanced potential for further credit financing and even MSEs Performance. It was concluded that socio-economic factors like education level and training had an impact on the performance of entrepreneurs and their businesses. Credit accessibility and availability was found to have a direct relationship with diversified utilization on business requirements, including human resource development in Kimilili Sub County.

Wairimu and Mwilaria, (2017) looked at Microfinance institutions' social intermediation and micro and small enterprises survival in Thika town, Kenya and found that regular microfinance participation help reduce loan application and payment bureaucracy while keeping entrepreneur updated on available opportunities. Training equips MSEs owners with necessary managerial skills on financial management, book keeping, and business operations. Networking increases business link widening goods and services markets and allows for formation of business clubs.

1.8 Significance of the Study

The study will contribute to the body of knowledge on the influence of financial inclusion on performance of micro and small enterprises in Kericho County, Kenya. It will also contribute to the emerging field of African entrepreneurship by providing insights on how financial inclusion influences performance of micro and small enterprises in an African setting, in our case Kenya. It will also provide a useful reference resource for researchers and academicians in the field of business administration with entrepreneurship and microenterprise development backgrounds. Finally, the study will identify areas and research gaps for future research. Further research will help in stimulating academics and encourage further studies in the area of interest rate caps on the various stakeholders.

The findings from the research will help policy makers in government as well as other stakeholders involved in financial wellbeing of the country. In line with the Vision 2030 and the Micro and Small Enterprise Act, the government of Kenya the study will acknowledge importance of microenterprises as key drivers of economic growth. This study will contribute to policy formulation and implementation by providing empirical evidence on the influence of financial inclusion on performance of micro and small enterprises around the world and Kenya as a whole.

1.9 Scope of the Study

The study focused on the micro and small enterprises in Kericho County, Kenya. Kericho County has a large number of micro and small enterprises with a total number of 7277 hence the justification on the location. The study covered the sub-counties in Kericho County. The study was conducted from January 2017 to December 2020.

1.10 Limitations and Delimitation of the Study

The study anticipated that some respondents would give incorrect and inaccurate information. They were assured that the information was beneficial to policy formulation in the country for the greater good of all micro and small enterprises. In addition, it was anticipated that some respondents might be unwilling to give information due to fear that it might be used for other reasons; for example, intimidation or exposing the information to their competitors. They were assured of confidentiality for any information that they may give out. The study anticipated that the target population would volunteer information to the researcher, and that they would give accurate information that would help the researcher to test hypotheses and achieve the objectives of the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical literature review, empirical literature review, conceptual framework, summary of reviewed literature and research gaps. A literature review of empirical studies that is related to financial inclusion and its influence on performance of micro and small enterprises were included in this chapter. Secondly, a review of theories related to the study and the conceptual framework. The summary and conclusion on the literature reviewed is also indicated as well as the gaps leading to this research.

2.2 Theoretical Review

The study examined the various theories of entrepreneurship and how they relate to financial inclusion and its influence on performance of micro and small enterprises in Kericho County, Kenya.

2.2.1 Overview of Entrepreneurship Theory

According to Rosa (2013), entrepreneurship theory is a heterogeneous body of knowledge comprising of perspectives from diverse disciplines including economics, accounting psychology, sociology, law, strategic management and organisational behaviour. While scholars from the different disciplines have adopted different theoretical assumptions, most of these concern three central features of enterprise phenomena namely the nature of enterprise opportunities, the nature of entrepreneurs as individuals, and the nature of the decision making context within which entrepreneurs operate (Alvarez, 2010).

Economic theories of entrepreneurship are rooted in the classical and neoclassical theories of Economics and the Austrian market process (AMP). These theories, first advanced by Cantillon, (1931) recognize the critical role of the entrepreneur as an explanatory force of several economic phenomena. The AMP, a model advanced by Croitoru (2012), Schumpeter (2008), concentrated on human action in the context of an economy of knowledge. Schumpeter (2008) described entrepreneurship as a driver of market-based systems and was based on three main conceptualizations namely arbitraging market in which opportunities emerge for given market actors, alertness to profit-making opportunities in which entrepreneurs discover and enterprise advantage and distinction between ownership and entrepreneurship (Kirzner, 2015). The study related to the theory in that micro and small entrepreneurs are the drivers of economic growth in Kenya. Financial inclusion is vital hence, the study sought to examine its influence on performance.

The locus of control theory advanced by Rotter (1966) relates to how strongly individuals perceive their own efforts as being instrumental in reaching their goals. The theory proposed that those who assume that the consequences of their actions are dependent upon their own behaviour are said to have an internal locus of control while those who attribute the consequences of their actions to other causes are said to exhibit an external locus of control. The need for achievement theory advanced by Mclelland (1961) posited that the need to achieve success and the degree of perceived autonomy in aspects such as problem solving, goal setting, and goal attainment drive entrepreneurship growth. The study examined the entrepreneur as the driving force in attaining goals and solving the problems that come their way. The study investigated financial inclusion and how it could be used to attain financial goals hence improving enterprise performance.

The results supported the theory in that financial inclusion affects performance of micro and small enterprises positively.

2.2.2 Resource-Based Theory of Entrepreneurship

The essence of the resource-based theory is that given resource heterogeneity and resource immobility and satisfaction of the requirement of value, rareness, imperfect imitability, and non-substitutability, a firm's resources can be a source of sustained competitive advantage. Three basic types of resources that may provide competitive advantage are physical resources, organizational capital resources and human resources (Barney et al., 2001).

Resource Based Theory (RBT) posits that resources are embedded in organizations and the standard carriers of resources are established firms and corporations. However, in the enterprise context, the entrepreneur is the resource carrier whose personal resources, which exist as idiosyncratic and personalised collections of assets, affect upon the firms' competitive advantage and performance (Bamford et al., 1999, Chrisman et al., 2003, Greene et al., 1998).

Obeng et al. (2014) used the RBV theory to assess whether firm-specific resources influence microenterprise performance, as suggested by the resource-based theory and established that factors embodied in firm specific resources jointly impact enterprise performance. Okeyo (2014) used RBT to examine the relationship between enterprise orientation, business environment, business development services and performance of small and medium manufacturing enterprises in Kenya. Thapa (2014) used the RBT to examine the influence of managerial foresight on microenterprise performance in Nepal and established that managerial foresight had a crucial role on enhancing microenterprise performance and that managerial foresight mediated the effects of several entrepreneur enterprise and environment-related factors on microenterprise performance.

Kinuthia (2010) used RBT to investigate the marketing strategies and factors influencing their implementation by garment-making micro-enterprises in Nakuru town and concluded that both internal and external resource factors influenced the implementation of marketing strategies in microenterprises. The study used RBT theory to assess whether financial inclusion influence micro and small enterprise performance and establish factors embodied in firm specific resources jointly impact enterprise performance. The results concluded that financial credit products and financial access have significant influence on performance of micro and small enterprises in Kericho County, hence supporting the theory.

2.2.3 Enterprise Competency Theory

Enterprise competency theory is an extension of the resource based theory of the firm and has been used to examine determinants of microenterprise performance. Competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship and the development of small and new businesses (Mitchelmore & Rowley, 2013). Mitchelmore and Rowley (2013) reviewed previous studies on competencies and identified a cluster of competencies associated with firm performance namely business and management competencies, human relations competencies, conceptual and relationship competencies. Entrepreneurship scholars suggest that enterprise competencies are vital to business growth and that different competencies are needed at different stages of the venture development.

Chandler et al. (1994) identified three clusters of competencies associated with successful entrepreneurs namely enterprise, managerial and technical competencies.

Spencer et al (1993) developed a generic competency model for entrepreneurs comprising of eight competencies namely opportunity competency, self-confidence, persistence, information gathering, systematic planning, concern for high quality of work, commitment to work contract and use of influence strategies.

Ahmad et al (2010) studied the role of competencies on business success in SMEs in Malaysia and established five clusters of competencies that contributed to business success namely strategic, conceptual, leadership, relationship and technical competencies. In a study on SMEs in Hong Kong, Man et al. (2008) established that there was strong relationship between enterprise competencies and performance of the SMEs. The theory informed the study in looking at the relationship between performance and financing and identifying the competencies in our case financing that influence performance. This theory is supported by the results that showed financial inclusion having a positive significance on performance.

2.2.4 Transaction Cost Theory

Transaction cost theory explains that organizations incur costs as they acquire, configure and utilize resources. Transaction costs reflect the costs of economic or organization both outside the firm and inside the firm and are one means by which one can measure the efficiency of different institutional designs in achieving economic outcomes in particular environments (Polski et al., 2001). In financial markets, transaction costs relate to the cost of accessing financial services. Requirements for accessing financial services impose reflect high transaction costs and microenterprises often face higher transaction costs of borrowing than large firms, which affects their performance (Beck et al., 2009). Scholars argue that there are interdependencies between resources and transaction characteristics where resources are considered as antecedents of transaction costs (Zott et al., 2011). It has also been hypothesised that resources that are difficult to isolate and emulate increase the costs of opportunities when they are exchanged in a transaction because of the high ambiguity involved in the exchange (Zott et al., 2011). Transaction cost theory guided the study in examining the costs related to financial inclusion and how it affected micro and small performance. The results of the study supported this theory and concluded that financial transparency (in terms of transactional costs) has a significant influence on performance of micro and small enterprises in Kericho County, Kenya.

2.2.5 Financial Literacy Theory

Financial literacy theory is an emerging theory that draws theoretical perspectives from other theories including economics, psychology, sociology and management to explain the financial behaviour of individuals. Financial literacy as a construct was first championed by the Jumpstart coalition for personal financial literacy in its inaugural study of financial literacy among high school students (Hastings et al., 2012). As operationalized in academic literature, financial literacy is a multi-dimensional construct comprising of knowledge of financial products, knowledge of financial concepts, having the mathematical skills or numeracy necessary for effective financial decision making and financial behaviour such as financial planning (Wise, 2013). Financial literacy theory informed the study by examining the level of financial literacy of micro and small enterprises and how it affected performance. Results from the study indicated financial literacy has a significant influence on performance of micro and small enterprises in Kericho County, Kenya hence supporting this theory.

2.3 Empirical Review

This section cover literature related to the main concept of the study. It includes financial inclusion, review on performance, financial access, financial transparency, financial credit products and financial literacy.

2.3.1 Financial Inclusion

According to Tita and Meshach (2017), they stated that there is no universally accepted definition of financial inclusion since the term is multidimensional by nature and varies depending on the specific agenda of countries. Generally, however, financial inclusion covers all initiatives directed towards making formal financial services available, accessible and affordable to everyone in a given society with a particular focus on those previously excluded from the formal financial sector. Financial inclusion recognizes that people and businesses require a range of financial services in addition to credit savings, payment services, remittances, insurance, just to name a few" (Queen Maxima, 2010).

Further, in the study by Tambunlertchai (2015), several common themes emerge from these two definitions of financial inclusion. Firstly, financial inclusion requires "universal access," i.e., the provision of financial services to everyone that needs them. The services should be "appropriate," or suited to the needs of the people, and provided at reasonable cost, so that costs would not be a barrier to usage. Service providers should have responsible and sound practices, and they should be sustainable institutions. All must operate within a well-regulated environment. The study suggested that it is not only the services provided and the costs that matter; the quality of financial services and the quality of the service providers themselves are just as important in furthering the goal of financial inclusion. Finally, to ensure a well-functioning system, good regulations and regulatory practices are also essential (Tambunlertchai, 2015).

This includes activities of participants in the formal and semi-formal sectors such as commercial banks, development finance institutions, post offices, microfinance banks, credit unions and cooperatives. The concept of financial inclusion therefore stretches beyond improving access to credit to include facilitating access to savings, enhancing risk management and ensuring the development of an efficient financial infrastructure that allows individuals and firms to fully participate in the economy while protecting consumer rights (Tita & Aziakpono, 2017).

It is worthwhile to note that access to financial services and the actual use thereof are two distinct concepts. Some individuals may have access but decide not to use it because of religious, cultural or other reasons. This is called voluntary financial exclusion and may occur because of indirect usage through a family member or lack of demand for financial services. Conversely, some individuals may have the need for financial services but face serious physical barriers to access and, as such, are involuntarily excluded (Tita & Aziakpono, 2017).

Lack of access to finance can be a particular problem for micro businesses due to information asymmetries and the additional cost of providing small loans. Three quarters of micro businesses reported problems in obtaining finance as an obstacle to business growth (Ban et al., (2015). According to Tomlinson (2013) found evidence of poor treatment of MSMEs in financial difficulty, including increasing the pricing of business loans for struggling firms and the application of opaque and arbitrary fees.

Mwangi and Cheluget (2018) conducted a study on the role of Financial Literacy, Financial Innovation, and Financial Inclusion on SME Access to Credit in Kenya: A Case of Kumisa SACCO found that financial access is a precondition for financial performance of small and micro enterprises and has become an increasingly important development metric, as one of the factors which can drive widespread economic development. Small and micro enterprises have been noted to play a significant role in employment and economic growth of many countries. Indeed, in many developing countries as well as developed countries, small and microenterprises are the focal point of growth and self-employment. In low-income countries, it is estimated that small and micro enterprises account for more than 60 per cent of the GDP and provide over 70 per cent of employment opportunities.

Mbugua (2015) conducted a study on the Role of Agent Banking Services in Promotion of Financial Inclusion in Nyeri Town Kenya. This study explored the extent to which banks have been able to collaborate with agents, commercial entities whose primary objective and business is other than the provision of financial services. The study found that customers were willing to forego the extra charge to procure banking services through agent banking outlets. Lack of liquidity and security concerns were found to be low. The study concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion. This is because services are brought closer to the people and thus saves a lot of time, which would have been used to queue in banking halls or ATMs. The researcher recommended that more agent banking outlets should be opened to offer more services to increase the geographical coverage and that agents should be fully vetted and monitored to avoid lack of liquidity and security breaches.

Wambua and Datche (2013) conducted a study on the Innovative factors that affect financial inclusion in banking industry: A case study of Equity Bank Mombasa County, Kenya. The general objective of the study was to analyse the innovative factors that affect financial inclusion specifically focusing on perceived risk on innovated channels, trust and confidence on innovated delivery channels, user friendliness of innovated delivery channel and anti-money laundering requirement on the innovated delivery channels in Mombasa County. The study utilised the descriptive survey research design with quantitative and qualitative approaches with a target population of 20,585 equity customers operating in 5 branches within Mombasa County. The study found that innovated channels of distribution are generally underutilised, the banks that roll out new channels of distribution such as Agency banking, E-Banking and M banking are still experiencing influx long queues inside their banking halls especially at enquiry and customer service counters despite these innovated channels.

2.3.2 Review of Small and Micro Enterprises on Performance

Kibet et al. (2015) conducted a study to figure out the effect of credit on performance of micro and small enterprises in Uasin Gishu County. The study employed primary data targeting a population of 5000 entrepreneurs in the county with a sample size of 45 MSEs. The study found that credit has a positive effect that accelerates the Micro and Small Enterprises towards achieving their Business objectives. The study also concluded that financial institutions, especially the micro finance were concerned with financial inclusion by availing financial services to people who are economically marginalized and who therefore experience financial exclusion in that they do not have ready access to mainstream commercial and financial service providers. However, the study by Kibet et al. (2015) presented a methodological gap since it used primary data while the current study used secondary data. The use of different data types may give varying results. Further, Kibet et al. (2015) study was confined to MSEs in Uasin Gishu County whereas the current study focused on all MSEs in the country. This ensured that the results were more comprehensive and conclusive.

Ombongi and Long (2018) conducted a study on factors affecting financial performance of small and medium enterprises (SMEs): A case of manufacturing SMEs in Kenya, where it was revealed that the Small and Medium Enterprises (SMEs) do play a vital role in various economies across the world. SMEs in Kenya not only have a share in Kenya's Gross Domestic Product (GDP) but also constitute a larger portion of Kenya's employment openings. For longevity of SMEs in Kenya, the financial aspect cannot be ignored. Technology and human capital cannot be ignored either since it is out of well-trained work force that Research and Development (R&D) can be conducted in support of innovation related activities and outcomes which largely support the technological aspect of a firm. The study applied descriptive research whereby data collected was analysed using regression analysis that confirmed econometric least square model of the study.

The study confirmed a direct relationship between SMEs financial performance and the independent variables; bank credit, technological costs, GDP, growth in number of SMEs and employee costs. The study is highly recommended for use by stakeholders in SMEs and Government of Kenya in efforts to ensure external financing is available to SMEs. The study focus was on examining factors that influence overall financial performance of manufacturing SMEs in Kenya. Nairobi; Capital City for Kenya is the main economic hub for Kenya and SMEs do have a position in country's economy. Back credit, GDP and technology are top three factors that enhance financial performance of SMEs. Bank credit issuance to SMEs remains a major puzzle for many SMEs with no capacity to qualify bank credit funding. It is evident from the research that bank credit have impact on overall firm performance since own funding and retained earnings are not enough to move SMEs from one state to another in terms of growth. For technological aspect, SMEs cannot be left behind concerning changing technologies and growth in science (Ombongi and Long, 2018).

Nyanamba et al. (2013) conducted a research that determined the factors, which influence the capital structure among microenterprises. The objectives of the study were to identify the factors affecting capital structure of micro-enterprises, to establish the extent to which the factors affect capital structure of micro-enterprises and to analyse the extent to which micro-enterprises have used external finances. The research involved a survey of the micro-enterprises within Kisii town. The results identified the major determinants of the capital structure of micro-enterprises as being access to capital markets, size of the business, profitability of the business and lender's attitude towards the firm. Banks and financial institutions were noted as the most preferred form of external financing for the micro-enterprises.

The study concluded that the major factors that affect the capital structure of micro-enterprises are: access to capital markets, size of business, and profitability of the business and lenders' attitude towards the firm. Other factors, though less significant, include asset structure of the micro-enterprises, lending interest rates, age of the business and attitude of the management toward risk. Government policy and tax advantage of the debt have no significant role in determining the capital structure of micro-enterprises. From this research, it is clear that a number of factors affects capital structure. It is noted that micro-enterprises experience low growth rate (Nyanamba et al., 2013).

In the study conducted by Kamunge et al. (2014), it was concluded that access to finance and availability of management experience are the key socio-economic factors affecting the performance of businesses in Limuru Town Market. The other key factors that were found to affect businesses in Limuru Town Market positively are: access to business information, access to infrastructure and government policy and regulations.

The study recommended that the government should start offering basic business and financial management skills as this will enable entrepreneurs to make informed investment decisions as well as enhance their enterprise skills that enable them to recognize and exploit the available business opportunities. The study found that government policy and regulations can affect businesses positively especially if the gain was the enterprises in Kenya. The study used hybrid measures that included increase number of employees, increase in sales, increase in profits and customer satisfaction (Kamunge et al., 2014).

2.3.3 Interest Rate Capping

Interest rates play a crucial role in the efficient allocation of resources aimed at facilitating growth and development of an economy and as a demand management technique for achieving both internal and external balance with specific attention for deposit mobilization and credit creation for enhanced economic development (Jelilov, 2016). Banking interest rate controls are generally codified into banking and central bank laws, which grant the central bank of a country the legal authority to fix the maximum lending interest rate for regulated financial institutions (Koch & Macdonald, 2015).

Among the various ways in which governments can have financial controls is the capping of interest rates. This study looked at capping of interest rates and its moderating effect on the relationship between financial inclusion and performance of micro and small enterprises in Kenya. Capping of interest rates is one form of government financial controls. When a country places interest rate caps on loans, it has to define the scheme to be used, including the source of the rate-setting authority, the type of legislation, and the entity responsible for setting the cap.

Other relevant characteristics are whether the cap will apply only to the interest rate or to fees and commissions as well, whether the ceiling will vary according to the type of credit or to its duration or other criteria, and whether the cap will be absolute or relative (World Bank report, 2014).

Financial control is defined as the procedures designed to protect assets and ensure that all financial transactions are recorded to prevent and reduce errors and fraud (Block & Geoffrey, 2008). The aim of financial controls is to provide an overall guiding framework for a sound and efficient management of resources in all institutions. The goal of having a strong system of financial control is to promote the institution's ability to reach its objectives, providing reliable financial data, safeguarding assets and records, evaluating operational efficiency through budget, organizational control and encouraging adherence to prescribed policies and regulations. An institutions system of financial control has a key role in the management of risks that are significant to the fulfilment of its operational objectives.

A sound system of financial control contributes towards safeguarding the stakeholders' investment and the institution's assets. Financial controls facilitate effectiveness and efficiency of operations, thus helping to ensure the reliability of internal and external financial reporting and assist in compliance with laws and regulations (Hayles, 2005). Effective financial controls including the maintenance of proper accounting records help ensure that the institution is not unnecessarily exposed to financial risks and that the financial information is used only within the business (Hayles, 2005). This also contributes to the safeguarding of assets, including the prevention and detection of fraud (ACCA, 2010). Walters and Dunn (2001) have stated that obtaining sufficient knowledge of the internal financial controls, both information technology controls and application controls, are needed to facilitate the determination of the audit strategy and to carrying out subsequent steps.

According to Khoove (2010), control environment is the attitudes, abilities, awareness and actions of a client personnel and particularly management in relation to control. Financial control activities are the policies and procedures that help ensure that management directives are carried out (Walters & Dunn, 2001). Control of the financial decisions covering the organization, method, process and internal audit established by the administration in order to ensure that the activities are carried out in compliance with the purpose of the administration and determined policies and the legislation, the assets and resources are protected, accounting records are kept in an accurate and complete manner and financial and management information is produced in line and in a reliable manner (Khoove, 2010).

Hence controls of the financial decisions and transactions of the public institutions related to the revenue, expenditure, assets and liabilities concerning their compliance with the budget, budget item, available applicable amount, expenditure programme, financing programme of the administration, to central government budget law and other financial legislation provisions and in terms of the utilization of the resources in an effective, economic and efficient manner (Public Financial Management Act, 2004).

In Kenya, the financial systems have conventional lines. According to Mullei and Ngelu (1990), the system is made up of the Central Bank, the commercial banks and non-bank financial institutions licensed under the Banking Act, building societies, development finance companies funded by the government and external development agencies, a Post Office Saving Bank, a National Social Security Fund, insurance companies, pension funds, and a stock exchange.

Financial control forms an important part of any institutions financial system. Following the recent banking act (Amendment) Bill 2015 put into law, requires banks in Kenya to cap banks' lending interest rate to not more than 4% above the Central Bank Rate (CBR), various sectors are affected in one way or another. Governments have used interest rate caps for a range of political and economic reasons. In our case, the Kenyan government used political reasons capping of interest rates following the high interest rates that was at the time (Wachira, 2017).

Empirical evidence around the world from various studies has argued for and against the use of interest rate caps. Research from other parts of the world have found that the main reasons for interest caps on loans were to protect consumers from excessive interest rates, to increase access to finance, and to make loans more affordable. The World Bank Report (2014) has found that most countries regulate interest rates with the broad aim of protecting consumers, as in the case of Spain. In Portugal, the main aim of interest caps was to protect the weakest parties and in countries like Belgium, France, the Kyrgyz Republic, Poland, the Slovak Republic, and the United Kingdom have used interest caps in shielding consumers from predatory lending and excessive interest rates. While in Greece, interest rates caps were used to stop the abuses arising from too much freedom and offer controls over-indebtedness in Estonia and decreasing the risk-taking behaviour of credit providers in the Netherlands.

Also, in Thailand authorities stated that the purpose of the caps was to make finance affordable for low-income borrowers. While in Zambia's authorities introduced the caps to mitigate the perceived risk of over indebtedness and the high cost of credit, as well as to enhance access to the underserved. (World Bank Report 2014).

Interest rate caps can also be justified to protect consumers from usury and exploitation by guaranteeing access to credit at reasonable interest rates and to facilitate prosecution of exploitative and deceptive lenders. They can also help protect the public interest by ensuring a fair and reasonable interest rate on loans. Following the above statement, interest rate caps may be an instrumental way to limit access to credit to some impaired and low-income consumers, because they help avoid social harm (OFT 2010). In addition, according to another rationale, because prices charged for credit can be arbitrary and anticompetitive and thus be higher than the true cost of lending, setting a lower cap on interest would still allow lenders to operate (World Bank Report, 2014).

Other studies argued against the use of interest rate caps since they are an inefficient tool for lowering interest rates, especially in the end. They also limit access to credit; reduce transparency and decrease product diversity and competition. In addition, they could undercut the demand for formal credit and affect firms' productivity (Maimbo & Gallegos, 2014).

In Nicaragua, the application of an interest ceiling caused microfinance institutions to reduce lending and prompted a number of such institutions to leave rural areas, due to high cost of operations and risk (Helms & Reille 2004). While in the case of Colombia, it was found that the interest rate limits affected small firms in terms of high transaction costs resulting to increased costs in financing (Delgado, 2004). According to Miller et al. (2009), the introduction of capping interest rates led to countries like Bolivia in 2004 to have a decrease in licensing of new lending institutions. In the case of Zambia, capping of interest rates lead to near collapse of the credit market and the local currency not earning foreign exchange in 2013 (Safavian & Zia, 2018).

Moreover, because interest rate caps distort the market and generate adverse selection, financial entities tend to lend to clients with higher collateral, thereby creating inefficiencies in financial intermediation. Consequently, financial institutions curtail their lending to those who need it most and have little access to alternative sources of credit (Miller et al., 2009). Also, according to some evidence, interest rate caps on loans discourage microfinance nongovernmental organizations (NGOs) and other sources of finance for the poor from converting into licensed financial institutions (Helms & Reille, 2004).

According to the World Bank Report (2014), to understand the concept of interest rate caps it is important to understand the characteristics of interest caps regime. When a country places interest rate caps on loans, it has to define the scheme to be used, including the source of the rate-setting authority, the type of legislation, and the entity responsible for setting the cap. Also explore the legal instruments countries use to establish the cap. Other relevant characteristics are whether the cap will apply only to the interest rate or to fees and commissions as well, whether the ceiling will vary according to the type of credit or to its duration or other criteria, and whether the cap will be absolute or relative.

From the World Bank Report (2014), it was found that the main reasons for using interest caps on loans were to protect consumers from excessive interest rates, to increase access to finance, and to make loans more affordable. Most countries regulate interest rates with the broad aim of protecting consumers, as in the case of Spain. Other countries provided more specific objectives, such as protecting the weakest parties (Portugal); shielding consumers from predatory lending and excessive interest rates as in the case of Belgium, France, the Kyrgyz Republic, Poland, the Slovak Republic, and the United Kingdom ; stopping the abuses arising from too much freedom as in the case of Greece ; controlling over-indebtedness as in the case of Estonia; and decreasing the risk-taking behaviour of credit providers in the case of the Netherlands.

The report further found that similarly, in Thailand authorities stated that the purpose of the caps was to make finance affordable for low-income borrowers. In Zambia, authorities introduced the caps to mitigate the perceived risk of over indebtedness and the high cost of credit, as well as to enhance access to the underserved (Helms & Reille, 2004). Maimbo and Henriquez (2014) found that despite good intentions, interest rate ceilings can actually hurt low-income populations by limiting their access to finance and reducing price transparency. If ceilings were set too low, financial service providers would find it difficult to recover costs and are likely to grow more slowly, reduce service delivery in rural areas and other costly markets, become less transparent about the total cost of loan, and even exit the market entirely. When rates are capped, most investors may see this to mean that the banks' earnings reduce and thus they may shy away from investing in the shares of banks that are listed in a country's stock exchange.

According to Kausar (2013), Microfinance institutions are providing the services of microcredit, savings and insurance. The main purpose of microcredit loan is to reduce the poverty and for empowering the women mostly in under development countries. It is concluded that there are many factors, which may affect the demand of microcredit by the borrowers. These includes the interest rate, relationship between lenders and borrower, government policies, gender differences, prospective, credit worthiness of borrower, transaction cost, limited access to credit, economic condition and the availability of information. Microfinance institution provides the small loan to poor people who are disqualified for the formal loan.

Micro finance includes a wide range of provision of financial services including; services of payment, accepting deposits, lending loans transfer of money and insurance to low income and poor people. At the end, we conclude that the basic purpose of micro credit is to provide the money to low income people and the poor to use it in activities of businesses and also for improving their life standards. There are different factors like interest rate, economic condition, credit worthiness; non-availability of information, gender difference and govt. policies etc. affects the demand of microcredit in Pakistan (Kausar, 2013).

In the article by Wachira (2017) on money matters magazine, he states that there are some down side to the piece of legislation in the Kenyan government that is not coming in with very clean hands. He states that one of the major contributor to high interest rate is treasury through its borrowing instruments such as T-bills and Treasury bonds in order for the banks to increase their lending to the government given them increased appetite for funding the national budget. Following the new the quality of banking services will evolve and how they will adapt to the new regime of interest rate caps, floors and ceilings remain to be seen. Banks will need to review their business plans and change to adapt to the new environment. They will have to break down customers into risk categories and increase the prominence of credit reference bureaus so that they provide both bad and good information. Some banks will definitely lose businesses that lack collateral to savings and credit cooperatives and to microfinance institutions. While interest capping has failed in countries such as Nigeria and India, it has worked in some countries. France, Zambia, Canada and Argentina have successfully resorted to such measure in order to protect its people against the market failures.

Odhiambo (2013) sought to study the effects of changes in interest rates on the demand for credit and loan repayment by SMEs in Kenya. The study targeted the 43 banks in Kenya and various sectors under SMEs in Kenya namely; Agriculture, Manufacturing, Building & Construction, Mining, Energy & Water, Trade, Tourism, Hotel & Restaurant, Transport & Communication, Real Estate and Financial Services. Descriptive approach was used to determine the weights of the variables. The study concluded that high interest rates do not necessarily affect the demand for credit. It was observed that high interest rates were not a major concern for SMEs.

Government may also play a critical role in ensuring a legal and regulatory framework that fosters financial development and competition. In some cases, it may also play a fundamental role in introducing technological platforms for some sources of finance, such as venture capital and reverse factoring. The SMEs are also characterized by their business site. In most cases, their location lacks basic amenities with inadequate power supplies. Most of the places are open-air markets with little or no permanent structures to run their businesses from. The only hope of accessing electricity through rural electrification program has also hit a snug. The sources of start-up capital for the business also vary with majority having to use their personal savings. Lack of capital is cited as one greatest problem of SMEs growth in Kenya (Odhiambo, 2013).

In the study by Odhiambo (2013), governments play a fundamental role in ensuring a supportive enabling environment and expanding the frontier for MSE Finance. Ensuring a stable macroeconomic environment, an effective financial infrastructure and a supportive legal and regulatory framework, is arguably the most important and effective contribution that governments can make to expand the supply of finance to MSEs. Government action is also fundamental in the regulation and supervision of private credit bureaus, ensuring effective credit reporting and curbing any abuse of market power (through regulation or promotion of entry and competition).

Chege (2014) conducted a study that sought to establish the impact of interest rates on non -performing loans in commercial banks in Kenya. This study adopted a descriptive research design targeting all the 43 licensed commercial banks in Kenya. Secondary data was collected on the interest rate charged by the banks, total loan and advances, total non-performing loans, total assets, total risk weighted assets, noninterest expense, total revenue for five-year period (2009 – 2013). The study concludes that there is a strong relationship between financial performances of commercial banks with interest rate. The study recommended that there is need for banks to apply efficient and effective credit risk management that will ensure that loans are matched with ability to repay and minimize on their interest rate spread and other incidental costs so as to reduce loan default.

Zachary (2013) conducted a study on the effects of interest rates on demand for credit by Small medium enterprises in Nairobi County. The research findings revealed that there was a very strong positive relationship (R= 0.932) between demand for credit, interest rate, annual profit and owner's equity. The study also revealed that 86.9% of demand for credit by SMEs in Nairobi County could be explained by interest rates. From this study it was evident that at 95 per cent confidence level, the variables produced statistically significant values and can be relied on to explain demand for loans by SMEs from lending institutions. The findings further revealed that effective interest rates, annual profits and owners‟ equity explained demand for loans in that order.

According to Mbua (2017), many countries in Africa have established interest rate ceilings to protect consumers from high interest rates charged by banks. Most of these ceilings are the response of governments that are facing political and cultural pressure from its citizens. The general idea is that interest rate ceilings limit the tendency of some financial service providers to increase their interest yields (all income from loans as a percentage of the lender's average annual gross loan portfolio) especially in markets with a combination of no transparency, limited disclosure requirements and low levels of financial literacy (Maimbo & Henriquez, 2014).

According to Mia (2017), one of the major drawbacks of an interest rate cap is that it substantially reduces social outreach (providing financial services to the poorest of the poor) of MFIs. With a cap on the interest rate, MFIs would be less interested in funding loans of small amounts due to the high cost of operations and monitoring expenses. Intuitively, they will find it cost effective and profitable to allocate larger loans to maintain the balance between revenue and cost. By doing so, the lower end of the poor, who require smaller loans, will find it difficult to obtain finance capital for their business ventures. Hence, the study sought to identify the effects of interest rate capping as a moderating variable and investigate its influence on financial inclusion and performance of micro and small enterprises in Kericho County.

2.3.4 Availability of Financial Credit Products

Microcredit products are another measure that may help alleviate poverty and provide access to finance to poor people who do not have access to formal loans. This measure could also help protect deprived groups in the population from taking out loans in the informal sector at excessively high interest rates (Khandker, 2011). Thus, microcredit products can help to provide financing without the need of imposing interest caps on loans. Empirical evidence on the impacts of microcredit products supports arguments for and against these initiatives. Some argue that they help smooth consumption, empower women, and reduce poverty for some but not for the poorest part of the population.

Conversely, others say that they can increase poverty, disempowering women, and reduce the educational level of children (Van Rooyen et al., 2012; Aggarwal et al., 2013). Since the evidence on the impacts of microcredit lending is mixed, such programs should be developed with caution. First, they must be supported by formal regulations that ensure minimal standards such as disclosure of ownership (especially when microcredit programs are carried out by nonbanking financial institutions), by reporting of financial statements, and by transparent and understandable disclosure of interest rates to prevent predatory lending. Second, microcredit programs should be accompanied by financial literacy initiatives to educate micro borrowers, particularly in rural areas. Third, micro lending should include a protection policy for lenders and borrowers to avoid over indebtedness.

In the study by Gichuki et al. (2014), found that the key challenges hindering micro and small enterprises from accessing credit facilities to be high cost of repayment, strict collateral requirements, not getting the exact amount applied for, unwillingness of people to act as guarantors, lack of enough collateral, high credit facilities processing fees and short payment period. Measures proposed to improve access to credit were lowering the interest rates, lengthening the loan payment period, reconsidering of the collateral security policy, and expansion of product portfolio and increase in the customer outreach.

The study sought to establish the extent to which collateral requirements, cost of credit, availability of information and business risks influence access to credit facilities by MSEs in Kangemi Harambee market in Nairobi City County, Kenya. From study, it was concluded that business risks influences accessibility to credit facilities to a great extent followed by collateral requirements and cost of credit which influenced access to credit facilities to a moderate extent and then availability of information on finance which has an influence in accessing credit facilities for micro and small enterprises only to a small extent. The study concludes further that the respondents preferred to get their start-up capital from personal savings, relatives and friends because the collateral requirements and high repayment costs by financial institutions (Gichuki et al., 2014).

Waweru & Ngugi (2014) conducted a study on the influence of financial management practices on the performance of micro and small enterprises in Kenya and concluded that financial innovations influence the performance of Micro and Small Enterprises in Kenya largely and that the reason for innovation in an organization is to make profit. Financial innovation is essential in order to generate long-term stability and that Innovation requires the firm to have competences relating to technology. Further study concluded that customer perspective of newness necessitates a change in consumer behaviour to accommodate new product usage conditions. This study further concluded that Investing can be described as the redirection of resources from being consumed today to creating benefits in the future; that It is essential to invest so that investments can grow to fight against inflation and future uncertainties and that Development of an effective business support system is also a key condition for the success of investment capacity building while as investing requires business support agencies which have a demonstrated capability of penetrating the MSE sector.

Further the study concluded that Risk has become part of a strategic component of the modern organization's survival and development; that risk can be seen as the possibility of economic or financial losses or gains; that MSEs require the adoption of a risk management strategy and methodology; and that the most significant risk among small businesses involves human factor. Finally, the study concluded that there is a statistical significant between working capital and firm performance (Waweru & Ngugi, 2014).

In the paper by Shibia and Barako (2017) on determinants of micro and small enterprises growth in Kenya, it utilized a cross-section survey data of 2,536 MSEs in Kenya. Using the sales growth as the dependent variable, the paper tests the hypotheses that investment climate variables – entrepreneur perception of fairness and affordability of the courts in dealing with commercial disputes, access to formal credit, connections to utilities, crime incidences; and firm-specific resources affect MSE growth. The study found a positive entrepreneur perception of the fairness and affordability of the courts, access to formal credit, connections to utilities, and lower incidences of crime, entrepreneur education and experience positively affect MSE growth.

According to Njue and Mbogo (2017) in the study on improving access to banking products and services for small and medium enterprises in Kenya, it was to found that there was need for banks to develop financial products and services for small and medium enterprises. The study concluded that these factors that influenced access to financing included lack of credit worthiness information about SMES, lack of collateral limits the SME access to finance, low net value of the entrepreneurs in terms of assets and liabilities (Capital) limits SME access to finance borrower's lack of honesty and trustworthiness (character) limits SME access to finances. The study recommended that training be emphasized to SME entrepreneurs on financial matters, all gender to be treated equally, the banks to introduce financial education programs for SMEs to improve their access to credit, banks to further make use of a credit scoring system to assess the credit worthiness of small businesses and to introduce the use of new credit bureau regulations to increase SME finances.

Results from the bank manager's perspective indicated that the level of access to finance was high, but the bank clients indicated otherwise, that it was low. Further, the results showed that factors influencing access included gender, level of education, size of the business, age of the entrepreneur, collateral, and level of income for the entrepreneurs. All the factors had a negative effect on the access of finances from the banks by SMEs and hence indicate SMEs low access to financial products. Finally results indicated that there were tools and systems put in place by banks to improve accessibility to financial products offered to small and medium enterprises (Njue & Mbogo, 2017).

The study sought to examine the financial credit facilities offered by banks for the micro and small enterprises and how it affects financial inclusion in the country. The study investigated whether there are new products developments after the interest rate caps.

The study also investigated whether the micro and small enterprises have access to new products offered by the banks and its influence on performance.

2.3.5 Transparency in Financing

An effective framework for consumer protection should provide five elements: transparency on disclosure of interest rates and all other loan costs, conditions, and terms; choice by guaranteeing fair and non-abusive business practices in the selling of financial products and services (e.g. high interest rates charged by non-banking financial institutions in some countries) and the collection of payments; redress through a mechanism for reporting complaints and resolving disputes; privacy of personal financial information; and trust in the professionalism of financial institutions and in their ability to deliver what they promise. In addition, the framework should also provide programs for financial education (Rutledge, 2012).

Waari and Mwangi (2015) in the paper on factors influencing access to finance by micro, small and medium enterprises in Meru County, found that differences exist on the nature of information requested and availed to the financial institutions and information expected to and provided by the MSME"s. This information asymmetry may be a contributing factor towards the amount of loan advanced by the financial institutions. The study concluded that information asymmetry though not a significant factor influences access to finance by MSME"s. In business risk management, it was found to be an important factor that influences loan accessibility by the MSME"s. This research established that 47.6 per cent of the MSME"s has high credit risk exposure due to them operating more than two loans. This raises their credit risk profile, which the lenders may not be aware of. The study agreed with literature that established that MSME"s has poor credit risk mitigation measures and further transactional cost established to be a significant predictor.

Wambugu and Ngugi (2013) found that commercial banks play a vital role in giving direction to the affairs of the economy in various ways. In the context of deposit mobilization, given the income savings ratio, commercial banks induce the savers in the community to hold their savings in the form of socially useful assets of which banks deposits constitute the most important element. Today, banks have become flexible and as such face stiff competition from each other. This has also seen immense expansion of the branch networks. Bank regulators have therefore come in to manage the speed of integration and expansion in the banking industry. This is important in protecting the customers who supply funds to the banking system. In Kenya, commercial banks are regulated by Central Bank of Kenya that sets and monitors both the operational and capital requirements for all commercial banks (Wambugu & Ngugi, 2013).

In the study conducted by Aduda et al. (2012) on the relationship between credit scoring practices by commercial banks and access to credit by small and medium enterprises in Kenya, banks that have adopted credit scoring have realized significant increases in the importance of small business and micro business loans in the total lending portfolio subsequent to the use of credit scoring in the lending decision. The objective of the study was to establish the relationship between credit scoring by Kenyan banks and access to credit by SMEs in Kenya.

The study concluded that there was a relationship between credit scoring by Kenyan banks and access to credit by SMEs in Kenya. The benefits gained from the use of credit scoring include accuracy in the decision making process. The study recommended that banks need to use various credit assessment methods before availing loans to SME applicants. This in turn improves the credit scoring of banks. In addition, the banks needed to regularly review their credit policies. Credit scoring is a relatively new concept in the Kenyan market where of all banks surveyed hardly any banks were using credit scoring before the year 2000. The earliest most banks used credit scoring was between the years 2000-2004. Lack of access to credit for SME's has been cited as a key issue for SME's worldwide and one solution that has been offered by researchers is the use of credit scoring in the loan appraisal process (Aduda et al., 2012).

According to Rotich et al. (2015) in the study on Moderating role of enterprise orientation on the relationship between relationship lending and financial performance of manufacturing SMEs in Kenya, found that relationship lending has gained a lot of interest worldwide as it is seen as an avenue to help bridge the information gap between SMEs and the banks thus ultimately helping SMEs access credit. Further, although credit is important to SMEs, enterprise orientation (EO) is key as it determines the success or failure of SMEs. The study also found that relationship lending has a positive relationship with financial performance is also supported in literature. The ability of firms in this study to extract benefits from relationship lending fits well into the RBV theory that sees bank credit as a financial resource that can help a firm gain competitive advantage. SMEs are plagued by the 'missing middle' phenomena hence they faced a financing gap (Rotich et al., 2015).

Won (2010) advanced the view that to expand the chances of discovery or creation of enterprise opportunities, the entrepreneur requires resources to ensure successful exploitation of the same. In Kenya the findings were consistent with Wambua and Mugambi (2013) who found evidence that relationship lending is positively correlated to financial performance. The moderation results led to the conclusion that there was a significant moderating effect of EO on the relationship between relationship lending and financial performance of manufacturing SMEs in Kenya.

In the study by Koitamet and Ndemo (2017), lack of the social entrepreneurship credit worthiness information affected their ability to access credit largely. The study recommended that the government should formulate measure to ensure that social entrepreneurship firms are facilitated to gain financial access. In addition, the banking institutions should prolong the loan repayments periods so that the entrepreneurship firms can get enough financial access. The study also recommended that all social entrepreneurship firms should use planning to forecast its activities. This would help them to boost their performance. The firms should also ensure effective control of activities in their enterprise. In addition, it was recommended there should be a clear structure of management in all social entrepreneurship firms. All employees in all social entrepreneurship firms should be well trained in their areas of operation to enhance their performance.

From the study conducted by Nyanamba et al. (2013) on factors that determine the capital structure among micro-enterprises: A case study of micro-enterprises in Kisii town, it was concluded that the major factors that affect the capital structure of micro-enterprises are: access to capital markets, size of business, profitability of the business and lenders' attitude towards the firm. Other factors, though less significant, include asset structure of the micro-enterprises, lending interest rates, age of the business and attitude of the management toward risk. Government policy and tax advantage of the debt have no significant role in determining the capital structure of micro-enterprises. From this research, it is clear that capital structure is affected by a number of factors. It was noted that micro-enterprises experience low growth rate. Therefore, there was need for micro-enterprise owners to plough back most of the profits since it would enable it to expand hence grow. They should also not rely too much on own funding as a means of financing since often this is limited to the owner's capability; but should also source from cheap external sources as and when need arises.

The research sought to find the total value of collateral owned by the various micro-enterprises, which they would use as security to secure loans from financial institutions. The results indicated that majority of the microenterprises (95%) had less than Ksh. 100 000 worth of collateral, while the remaining 5% had their value of collateral ranging between Ksh. 100 001 and Ksh. 200 000. This made it very difficult for the micro-enterprises to secure adequate loans from financial institutions using collateral. The research undertook to find out the number of times the various micro-enterprises under study had applied for financial funding using collateral over the previous two years. From the results above, it was evident that quite a good number of micro-enterprises (80%) had not attempted to apply for any financial funding using collateral in the last two years. This was because of lack of collateral, which they would use in securing the loan. The study addressed financial transparency in terms of costs associated to credit products and borrowing, on terms and conditions of borrowing. The study sought to examine whether banks are transparent in their operations with respect to the micro and small enterprises and its influence on enterprise performance in Kenya.

2.3.6 Accessibility of Financing

According to Gathungu and Sabana (2018), financial access is defined as the ability of individuals, households, entrepreneurs and firms to access and utilize a range of financial services if they choose to do so (Rojas Suarez et al., 2010). Financial access is an important determinant of the performance of microenterprises as it provides them working capital, fosters greater firm innovation and dynamism, enhances entrepreneurship, promotes more efficient asset allocation and enhances the firm's ability to exploit growth opportunities (Beck & Demirgüç-Kunt, 2006).

In the study by Chepsang et al. (2018) on the effects of access to credit on financial performance of small and medium enterprises in Nairobi county, it contributed as a wakeup call to the financial system to be more and more SMEs' sensitive and offer financial services that are all inclusive. The financing gap, in the credit market, that exists between large and small companies need to be abridged. This can be achieved by creating an enabling environment for SME, formulating regulatory framework that is SMEs friendly, segmenting NSE for SMEs' listing. SMEs are also called up to keep good financial reports and to form linkages or associations to ease the burden of accessing funds. The study was motivated by the increasing importance in Kenya's economy of SMEs, and the continuing constraints they face in their activities.

The development of SMEs has been identified as one of the strategies in the Kenyan economic blueprint of vision 2030 as one of the pillars for addressing key economic issues for generating industrialization, employment generation and poverty reduction in Kenya and in working towards a sustainable economy that achieves the Millennium Development Goals like solving the problem of unemployment. The government in its goal through Economic Recovery Strategy (ERS) is employing all players to make this dream come true. The research is also resourceful for prospective entrepreneurs wishing to start a small business. It is also a wakeup call on the lending institutions to work up a strategy that would have a wider financial inclusion (Chepsang et al., 2018).

Kithae et al. (2012) conducted a study on The Place of Micro and Small Enterprises in Achievement of Kenya's Vision 2030, concluded that despite the government's effort to promote the MSE sector, mushrooming of many service providers and the central role of MSEs in employment creation, MSEs in Kenya fall below the levels required to meet challenges of increasing basis for competition. The major challenges affecting MSEs in Kenya included MSEs not able to manage their financial resources since accessibility of credits is very hard and when given, interests on these are very exorbitant; they are not able to operate at a profit since their business rent is very high and to get a business premise in a good site is very hard; MSEs have restricted levels of technology, inappropriate technology, and inadequate institutional capacity to support adaptation and absorption of modern technological skills. Such enterprises suffer from lack of information on existing technologies; likewise, conformance to legal requirements is almost impossible because of too high license fee.

The study recommended that to enable MSEs cope with challenges of financial resources, the GOK provide them with accessible, cheap and adequate loans; to cope up with challenges associated with unavailability of business premises, the government to construct adequate industrial parks in rural areas of the country and finally, it was found necessary for government's intervention in form of provision of emerging quality improvement techniques and creation of MSE linkages and networks (Kithae et al., 2012).

Obuya (2017) in the study on debt financing option and financial performance of micro and small enterprises found that trade credit was linked with firms' liquidation and default payment hence has a negative effect on financial performance. There was a negative relationship between short-term loans on enterprise financial performance measured by return on assets. If enterprises depend more on long-term debt, they were likely to increase their cost of capital and finally collapse. Total debt was a predictor of non-performance on MSEs because it affects negatively both on return on assets and gross profit margin. On the other hand, Trade credit decreases costs of transactions. Enterprises that increase short-term loan hold more cash that improves their cash flows. Long-term loan had a positive effect on financial performance, measured by return on asset. Total debt has a positive effect on financial performance measured by gross profit margin. Financial performance measured by gross profit margin depicts insignificant relationship with debt financing option. There is no significant relationship between long-term debt and return on assets. There is insignificant relationship between total debt and financial performance measured by gross profit margin. The study concluded that Micro and Small Enterprises should finance their operations with trade credit and long-term loan and ensure proper utilization of external finances.

In the study conducted by Samuel et al. (2019) on the Influence of Access to Enterprise Finance and Performance of Coffee Smallholders' Micro and Small Agribusinesses in Murang'a County, Kenya. The study established the access to enterprise finance had a positive and significant determination on performance of micro and small agribusiness owned by coffee smallholder agribusinesses in Kenya. The study concluded that since majority of the coffee smallholder agribusinesses in Kenya do not access enterprise finance they have opted for own savings as a mean of financing their micro and small agribusiness enterprises. Further, the Study concluded that access to enterprise finance had a positive but insignificant determination on performance of micro and small agribusinesses owned by coffee smallholders in Kenya.

Further, the study concluded that access to enterprise finance showed insignificant determination on performance of MSAEs since majority of the respondents had no access to such funds. The study observed that because of the many hindrances and challenges experienced in accessing credit from financial institutions among the coffee smallholders' agribusinesses, hence concluding that this is why majority have resorted to different means available for financing. However, ensuring access to enterprise finance by micro and small agribusinesses is likely to increase agribusinesses performance. The study recommended that management of financial institutions should revise their policies concerning collaterals demanded, loans grace periods and interest rates micro and small agribusinesses are charged. The study further recommends micro and small agribusinesses owners join savings and credit cooperatives since it is easy to access loans from SACCOs compared to commercial banks (Samuel et al., 2019).

Koitamet and Ndemo, (2017) conducted a study on the effects of financial access on the performance of social entrepreneurship firms in Kenya where the general objective of the study was to establish the effect of financial access on the performance of social entrepreneurship firms in Kenya. The study adopted a descriptive research design. The total population was 448 employees of Iko toilet and Care Kenya. The sample size was 79 employees of Iko toilet and CARE Kenya who were selected using stratified random sampling. This sample was selected using R software.

The study found that financial access has a positive and significant relationship with performance of social entrepreneurship firms. Unique contribution to theory, practice and policy: The study recommended that the government should formulate measure to ensure that social entrepreneurship firms are facilitated to gain financial access. In addition, the banking institutions should prolong the loan repayments periods so that the entrepreneurship firms can get enough financial access. The study found that financial access and performance of social entrepreneurship firms are positively and significant related (Koitamet & Ndemo, 2017).

Based on the study findings the study concluded that financial access had a positive and significant relationship with performance of social entrepreneurship firms. The study also concluded that ability to access credit, short term repayment period greatly affected social entrepreneurship firms to access finance. In addition, collateral affect social entrepreneurship firms to access finance (Koitamet & Ndemo, 2017).

Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. SMEs identify financing, especially medium to long-term finance, as their topmost obstacle to growth and investment. In many developing economies, banks prefer to lend to governments, which offer less risk and higher returns, crowding out most of the private sector from the financial system Kamunge et al. (2014).

Kamunge et al. (2014) also found the problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. Because of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers. Capital is therefore necessary for the long-term survival and growth of small enterprises. It should also be noted that more money than required can be much of a problem as less money. More money means high cost for money in terms of interest and may lead to un-worthwhile investments.

Bunyasi et al. (2014) conducted a study on with the objective to assess the effect of access to enterprise finance on the growth of Small and Medium Enterprises in Kenya. A sample of 142 SMEs was used for the study to represent the entire population. Out of the 142, there were 132 respondents, which are 92.96%. The study found out that access to enterprise finance has a positive influence on the growth of SMEs. The study recommended that the government should support the legal and regulatory framework that strengthens the financial infrastructure at the same time build capacity of the financial institutions to enhance SMEs access to finances. The study found that financing was important to the SMEs in Kenya and that the government was to enhance the efforts to enhance access to finance.

Providing broad access to finance for deserving firms has significant impact on economic growth. When enterprises have limited financial access economic and social opportunities are restricted, enterprise creation and growth are restrained, households and enterprises are more vulnerable to threats, and payments are costly and less safe (Rojas-Suarez et al., 2010). Financial access enhances financial inclusion thereby contributing to financial sector deepening and overall economic growth. Financial inclusion aims at drawing the unbanked population) into the formal financial system to enable them access a wide range of financial services including savings, payments, money transfers and credit and insurance (Mehrotra & Yetman, 2015).

Financial inclusion of small firms reduces liquidity constraints, encourages investment, which in turn influences industrial structure, firm size, and competition in an economy (Beck & Demirgüç-Kunt, 2006). Financial inclusion also leads to financial deepening, which drives investment, growth, poverty reduction and total factor productivity in the economy (Atkinson & Messy, 2012). Common measures of financial access include account ownership, utilization of a variety of financial services and ability to obtain services from various financial service providers. The study sought to find out whether financial inclusion influenced performance of the micro and small enterprises in Kericho County, Kenya. This study also answered the questions whether interest rate caps realized financial inclusion for micro and small businesses.

2.3.7 Financial Literacy

According to the World Bank Report (2013), financial education and consumer protection are complementary, financial education must be part of consumer protection programs. A well-educated consumer should be able to understand the variety of financial products and services available in the marketplace and make appropriate use of them. This is particularly important for low-income people for whom good money management is a daily challenge.

Financial consumer literacy measures should identify specific groups for financial education and provide tailored programs that meet their needs. Financial regulators should lead this effort but should also involve other players such as consumer organizations, government ministries and agencies, mass media, and the financial services industry. It is also important to evaluate the financial literacy of the population and measure the impacts of any programs implemented (Rutledge, 2012).

A financially literate entrepreneur knows the most suitable financing and financial management options for his/her business at the various growth stages of his/her business; knows where to obtain the most suitable products and services and interacts with confidence with the suppliers of these products and services (USAID, 2009). Financially literate entrepreneurs manage resources more wisely; use financial information more astutely thereby improving the profitability of their enterprises (Eniola & Entebang, 2016). Financial literacy also enhances participation in financial markets, which facilitates asset accumulation and consumption smoothing and provides access to wider sources of funding (Van Rooij et al., 2011). Financial literacy is linked to debt and investment literacy (Lusardi & Tufano, 2015). Financial literacy also influences the overall access and utilization of a variety of financial services (Nunoo et al., 2010). Common measures of financial literacy include financial management, debt, savings, insurance and investment literacy.

In this regard, a study carried out by Xu and Zia (2012) showed that financial literacy is weak everywhere and even weaker in low-income countries. At the same time, the study also found that the degree of financial literacy is lower in women, is positively associated with higher income, is higher in the middle of the life cycle, and varies according to geographic and ethnic disparities. All evidence indicates that financial literacy programs should focus on target groups. Evidence of the relationship between financial education and access to finance, however, appeared limited. The report notes that just a small proportion of individuals with low initial levels of financial literacy opened bank savings accounts in Indonesia after receiving training, while in China, financial education encouraged farmers in rural areas to take out crop insurance and had spill over effects on their peers.

Financial Education and MSMEs Most policy interventions have focused on increasing access to finance for MSMEs, but not considered whether they have the awareness and skills to take advantage of these opportunities. Financial literacy is as important for MSMEs as for individual and households, both in accessing appropriate start-up finance and in empowering them to use financial products and services to manage risk and other business needs. The Association for Chartered Certified Accountants (ACCA, 2014) discusses the need for MSMEs to demonstrate creditworthiness and “investability” through high-quality financial information.

The ACCA also notes that the UK SME Finance Monitor has demonstrated that credit providers are more likely to lend to SMEs that produce regular management reports, and this advantage seems to be greater for SMEs that have not previously borrowed, and would otherwise be at a disadvantage. There are a number of online advisory services for MSMEs in the UK, but no specific programs to build financial capability (ACCA, 2014). The study sought to investigate whether the banks have identified the micro and small enterprises for financial education on inclusion and whether they have provided tailored programs that meet their financial needs.

Mmari (2014) conducted a study to determine the influence of education possessed by owner/ manager on success of micro and small enterprises in Tanzania. The study employed primary data with a sample size of 245 owner/managers of small garages in the area. The data was collected by use of questionnaires then analysed using tables, percentages, correlation etc. The findings from the study led to the conclusion that garage owners with low levels of education registered slow growth. However, the study presented a contextual gap since it was conducted in Tanzania whereas the current study is done in Kenya.

According to Bire and Sauw (2019) in the paper on the effect of financial literacy towards financial inclusion through financial training focused on Micro, Small, and Medium Enterprises (MSMEs). The study analysis results showed that financial literacy has a direct and significant impact on financial inclusion. Its contribution to financial training was 33%. In the other side, the contribution of financial literacy towards inclusion was 32%. Furthermore, financial training mediated the relationship between financial literacy and financial inclusion. Trainings were to be conducted to increase financial inclusion in understanding the knowledge of the financial products.

Nabiswa and Mukwa, (2017) in the study on the impact of credit financing on human resource development among micro and small enterprise, focused on level of education, type of training, gender, and occupation [current and previous] to explain the socio–economic background of owner– managers in Kimilili Sub County. The results of this study indicated that a majority of the entrepreneurs had post primary education. Specifically, this study established that 86% of female entrepreneurs had post primary education, of which 36% being post-secondary. The study suggested the important link between caliber of human resources and competitive engagements in business. The level of education in this study, which is a reflection of state of human resource, influenced performance of MSEs owner-managers in aspects of sourcing credit. Out of 72 entrepreneurs, who had attained up-to secondary education, only 29% sourced from both informal and formal sources and 69% sourced from informal sources only. This is unlike the post-secondary group, in which out of the 40 entrepreneurs, 73% sourced from both informal and formal sources, with only 27% of them restricting to informal sources only.

The study revealed that most of the entrepreneurs utilized sourced credit exclusively on business expansion. This observation was reinforced by the fact that 72% of the sampled entrepreneurs were influenced by pull factors of entrepreneurship like market gap and desire to actualize personal skills. In view of this, most of them had focus of growing in their businesses hence their concentration of funds on business expansion. It was further noted that a number of them had sufficient skills and will power to excel in business and did not perceive training as important, particularly in the context conducted by micro financiers. The study also established that MSE owner-managers have showed a significant capacity of savings mobilization. This was evidenced by their reliance on own savings and other informal sources rather than to formal sources. What is important therefore is assisting them to move on by efficient management of their little working capital and rigorous creation of business ideas for increased opportunities for investments, which call for human resource development. As reported in this study, most of the entrepreneurs invested in saturated markets for lack of fresh ideas and skills. This is evident by their ranking of inadequate information on business activities as one of the key barriers to performance.

Mwangi and Cheluget, (2018) found that financial access is affected by the following factors; financial literacy, financial innovation and financial inclusion. Financial literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Making the right financial choices is very important decision in the life of individuals with long-term financial consequences. Management of financial of a firm is not an easy task; SMEs need to make a choice out of a large menu of financial needs of which many have complicated features. The MSE Act (2012) was enacted to guide the provision of credit, capacity development for micro, small and medium enterprises in the country going forward to attaining vision 2030 (Republic of Kenya, 2012).

Financial literacy provides knowledge and understanding of financial concepts and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts and to improve the financial well-being of SMEs (Hogarth, 2002). Mutegi et al. (2015) affirms that financial literacy facilitates the decision-making processes such as payment of bills on time, proper debt management that improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes.

Siekei et al. (2013) conducted a study on an assessment of the role of financial literacy on performance of small and micro enterprises: Case of Equity Group Foundation training program on SMEs in Njoro District, Kenya, where a descriptive survey was done. The study sought to understand whether financial literacy education translates to better finance management and access to credit for business expansion. It only intended to analyse the opinions from financial literacy education beneficiaries solicited by use of questionnaires before generalizing the findings.

Further according to Siekei et al. (2013) the study established that, the book keeping skills acquired through the EGFFL programme were average in all the skills explored. The skill that was mastered the most was in the general establishment of business records followed by analysis to establish the business performance. On the other hand, the least rated skill acquired was on the setting up of financial controls system from the record system majority and accuracy in transaction recording, with slightly above half of the respondents indicating that they had implemented the book keeping skills acquired. Again, this was an indicator of lack of practicability of the skills obtained or EGF and low level of follow – up to ensure that the skills were well implemented. However, those who implemented these skills found some notable improvement in business performance resulting from improved ability to better track of business events from the record systems. Financial analysis skills in Performance of SMEs after proper record system is put in place, businesses require proper analysis to ensure that business performance is tracked on an ongoing process and that the business is on track, if not, informed decisions are made.

The general self-rating on the financial analysis skills among the beneficiaries of EGFFL training was low and this is evident in that, most rated themselves below average in all the financial analysis skills. The highest rated skill was on the analysis of cash outflows, preparation of income statements, and statements of liabilities and assets of the business, which essentially refer to balance sheets preparation (Siekei et al., 2013). The least was on filing of tax returns. This raises concerns especially in the current business world where the government has implemented stringent measures on tax compliance and introduced taxes in all sectors of the economy.

The study therefore concluded that financial literacy skills acquired through the EGF contributed a lot in enhancing performance of SMEs who were part of the program. There is also a significant improvement in revenues for SMEs whose owner managers attended the training. Although the level of skills acquired in bookkeeping was not high, the skills obtained influenced performance of SMEs, by providing them with mechanisms for tracking performance, and accurate decision-making. Financial analysis skills obtained was slightly lower perhaps due to the difficulty in financial concepts underlying financial analysis in business (Siekei et al., 2013).

Proper financial analysis enabled the SME owner managers to make informed decisions on their business especially on growth strategies. Credit management skills obtained through EGFFL played key roles in enhancing performance of SMEs through facilitation to acquire credit financing, and management of loan portfolios to ensure that loan liability was minimized and interest expenses minimized. Budgeting skills taught through financial literacy programmes also played significant roles in growing sales, profits and ensuring smooth running of the business Therefore the study recommends the following: Owing to the success of the EGF financial literacy training programme, equity group foundation should mainstream the programme to enhance the financial literacy training programme in geographical coverage since it plays a key role in enhancing performance and growth of SMEs which are key drives to economic development in Kenya.

The design of financial literacy programme and the mode of delivery are not comprehensive enough. This presents an impediment towards full mastery of the financial concepts for proper implementation. Therefore, the financial concepts should be broken further, and methodologies that are more effective adopted in delivery. The impact of this programme is evident in enhancing business performance. The geographical coverage of EGF in implementing the programme may be limited by the financial capacity of the company as this is implemented as a CSR activity. The government should therefore fund the mainstreaming financial literacy training programmes throughout the country as a strategy for enhancing SME performance (Siekei et al., 2013).

According to Nyakundi et al. (2014) who conducted a study on the effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya, it was observed to be a controversy as to why there is a declining business survival trend among Small and Medium scale Enterprises despite government's commitment to availability of funds. Data was analysed using descriptive statistics as well as inferential statistics. The study specifically revealed that a significant change in financial performance is linked to internal controls systems. Based on the findings of the study, it was concluded that internal control systems as supported by the study findings significantly influence the financial performance of Small and Medium scale Enterprises. The investigation recommends training on the significance of internal controls among proprietors of Small and Internal Controls and Return on Investment (Nyakundi et al., 2014).

The study examined and established a significant relationship between the levels of business knowledge of entrepreneurs in internal control systems and financial performance of small and medium business enterprises. This relationship was examined through the dimensions of financial performance and that of the level of business knowledge of entrepreneurs in internal control systems. It was revealed that the level of knowledge in internal control systems significantly influence the growth in proprietors' wealth. This statement is equally true for the improvement in the SMEs profitability.

The study found out too that there is a significant relationship between the level of knowledge on ICS and growth rate in revenue (Nyakundi et al., 2014).

The study concluded on the levels of business knowledge of entrepreneurs in internal control systems, proprietors were very dissatisfied with their competence and yet they happen to be at the helm of most SMEs. Therefore, the study concludes that the business knowledge of entrepreneurs in ICSs was not appropriate, even though the study reveals an improvement in financial performance vis-à-vis knowledge in ICSs. However, there do not seem to be significant relationship between adherence to authorization procedures and financial performance, as one of the dimensions of internal controls. The conclusion of this study is that there is a significant positive relationship between internal control system and financial performance (Nyakundi et al., 2014).

In the study by Chepngetich (2016) on the effect of financial literacy and performance SMEs, evidence from Kenya, the main purpose was to determine the relationship between financial literacy and performance of small and medium enterprises in Uasin Gishu County. The study was informed by the theory of planned behaviour. The study comprised of 1053 registered SMEs owners in Uasin Gishu County. Cluster and random sampling techniques were used to select a sample size of 290 SMEs. Data was collected using structured questionnaires. The findings indicated a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance.

The study recommended that SME owners enhance the training on the calculation of interest rate and need to have budget expertise since they dictate whether the budget would be implemented as prepared or not. Finally, there is a need for employees to have the necessary reporting and analysing skills. Borrowing financial literacy has a significant effect on SME performance. SME owners possessed the requisite knowledge on effective and efficient borrowing financial literacy. Most of them had undergone training on the calculation of interest rate. They were therefore capable of ascertaining whether a project was viable, giving the SMEs a better chance of efficiently utilizing the borrowed funds and realizing profits (Chepngetich 2016).

Budgeting financial literacy has a positive and significant effect on SME performance. The preparation of budgets coupled with budget expertise provides a spending plan for finances making it possible for the availability of funds to enhance future growth and overall performance of SMEs. This, however, requires the participation of employees in the budget process in order to realize improved performance. The study therefore recommended that SME owners to enhance the training on the calculation of interest rate. Besides, its utmost important for SMEs to assess the manner in which they will pay the borrowed funds and the profit that can be yielded. Experts need to be sought to advice on the borrowing behaviour, and the risks need to be calculated before asking for a loan (Chepngetich 2016).

Financial information is useful mainly in evaluating the success of past decisions and in determining present position. There is thus need for periodical reporting on the balances of their accounts. The growth of accounts also needs to be analysed and evaluated periodically. Additionally, there is a need for employees to have the necessary reporting and analysing skills. Budgeting financial literacy has a positive and significant effect on SME performance. It is, therefore, necessary for employees to have budget expertise. Most importantly, SME owners need to have budget expertise since they dictate whether the budget would be implemented as prepared or not. Moreover, budgets should be prepared regularly with full participation of employees in the budget process. (Chepngetich, 2016).

Cherotich et al. (2019) conducted a study on the effect of financial knowledge on performance of women farm enterprises in Kenya, stating financial knowledge (FK) as one of the major factors influencing performance of farm enterprises. The purpose of the paper was to examine the effect of FK on performance of women farm enterprises. Performance is measured using levels of savings and enterprise margins. The study uses primary data of 384 farmers from three sub-counties in Kericho County, Kenya. It employs a propensity score matching (PSM) approach to control for possible selection bias and to model the impact of FK on performance of women farm enterprises.

The analysis reveals that high FK has a significant positive impact on performance of women farm enterprises. Specifically, respondents with higher levels of FK were also associated with higher amounts of savings and enterprise margins. Econometrically, robust strategies were employed using PSM to ensure minimal estimation bias. Although PSM captures selection bias due to observable characteristics, it fails to capture selection bias due to unobservable factors. The managerial perspective of entrepreneurship defines an entrepreneur as one who organizes, manages and actively controls the affairs of units/enterprises that combine factors of production for the supply of goods and services while literacy is defined as the ability to read and write a well as knowledge and competence in a specified area (OECD, 2000). Entrepreneur financial literacy is therefore defined as the combination of an entrepreneur's understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve the financial well-being of their enterprises (Miller et al., 2009; Sherraden, 2013; Cherotich et al., 2019).

Gathungu and Sabana (2018) sought to establish the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of microenterprises in Nairobi County, Kenya. A cross-section design was adopted for the study and a representative sample of 396 microenterprises was drawn. The main study instrument was a questionnaire, which comprised of likert-type scale questions. The findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on performance therefore the hypothesis that financial literacy influences performance was supported.

The study also established that financial literacy had a statistically significant influence on financial access therefore the hypothesis that financial literacy influences financial access was supported (Gathungu & Sabana, 2018). The study also revealed that intervening influence of financial access on the relationship between entrepreneur financial literacy and performance microenterprises was statistically significant. Further, the results revealed that transaction costs had a statistically significant moderating influence on the relationship between entrepreneur financial literacy and performance of microenterprises. Finally, the study established that the joint influence of entrepreneur financial literacy, financial access, and transaction cost is statistically significant. This implies that the study variables jointly predict performance.

The study recognizes that the variables used for this study are not exhaustive and therefore suggests that future research should include more triangulation utilizing other intervening and moderating variables as well as using alternative measures of all the study variables. Future research should also conduct longitudinal studies about cause-and-effect relationships as well as the changes in study variables over time (Gathungu & Sabana, 2018). The current study will fill the knowledge gaps stated above. The current study examined the financial inclusion of micro and small enterprises and how it influenced performance. An introduction to interest rates capping as a moderator and how influenced financial inclusion.

2.4 Conceptual Framework

Financial inclusion formed the independent variable; interest rates capping formed the moderating variable while performance formed the dependent variable. According to Sekaran and Bougie (2016), the dependent variable is the variable of primary interest to the researcher. The study understood and described financial inclusion and answered the problem statement. Financial inclusion was the independent variable and influenced the dependent variable in the study either in a positive or negative way. Interest rates capping formed the moderating variable. According to Sekaran and Bougie (2016), a moderating variable is one that has a strong contingent effect on the independent and dependent variables relationship and can modify the original relationship of the independent and dependent variables.

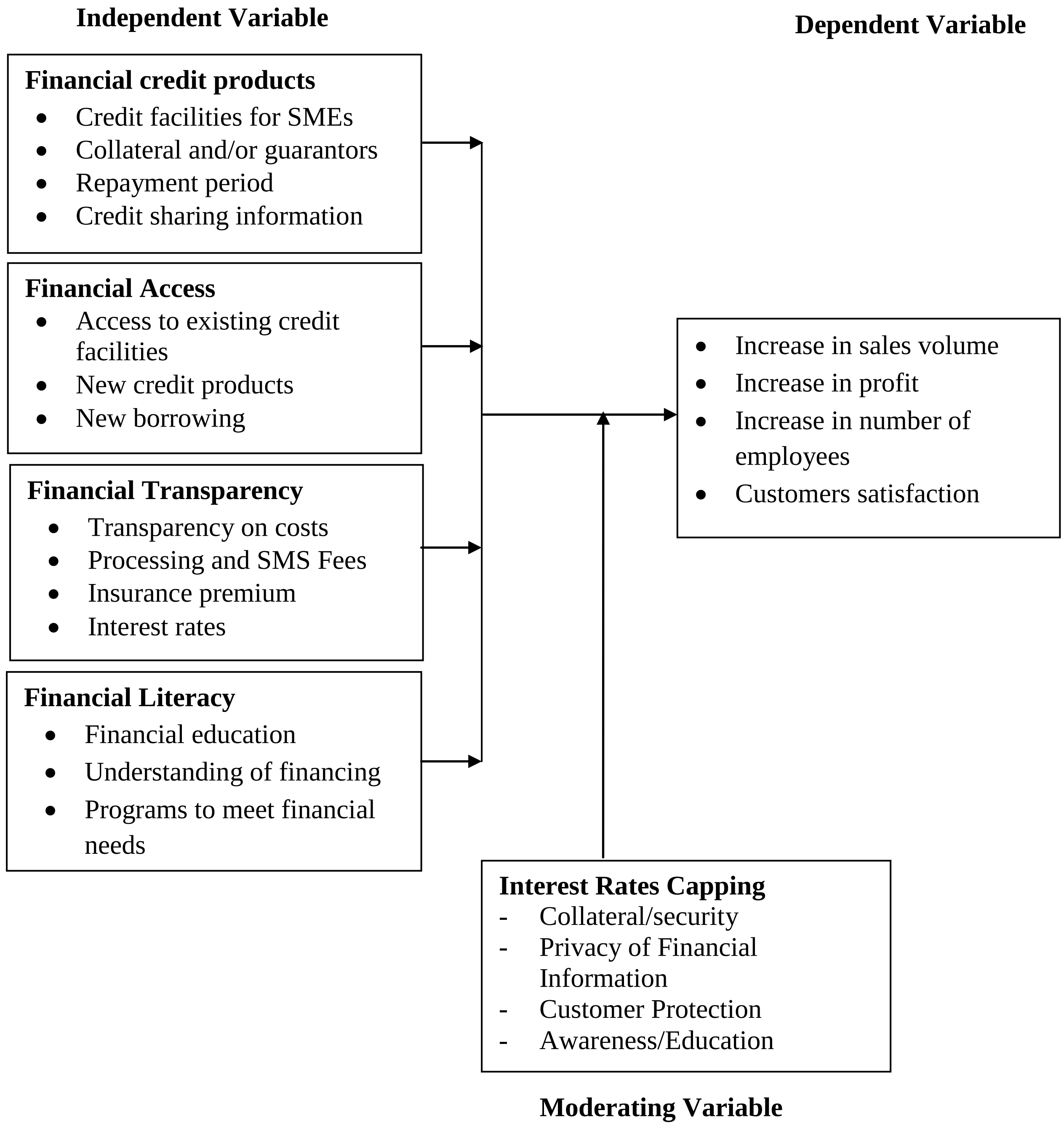

Figure 1: Conceptual Framework

Source: Researcher (2018)

2.5 Summary of Literature Review

Financial inclusion and financial decisions work together in terms of financial services made available, accessible and affordable to everyone in a society. Tita and Meshach (2017), investigated effects of financial inclusion on welfare in sub-Saharan Africa Bawuah et al. (2014) concluded that interest rates affect financing decision. The current study will examine financial inclusion and its effects on performance of micro and small enterprises in Kericho County, Kenya. The current study sought to find out if interest rate caps had a positive or negative on financial inclusion strategy that could be adopted in a different setup in our case Kenya. The current study further filled the gap in investigating the effects of financial inclusion on financing decisions of micro and small enterprises in Kericho County, Kenya using a cross sectional survey design.

Mbugua (2015), on the Role of Agent Banking Services in Promotion of Financial Inclusion in Nyeri Town Kenya, concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion. This is because services are brought closer to the people and thus saves a lot of time, which would have been used to queue in banking halls or ATMs. The researcher recommended that more agent banking outlets should be opened to offer more services to increase the geographical coverage and that agents should be fully vetted and monitored to avoid lack of liquidity and security breaches. The study examined the financial credit products that are available to make financing inclusive filling the gap to study whether more agent banking is available in Kericho County, Kenya.

Wambua and Datche (2013) conducted a study on the Innovative factors that affect financial inclusion in banking industry: A case study of Equity Bank Mombasa County, Kenya The study found that innovated channels of distribution are generally

underutilized, the banks that roll out new channels of distribution such as Agency banking, E-Banking and M banking are still experiencing influx long queues inside their banking halls especially at enquiry and customer service counters despite these innovated channels. The study filled the gap in examining how the new product developments will realize financial inclusion and its effects to performance.

Some researchers investigated interest rates when it is high and its implications. Odhiambo (2013) found that repayment ability of SMEs is directly affected by changes in interest rates. A look at the financial inclusion in totality form the knowledge gap in that it is important to examine its effect to performance and its effects in developing countries thus the link to the study.

Some studies examined interest rates as a relationship to commercial banks, while others examined the demand for loans is affected by interest rates. Chege (2014) concluded that there is a strong relationship between financial performances of commercial banks with interest rate. The study recommended that there is need for banks to apply efficient and effective credit risk management that will ensure that loans are matched with ability to repay and minimize on their interest rate spread and other incidental costs to reduce loan default. Zachary (2013) found further that effective interest rates, annual profits and owners‟ equity explained demand for loans in that order. Demand for finance is paramount to micro and small enterprises. With a change on interest rates, demand gets affected hence the current study will seek to examine the effects on financial inclusion and how it affects micro and small performance in Kericho County, Kenya. Studies have shown various impact of interest rates caps around the world while other researchers investigated the impact on the banks. Jelilov (2016) found that reduced interest rates would boost the economy.

In the study by Mbua (2017) conducted a study on the impact of interest rate caps on shares of bank. The study had a knowledge gap on effects of interest rates on economy of an African Country. In our case Kenya and to further leave a gap on the individuals who will get affected in one way by the interest rates. Hence the study will seek to answer the influence of interest rates capping on financial inclusion and performance of micro and small enterprises in Kericho County, Kenya.

The role of government in policy formulation is vital to the success of business enterprise in Kenya. Government policy and regulations can affect businesses positively especially if the gain was the enterprises in Kenya. In the study by Kamunge et al (2014) it was found that, government policy and regulations that are centred toward political intentions like the interest rate caps may trigger either positive or negative effects. Hence, the current study examined the effects of interest rate caps on financial access hence influence performance of micro and small enterprises in Kericho County hence influence on financial inclusion and to examine whether the findings were correct.

Bunyasi et al (2014) found that financing was important to the SMEs in Kenya and that the government was to enhance the efforts to enhance access to finance. Lewis and Lindley (2015) recommended Policy recommendations to include: better coordination for financial inclusion policies; support for teaching financial education in schools; more progressive savings incentives; basic banking to meet the needs of the most vulnerable; streamlining government support for small businesses; and specialized advice and financial education for small businesses and the self-employed. This shows the importance of government in policy formulation. The current study filled the gap of financial inclusion of micro and small enterprises and examined its influence on performance.

2.6 Research Gaps

Various studies conducted have addressed different aspects of financing for instance accessibility on performance, while others on financial literacy living a gap on inclusion and how it can affect performance of the micro and small enterprises. The study examined the whole inclusion aspect of financing which will include accessibility, affordability, availability and literacy and how each aspect will in turn affect performance. The study investigated affordability in terms of financial transparency on costs of obtaining financial facilities, availability in terms of the credit products that are available for micro and small enterprises and accessibility to financing. The study examined the micro and small enterprises performance in Kericho County in relation to financial inclusion in Kenya. The study further sought to examine the financial literacy of micro and small enterprises entrepreneurs in Kericho County, Kenya and how it affects performance. The study further examined the moderating effect of interest rate capping on the relationship between financial inclusion and performance of the micro and small enterprises in Kericho County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides the research design, description of the study area, nature and sources of data, population, sampling procedure and sample size, the sample design and methods of data collection. It also covers the study instrumentation, which includes pilot study, reliability and validity of research instruments and methods of data analysis and presentation. Data collection procedure, data analysis and ethical considerations are also covered in this chapter.

3.2 Research Design

A research design is the theoretical structure on which research is carried out. It is the facilitation of smooth research processes, by creating efficiency that yields a lot of information with reduced spending on money, effort and time (Kothari, 2007). The study employed a cross sectional survey design. According to Frankel and Wallen (2000), survey refers to the questioning of a large percentage of a particular group of people about a specific issue. The method enabled for describing and interpreting the conditions and relationships as they are. Cross-sectional design is an observational study that collects data from whole study population at a single point in time to examine the relationship between variables. This study used questionnaires to collect data from respondents at one-time point (Dekkers et al., 2012).

3.2.1 Research Philosophy

According to Kuhn (1996), research philosophy refers to a set of assumptions that are referred by researcher during a study or research in a particular area. The philosophy helps to adapt appropriate or suitable methods or approaches through exploring various available and possible methods; and it enables researcher to choose relevant methods by eliminating unnecessary work.

The study adopted the philosophy of positivism where according to Jankowicz (2005), it is a system that emphasizes to obtain knowledge through believing in description rather than questioning. The facts and observations can be countable, visible and measurable. The study used quantitative research with descriptive statistics hence the philosophy where it considers quantitative related data to accomplish the objectives.

3.3 Location of the Study

Kericho County has a population of 901,777 (2019 census) and an area of 2,111 km^2. Kericho is located among the African Highlands in the Rift Valley and well known for the growing of tea that forms the rolling “seas of green” within the tea plantations. The primary industry in this region is tea farming, with two large international tea companies namely Finlay’s Kenya Ltd. and Unilever Tea Kenya Ltd. being centred in Kericho County.

The county is sub-divided into six sub counties; Ainamoi, Kipkelion East, Kipkelion West, Soin-Sigowet, Bureti and Belgut. Kericho town is the county’s largest urban center and county’s headquaters, with other towns being Litein, Kipkelion, Londiani, Kabuti and Kapkatet. A number of industries are in Kericho such as cement industry (Rai Cement Limited) and steel industry (Prime Steel Limited), Soin Sugar Company all three of them located in Soin ward, 18 tea-processing factories, in various sub-counties, dairy processing plants.

Kericho County has a total population of 901,777 of which 450,741 are males, 451,008 females and 28 intersex persons. There are 206,036 households with an average household size of 4.4 persons per household and a population density 370 people per square kilometre. (2019 census).

Kericho was ranked as the twentieth richest district in Kenya in the 2005/06 National Integrated Household Budget Survey. Income in Kericho comes mainly from agricultural activities, with about 40-50% of the population living below the poverty line. The annual national gross domestic product per capita in 2005 averaged Kenyan shillings (Kshs) 35,045.

In Kenya, the age of majority (i.e. legal age of recognized adulthood or independence) is 18 years. The Kenyan national literacy level according the Kenya Adult Literacy Survey report published in March 2007 by the Kenya National Bureau of Statistics was 64%. In Kericho, the literacy level is 74.3% in men and 68.9% in women. The government through a network of public hospitals, health centres, primarily provides the healthcare system in the larger Kericho area (southern Rift Valley) and dispensaries ran by the Kenya Ministry of Health. The government health facilities do not charge for treatment but levy a small fee for facility maintenance, which can be waived for those not able to pay. In addition to government health care facilities, there are a few faith-based and private health care facilities providing services at a small fee. Access to services in Kericho county is good given that there exists a fairly reliable public transport system in the region with 13.8% of the roads being paved, with another 58.5% rated as good. Majority (91.9%) of county households have improved sanitation with 56.1% with access to clean piped water.

3.4 Population of the Study

The study focused on micro and small enterprises in Kericho County, Kenya. According to the Kericho County revenue collection register (November 2018), there are a total of

7,277 micro and small enterprises in Kericho county who possess single business permits and are distributed in the sub-counties as follows; Ainamoi-328, Belgut-1,161, Bureti-904, Kericho town-2234, Kipkelion East-969, Kipkelion West-678 and Soin-Sigowet-1003 (Kericho County revenue collection office, Nov 2018). The study examined the influence of financial inclusion on performance of micro and small enterprises. Informed consenting was done before administering questionnaires to the micro and small entrepreneurs. The micro and small enterprises that did not consent to take part in the study were excluded from the study.

3.5 Sampling Procedure and Sample Size

3.5.1 Sampling Procedure

Stratified and simple random sampling techniques were used to collect data. Simple random sampling yielded research data that would generalize the entire population and would give unbiased representation of the population. The method provided for equal opportunity of selection for each element of the population. The population was divided into strata, which included each sub county. From each sub county a sample size was calculated from the total sample size of 380 using ratios. The respondents included in the study were chosen using simple random sampling method where each respondent had an equal chance to be selected (table 1).

3.5.2 Sample Size

In total, data collected from 380 micro and small entrepreneurs. The Yamane's Formula below is used to determine sample size:

$n=N/1+Ne^2$

Where;

n- Optimal sample size

N-Total number of target population =7,277 micro and small enterprises

e- Probability error.

$n=7277/1+ (7277x0.05^2)$

Hence,

n=380

Of the 380 micro and small enterprises, data was collected from the sub-counties proportionately as outlined in the Table 1:

Table 1: Sample Size by Sub-Counties

Sub-County	No. of Micro and small enterprises	Sample Size
Ainamoi	328/7277x380	17
Belgut	1161/7277x380	61
Bureti	904/7277x380	47
Kericho Town	2234/7277x380	117
Kipkelion East	969/7277x380	51
Kipkelion West	678/7277x380	35
Soin-Sigowet	1003/7277x380	52
Total	**7,277**	**380**

Source: (Kericho County revenue collection office, Nov 2018).

3.6 Instrumentation

The study used questionnaires as the data collection instrument. Primary data was collected during the actual fieldwork from the respondents who are the micro and small enterprises, while secondary data was gathered from existing credible and recognized sources. The research assistants were trained on the study and the questionnaires before they administered the questionnaires to the respondents. The questions were in a Likert scale format and designed based on the objectives of the study.

3.6.1 Pilot Study

A pilot study is a replica and rehearsal of the main survey (Kothari, 2004). Pilot testing helps in assessing feasibility of the study, designing a research protocol and assessing whether it is realistic and workable, establishing whether the sampling frame and technique are effective, identifying logical problems which might occur with the methodology planned to be used, determining resources needed for the study to be undertaken and assessing the data analysis techniques to uncover potential problems (Punch, 2006). A pilot study was done in Awasi, Kisumu County which had the same research environment as the rest of the Kericho County where the main study was done. The questionnaire was piloted by taking 20% of the sample population who were later excluded in the actual data collection process. From the results, the questionnaire all the constructs yielded a reliability coefficient greater than 0.7 as shown on the table 2. Thus the data collection instrument was considered (Cohen & Manion, 2000).

Table 2: Pilot Study Results

Constructs	Cronbach's Alpha
Financial access	0.720
Financial transparency	0.701
Financial credit products	0.716
Financial literacy	0.820
Interest rate capping	0.721
Performance	0.844

3.6.2 Validity of the Instrument

A research instrument must be both valid and reliable. Validity is the accuracy and meaningfulness of inferences, which are based on research results (Mugenda & Mugenda, 2003).

The validity of the instrument is acceptable if it produces consistent data. For this to be achieved, selected instruments were discussed with my supervisors at Kabarak University. During the discussions, the researcher clearly defined the variables being measured. The format of the instrument was thoroughly checked and expert opinion made by of the supervisors. The questionnaires were developed and pre-tested to ascertain their reliability and validity. After coming up with a sample size, questionnaires were administered by research assistants to the respondents who had been sampled through systematic random sampling technique.

3.6.3 Reliability of the Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda, 2003). An instrument is reliable if it measures what is supposed to measure. Reliability is influenced by random error, which means as random error increases, reliability decreases. According to Kasomo (2007), random error is the deviation from the true measurement due to factors that have not effectively been addressed by the researcher. Some sources of errors are inaccurate coding, ambiguous instruction to the respondents and interviewer/ interviewee fatigue. Cronbach's alpha type of reliability co-efficient was used in the study to assess the degree of instrument reliability and indicates how well the items in a set are positively correlated to one another. Instruments with reliability index of 0.5 and above can be used to collect data. Further, a reliability index of 0.7 or 70% is satisfactory for any research instrument (Berthoud, 2000). According to Sekaran (2010), the closer cronbach's alpha is to 1, the higher the internal consistency reliability. If Cronbach's alpha is above .70 the instrument is reliable.

3.7 Data Collection Procedure

Data collection was done using questionnaires. Permission from NACOSTI, Kericho County Commissioner and Kericho County director of education was acquired before data collection. Once permission was given the research assistance were trained on the questionnaire. During data collection, the research assistants were to introduce themselves to the respondent, as well as introduce the study using the Letter of Introduction. Respondents who expressed willingness to participate in the study were administered with the questionnaire. The questionnaire gathered information on different topics that included; enterprise profile (type of business, years of existence, financial institution) and a 5 point Likert-scale questionnaire on financial information was used.

According to Kothari (2004), Likert scale is good because they show the strength of person's feelings to whatever is in the questionnaire. Data collected by the use of Likert scale is easy to analyse, easy to collect data, are more expansive and they are quick. The respondent was required provide the most appropriate response to the financial information questions. Each closed-ended question will have 5-points ranging from 1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

3.8 Data Analysis

Data analysis is the process of simplification and interpretation of data. It includes data coding, data categorizing, data entry, manipulation and summarization (Mugenda and Mugenda, 2003). The questionnaires were screened for completeness and then coded and formatted. Data was analysed using SPSS version 25 software. Descriptive statistics such as percentages and frequencies were used to summarise data while inferential statistics such as correlation coefficient and regression analysis were used. Correlation coefficient was used to establish the nature of correlation between the dependent and independent variables. Regression analysis was used where the dependent variable was regressed against explanatory variables to establish the effects of explanatory variables on variation of the dependent variable.

Data was subjected to econometric tests to check whether the assumptions of regression analysis would be. The data was checked for linearity, normality, multi-collinearity and heteroscedasticity of residuals. The research hypotheses were tested using regression analysis. To see the interaction effects, moderated multiple regression, ordinary least square (OLS) equation and moderated multiple regression (MMR) model equations were created. OLS models, which were models before interaction effect, were compared with the MMR models which were models after interaction effect. The following regression models were used. In the first step, the dependent variable was regressed on each of the independent variables without a moderator. Regression model (3.1) was used.

OLS equation $\mathbf{Y = \beta_0 + \beta X + \varepsilon}$**……………………………………3.1**

Where;

Y - Performance

X - Independent variables

β - Regression coefficients for each independent variable

β_0 - Regression Constant

ε - Stochastic error term assumed to be normally distributed

In the second step, the dependent variable was regressed on each of the independent variables and a potential moderator introduced. Regression model (3.2) was used.

MMR equation $\mathbf{Y = \beta_0 + \beta XZ + \varepsilon}$**……………………………………3.2**

Where;

Y - Performance

X - Independent variables

β - Regression coefficients for each independent variable

β_0 - Regression Constant

ε - Stochastic error term assumed to be normally distributed

Z - Moderating variable

In the third step, the dependent variable was regressed on all the independent variables combined without a moderator. Regression model (3.3) was used.

OLS equation $\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$**……………3.3**

Where;

Y - Performance

β_0 - Regression constant or coefficient of intercept

X_1 - Financial access

X_2 - Financial transparency

X_3 - Financial credit products

X_4 - Financial literacy

β_1, β_2, β_3, β_4 - Coefficient factors for independent variables

ε - Stochastic error term assumed to be normally distributed

In the fourth step, the dependent variable was regressed on all the independent variables jointly and a potential moderator introduced. Regression model (3.4) was used.

MMR equation $\mathbf{Y = \beta_0 + \beta_1 X_1 Z + \beta_2 X_2 Z + \beta_3 X_3 Z + \beta_4 X_4 Z + \varepsilon}$**…………3.4**

Where;

Y - Performance

β_0 - Regression constant or coefficient of intercept

X_1 - Financial access

X_2 - Financial transparency

X_3 - Financial credit products

X_4 - Financial literacy

β_1, β_2, β_3, β_4 - Coefficient factors for independent variables

Z - Moderating variable (interest rates capping)

ε - Stochastic error term assumed to be normally distributed

3.9 Ethical Considerations

Prior to the commencement of the study, all relevant permissions from the county trade office, the sub-county was obtained, and community entry protocol was observed. Informed consent was obtained from all the potential respondents prior to administration of questionnaires. Confidentiality of all respondents was maintained as they were assigned a study number and no participant identifiers were used. The findings of the study were shared with the participants and all the relevant authorities.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

In this chapter the data analysis, presentation, interpretation and discussions of the research findings are presented depicting the results of analysis using SPSS version 25. The results are within the framework of the study objectives, research questions and hypotheses outlined.

4.2 Descriptive Statistics on Profile of Respondents

This section presents and discusses results of descriptive statistics of the profile of respondents. It also presents descriptive analyses of the results of the variables under study. Frequencies and percentages were used to examine the distribution of the respondents.

4.2.1 Response Rate

As presented in Table 3, the researcher distributed 380 questionnaires to the respondents out of which 245 were correctly filled and returned back for analysis. This represented a response rate of 64.5 per cent According to (Babbie, 1990) a response rate of 60 per cent is good and adequate for analysis and reporting from manual surveys. Thus, the response rate was deemed sufficient for further analysis of the research objectives.

Table 3: Response Rate

Rate Response Rate	Frequency	Percent
Returned	245	64.5%
Unreturned	135	35.5%
Total	**380**	**100**

Source: (Researcher, 2019)

4.2.2 Years the Enterprise has been in Operation

The study sought to establish how long enterprises had been in operation.

Table 4: Years the Enterprises has been in Operation

		Frequency	Percent
Valid	1-5 years	142	58.0
	5-10 years	51	20.8
	10-15 years	25	10.2
	over 15 years	27	11.0
	Total	**245**	**100.0**

Source: (Researcher, 2019)

Table 5: Type of Business

		Frequency	Percent
Valid	Retail	156	63.7
	Wholesale	20	8.2
	Manufacturing	2	.8
	Service	67	27.3
	Total	**245**	**100.0**

With regards to how many years' enterprises has been in operation Table 5 shows that 142(58%) of the respondents indicated that their enterprises have been in operation for 1-5 years, 51(20.8%) indicated that their enterprises have been in operation for 5-10 years, 27(11%) of the respondents held the opinion that their enterprises have been operational for over 15 years while 25(10.2%) of the respondents indicated that their enterprises have in operation for 10-15 years.

From the above it can be implied that most enterprises are still in their growth stage and thus requires finance to enhance their operations and performance.

4.2.3 Type of Business

The study sought to establish type of business of the respondents.

The results on Table 6 indicate that the majority 156 (63.7%) of respondents indicated that they were running business that were retail, 67(27.3%) of the respondents were running business in the service sector, 20(8.2%) of the respondents ran business that were wholesale while only 2(0.8%) of the respondents ran business that were doing manufacturing.

4.2.4.Business Ownership

The study sought to establish forms of business ownership of the respondents.

Table 6: Business Ownership

		Frequency	Percent
Valid	sole proprietor	209	85.3
	Partnership	29	11.8
	Company	7	2.9
	Total	**245**	**100.0**

Source: (Researcher, 2019)

On business ownership level, results show that most respondents 209 (85.3%) of the respondents operated sole proprietorships 29(11.8%) were in partnerships form of business while 7(2.9%) had registered their businesses as companies.

4.3 Reliability, Validity and the Aassumptions of Regression Analysis

The study sought to ensure that the reliability and validity of data collection were ascertained and that the data used met the regression analysis assumptions. This sub-section discusses the results of tests of reliability, validity and assumptions of the regression analysis.

4.3.1 Reliability Test

From the reliability results on Table 7 all the constructs returned alpha values above 0.7, which indicated good internal consistency reliability. According to Cohen and Manion (2000), alpha value above 0.7 indicates good reliability and internal consistency.

Table 7: Reliability Test Results

Constructs	Cronbach's Alpha	No of items
Financial access	0.866	9
Financial transparency	0.847	4
Financial credit products	0.842	9
Financial literacy	0.935	9
Interest rate capping	0.891	9
Performance	0.860	10

Source: (Researcher, 2019)

4.3.2 Test of Validity

Factor analysis was used to check validity of the constructs. Factor analysis is used to find factors among observed variables to produce a small number of factors from a large number of variables, which is capable of explaining the observed variance in the larger number of variables (Theuri et al., 2015). Prior to extraction of the factors, several tests were used to assess the suitability of the respondent data for factor analysis. The tests included Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity.

Kaiser-Meyer-Oklin Measures of Sampling Adequacy (KMO) & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the case to variable ratio for the analysis being conducted. In most academic and business studies, KMO & Bartlett's test plays an important role for accepting the sample adequacy. A value of 0.5 is a suggested minimum to proceed with factor analysis (Hair et al., 2011).

Kaiser-Mayer Olkin (KMO) and Bartletts test was used to test the appropriateness of the sample from the population and the suitability of factor analysis. The general rule of factor analysis stipulates that only factor with Eigen value of 1 and above are considered meaningful for interpretation (Anthony & Mustapha, 2010). However, it is important to note that only loadings greater than 0.4 were considered significant after varimax rotation in this research. Mabert et al. (2003) argues that factor loading values that are greater than 0.4 should be accepted.

4.3.2.1 Sample Adequacy Results for Financial Access

To measure the suitability of the data for factor analysis, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy was used to measure the sample adequacy of each variable in the model. According to Ali et al. (2016), the KMO index ranges from 0 to 1, with 0.5 and above considered suitable for factor analysis. The Bartlett's Test of Sphericity should be significant at $p<0.05$ for factor analysis to be suitable. From Table 8, the KMO measure of sampling adequacy for perceived security concern was 0.802. Further, Bartlett's test of Sphericity was statistically significant ($p<0.05$) indicating that factor analysis could be carried out.

Table 8: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.802
Bartlett's Test of Sphericity	Approx. Chi-Square	1316.583
	Df	36
	Sig.	.000

Source: (Researcher, 2019)

4.3.2.2 Factor Analysis for Financial Access

Principal component analysis extraction method with varimax rotation method was used where validity was assessed by examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 9, the factor extracted accounted for 49.733percent of the variance in the construct. Further, the contributing power of the other factors to the explanation of the variance in the variables was significantly considered. These other factors extraction sums of squared loadings were between the range of 4.476 and 0.147.

Table 9: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	4.476	49.733	49.733	4.476	49.733	49.733
2	1.511	16.784	66.517			
3	1.011	11.229	77.747			
4	.692	7.692	85.438			
5	.413	4.593	90.031			
6	.329	3.657	93.689			
7	.229	2.545	96.234			
8	.192	2.131	98.365			
9	.147	1.635	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019)

The results on Table 10 show the component matrix loadings for financial access. The factor loadings range from 0.482 to 0.811. Except one item, “I have looked for alternative lending from (shylocks, non-financial providers” which did not meet loading cut off 0.4. The other nine items met the loadings cut-off of 0.4 and were thus retained for analysis. According to Rusuli et al. (2013), each individual variable must have value of 0.4 and above.

Table 10: Component Matrix[a]

	Component
	1
I am able to access credit facilities from my financial institution	.750
I am able to access credit facilities after having a second or top up facility	.767
I am able to access more than one credit facilities	.717
I am able to have top up loans	.737
The bank has come up with new products to cover my financial credit needs	.741
New products for credit were available for my enterprise with existing credit	.811
New products for credit are available for my enterprise without existing credit	.734
I can access new financial products; mobile banking, e banking and agency banking	.539
There are new requirements needed to access new credit facilities	.482

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: (Researcher, 2019)

4.3.2.3 Sample Adequacy Results for Financial Transparency

As shown on Table 11 Kaiser-Mayer-Olkin measure of sample adequacy gave a value of 0.781 which was greater than 0.5 and close to 1 which represents a perfectly adequate sample while the Bartlet's test of sphericity shows a chi-square of 564.585which was statistically significant at 5 percent. This is an indication that factor analysis was suitable.

Table 11: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.781
Bartlett's Test of Sphericity	Approx. Chi-Square	564.585
	Df	6
	Sig.	.000

Source: (Researcher, 2019)

4.3.2.4 Factor analysis for Financial Transparency

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 12, the factor extracted accounted for 70.317percent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 2.813 and 0.161.

Table 12:Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.813	70.317	70.317	2.813	70.317	70.317
2	.735	18.380	88.697			
3	.291	7.285	95.982			
4	.161	4.018	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019)

The results on Table 13 show the component matrix loadings for financial transparency. The factor loadings range from 0.609 to 0.931. Except two items, “Are there hidden charges from your financial institution” and “I feel Processing fees (cost of credit processing) is high for debt financing" which did not meet loading cut off of 0.4. The other four items met the loadings cut-off of 0.4 and were thus retained for analysis.

Table 13: Component Matrix[a]

	Component
	1
My financial institution is transparent on all fees and commissions	.609
I am aware of the interest rates offered for facilities	.913
I am aware of all service charges for my debt financing	.931
I am aware of the insurance premium paid for debt financing	.861

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: (Researcher, 2019)

4.3.2.5 Sample Adequacy Results for Financial Credit Products

Kaiser-Mayer-Olkin measure of sample adequacy gave a value of 0.707 which was greater than 0.5 and close to 1 which represented a perfectly adequate sample. Further, the Bartlet's test of sphericity shows a chi-square of 1254.587which was statistically significant ($p<0.05$). This is an indication that factor analysis was suitable. The results are presented on Table 14.

Table 14: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.707
Bartlett's Test of Sphericity	Approx. Chi-Square	1254.587
	Df	36
	Sig.	.000

Source: (Researcher, 2019)

4.3.2.6 Factor Analysis for Financial Credit Products

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 15, the factor extracted accounted for 46.443percent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 4.180 and 0.103.

Table 15:Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	4.180	46.443	46.443	4.180	46.443	46.443
2	1.300	14.447	60.890			
3	1.041	11.564	72.454			
4	.860	9.552	82.006			
5	.674	7.493	89.499			
6	.463	5.147	94.646			
7	.227	2.521	97.167			
8	.152	1.694	98.861			
9	.103	1.139	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019

The results on Table 16 show the component matrix loadings for financial credit products. The factor loadings range from 0.458 to 0.793. Except one item, “I needed business plans of my business as a requirement to get credit products” which did not meet loading cut off of 0.4. The other nine items met the loadings cut-off of 0.4 and were thus retained for analysis.

Table 16: Component Matrix[a]

	Component
	1
My financial institution have credit facilities for my enterprise	.763
Credit facilities for SMEs are available to meet my every need	.790
I was asked for collateral (security) for the credit facility	.641
I was asked for collateral for a top up or when taking another facility	.458
The repayment period for my loans is flexible	.793
The repayment period for my loans was flexible after top up or second facility	.787
I needed guarantors to access financial credit facilities	.711
I need guarantors to access financial credit facilities for a second or top up facility	.472
My credit rate score was needed for loan approval	.613

Extraction Method: Principal Component Analysis.
a. 1 components extracted.
Source: (Researcher, 2019)

4.3.2.7 Sample Adequacy Results for Financial Literacy

Kaiser-Mayer Olkin (KMO) and Bartletts test was used to test the appropriateness of the sample from the population and the suitability of factor analysis. Further, Bartlet test of sphericity was used to test for the presence of correlations among the variables. The KMO of 0.886 was greater than 0.5 representing a perfectly adequate sample while Bartlet’s test of Table 17 presents the results.

Table 17: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.886
Bartlett's Test of Sphericity	Approx. Chi-Square	1741.859
	Df	36
	Sig.	.000

Source: (Researcher, 2019)

4.3.2.8 Factor Analysis for Financial Literacy

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 18 the factor extracted accounted for 66.033 per cent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 5.943 and 0.120.

Table 18:Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.943	66.033	66.033	5.943	66.033	66.033
2	.867	9.634	75.667			
3	.586	6.507	82.174			
4	.430	4.782	86.956			
5	.327	3.633	90.588			
6	.286	3.182	93.770			
7	.225	2.495	96.265			
8	.216	2.401	98.666			
9	.120	1.334	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019)

The results on Table 19 show the rotated component factor loadings for financial literacy. The factor loadings range from 0.715 to 0.852. All the nine items met the loading cut off of 0.4 and were thus retained for analysis.

Table 19:Component Matrix[a]

	Component
	1
My financial institution is transparent on all issues financing	.852
I am aware that the changes that take place concerning debt financing	.850
I was consulted before changes happen concerning financing from my bank	.840
My financial institution informed me and educated me on debt financing	.824
My financial institution had me in mind when implementing micro and small enterprise products	.823
My financial institution has put measures to protect me from any uncertainties especially macro changes	.830
My financial institution has programs where i am educated and informed on issues financing	.784
There is clear communication between me and my financial institution	.787
I feel that I am comfortable with my financial institution	.715

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: (Researcher, 2019)

4.3.2.9 Sample Adequacy Results for Interest Rate Capping

Kaiser-Mayer Olkin (KMO) and Bartletts test was used to test the appropriateness of the sample from the population and the suitability of factor analysis. Further, Bartlet test of sphericity was used to test for the presence of correlations among the variables. The KMO of 0.845 was greater than 0.5 representing a perfectly adequate sample while Bartlet's test of sphericity was statistically significant ($p<0.05$) indicating suitability of factor analysis. Table 20 presents the results.

Table 20: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.845
Bartlett's Test of Sphericity	Approx. Chi-Square	1418.315
	Df	36
	Sig.	.000

Source: (Researcher, 2019)

4.3.2.10 Factor Analysis for Interest Rate Capping

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 21, the factor extracted accounted for 54.237percent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 4.881and 0.146.

Table 21: Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	4.881	54.237	54.237	4.881	54.237	54.237
2	1.435	15.941	70.178			
3	.823	9.142	79.320			
4	.504	5.599	84.919			
5	.501	5.563	90.482			
6	.287	3.191	93.673			
7	.224	2.489	96.162			
8	.199	2.213	98.375			
9	.146	1.625	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019)

The results on Table 22 show the component matrix loadings for interest rates capping. The factor loadings range from 0.556 to 0.837. Except two items, “Terms and conditions are clear and well stipulated in all my transactions after capping” and “I am aware that the government introduced caps on interest rates” which did not meet loading cut off of 0.4. The other nine items met the loadings cut-off of 0.4 and were thus retained for analysis.

Table 22: Component Matrix[a]

	Component
	1
I was asked for collateral for the credit facilities following the capping	.556
Privacy of my personal financial information is upheld by my financial institution	.617
The financial institution had me in mind when implementing the capping	.639
The financial institution have measures to protect me from any uncertainties following the capping	.661
I can access new product from my financial institutions (unsecured loans, auto loans, credit cards etc.) after the capping	.783
There are new credit product available to micro enterprises after the capping	.827
The new products are affordable following the capping	.837
The new products are accessible to micro enterprises	.834
The new products’ requirements and conditions changed after capping	.808

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Source: (Researcher, 2019)

4.3.2.11 Sample Adequacy Results for Performance

Kaiser-Mayer Olkin (KMO) and Bartletts test was used to test the appropriateness of the sample from the population and the suitability of factor analysis. Further, Bartlet test of sphericity was used to test for the presence of correlations among the variables. The KMO of 0.850 was greater than 0.5 representing a perfectly adequate sample while Bartlet's test of sphericity was statistically significant ($p<0.05$) indicating suitability of factor analysis. Table 23 presents the results.

Table 23: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.850
Bartlett's Test of Sphericity	Approx. Chi-Square	865.327
	Df	36
	Sig.	.000

Source: (Researcher, 2019)

The principal component analysis extraction method was used in examining the factor loadings to see if the items in the scale loaded highly on the construct. Fixed number of factors (factors to be extracted) was put to be 1. As shown on Table 24, the factor extracted accounted for 46.339 percent of the variance in the construct. The contributing power of these other factors to the explanation of the variance in the variables was considered very significant and their extraction sums of squared loadings were between the range of 4.439 and 0.282.

Table 24: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.439	44.387	44.387	4.439	44.387	44.387
2	1.516	15.158	59.546			
3	.817	8.174	67.720			
4	.684	6.838	74.558			
5	.617	6.170	80.728			
6	.533	5.328	86.056			
7	.449	4.492	90.548			
8	.366	3.661	94.209			
9	.297	2.967	97.176			
10	.282	2.824	100.000			

Extraction Method: Principal Component Analysis.

Source: (Researcher, 2019)

The results on Table 25 show the component matrix loadings for interest rate capping. The factor loadings range from 0.570 to 0.731. Except two items “The number of customers has increase over the past 5years on average” and “The enterprise is able to meet its goals on delivery to customers” which did not meet loading cut off of 0.4. The other ten items met the loadings cut-off of 0.4 and were thus retained for analysis.

Table 25: Component Matrixa

	Component
	1
I am satisfied with the profits from my enterprise	.705
Profits from my enterprise are above 50% on average over the past 5 years	.674
Profits from my enterprise has enabled my enterprise to grow over the past 5 years	.731
I am satisfied with the sales from my enterprise	.691
Sales from my enterprise are above 50% on average over the past 5 years	.570
Sales from my enterprise has enabled my enterprise to grow over the past 5 years	.601
There is increase in number of my enterprises	.635
My employees are productive	.673
My employees embrace team work collaboratively	.677
My customers are satisfied that their needs are met in my enterprise	.688

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: (Researcher, 2019)

4.3.3 Test for the Assumptions of Regression Analysis

The regression analysis assumptions of heteroscedasticity, normality and multicollinearity were tested. This section presents the results of the tests.

4.3.3.1 Test of Normality

Normality test of data is applied to determine whether a data is well-modelled by a normal distribution or not. Ali et al. (2016) assert that the assumptions and application of statistical tools as well as suitability of the tests are important aspects for statistical analysis. Normality test of data is applied to determine whether data is well-modelled by a normal distribution and to compute the likelihood that an underlying random variable is normally distributed (Kothari & Garg, 2014). Further, normality can be tested using graphical method and non-graphical method. By using graphical method to test for normality, histogram was used and the normal probability plot where plotted data values were compared with the diagonal. The results on Figures 2 to 10 show that the data is normally distributed.

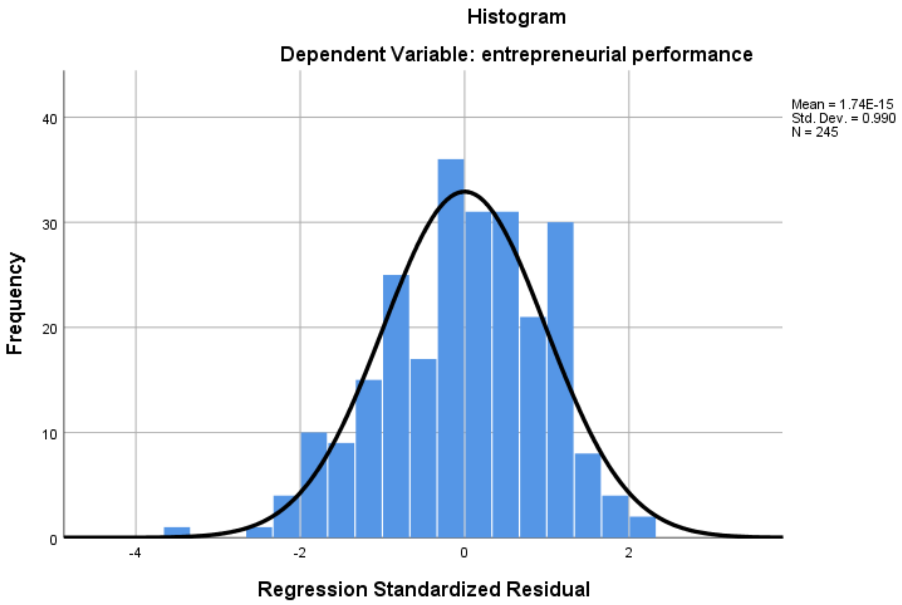

Figure 2: Histogram for Performance

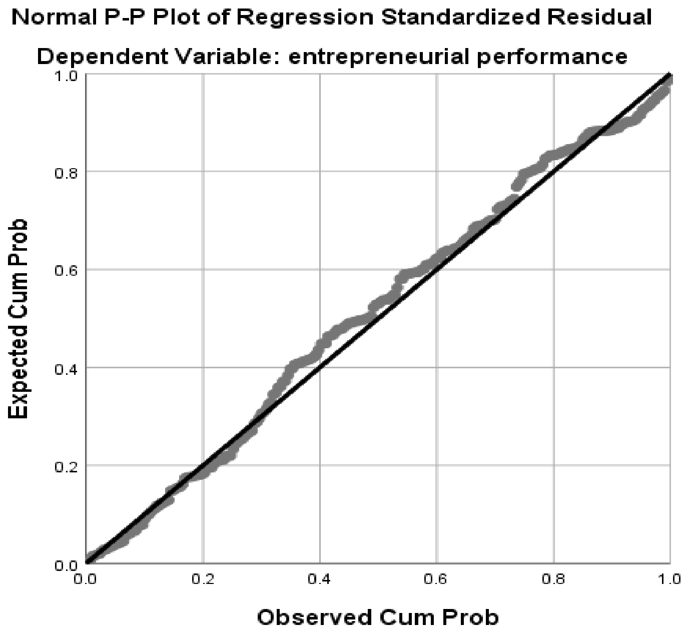

Figure 3: Normal Probability Plot for Performance

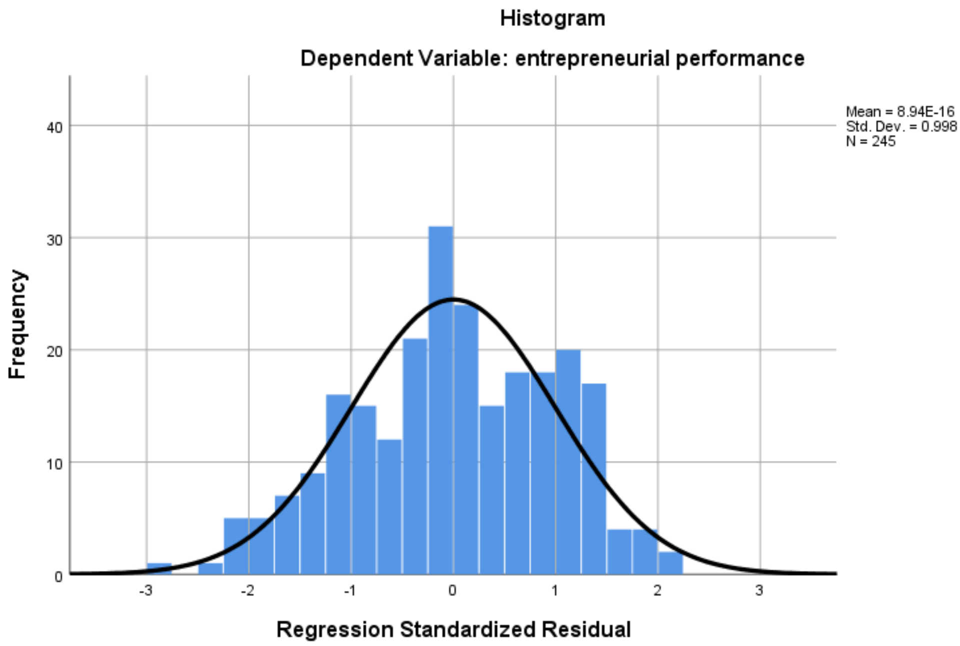

Figure 4: Histogram for Financial Access

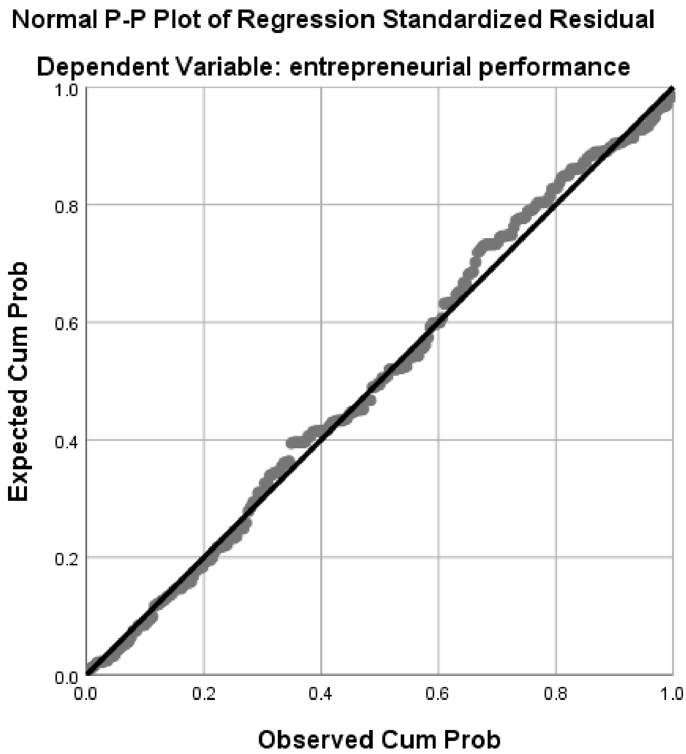

Figure 5: Normal Probability Plot for Financial Access

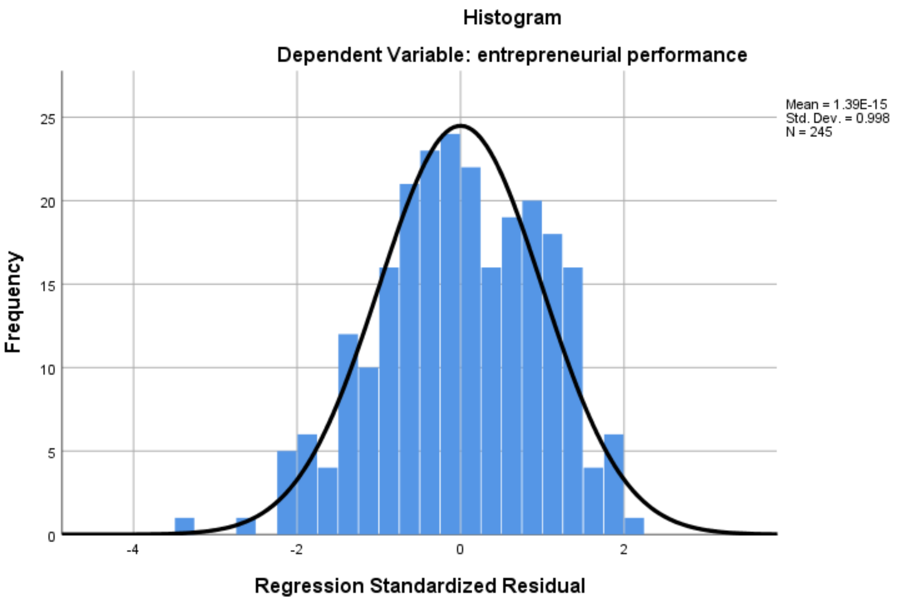

Figure 6: Histogram for Financial Transparency

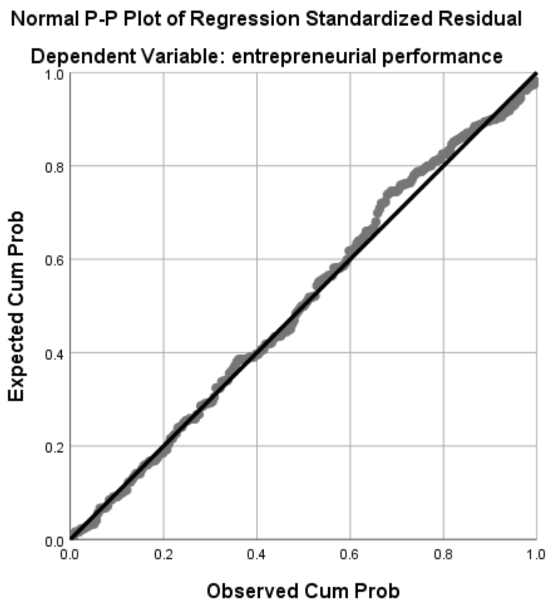

Figure 7: Normal Probability Plot for Financial Access

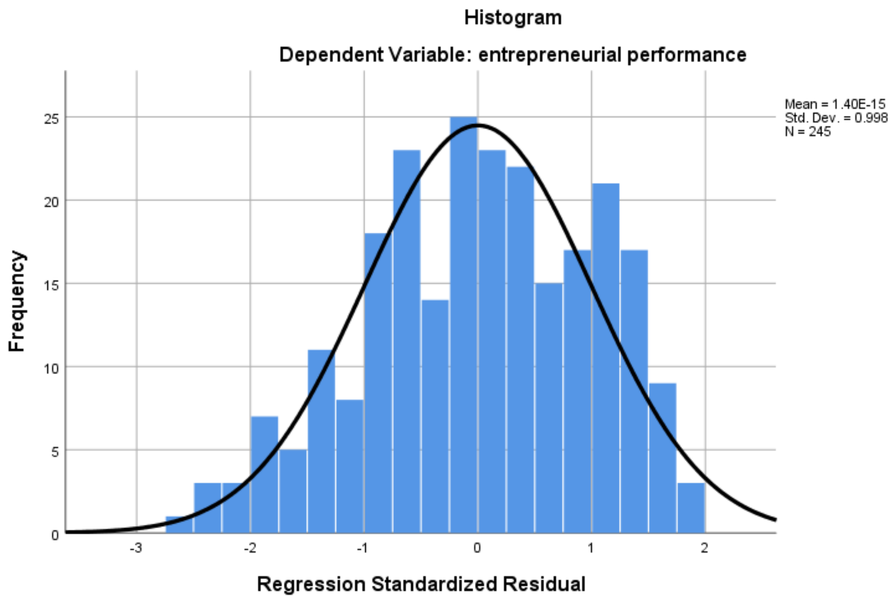

Figure 8: Histogram for Financial Credit Products

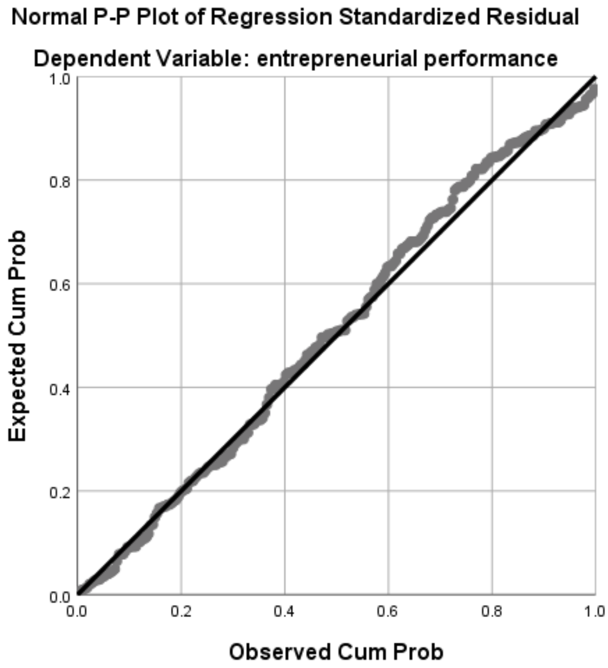

Figure 9: Normal Probability Plot for Financial Credit Products

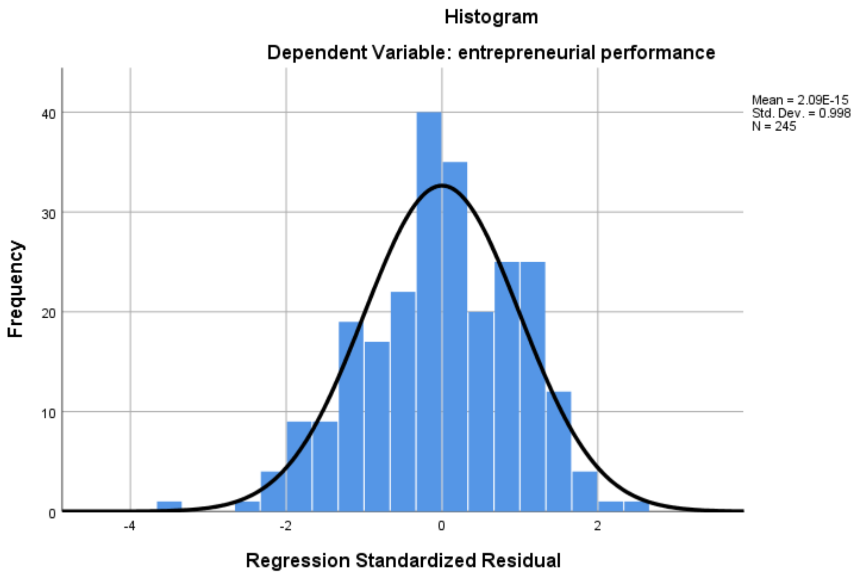

Figure 10: Histogram for Financial Literacy

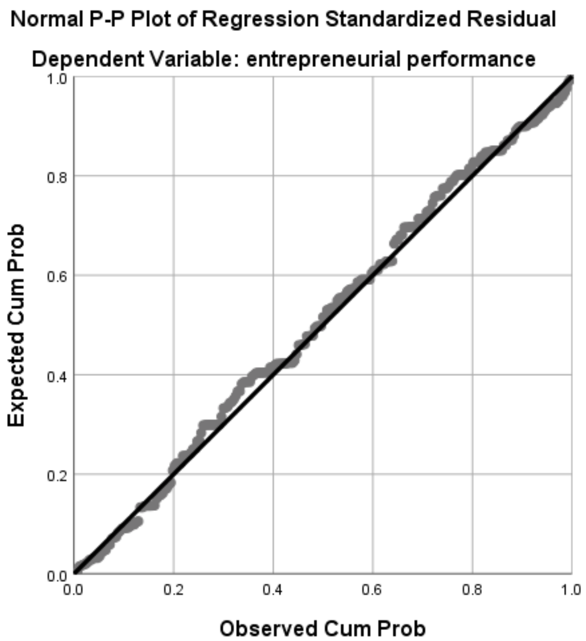

Figure 11: Normal Probability Plot for Financial Literacy

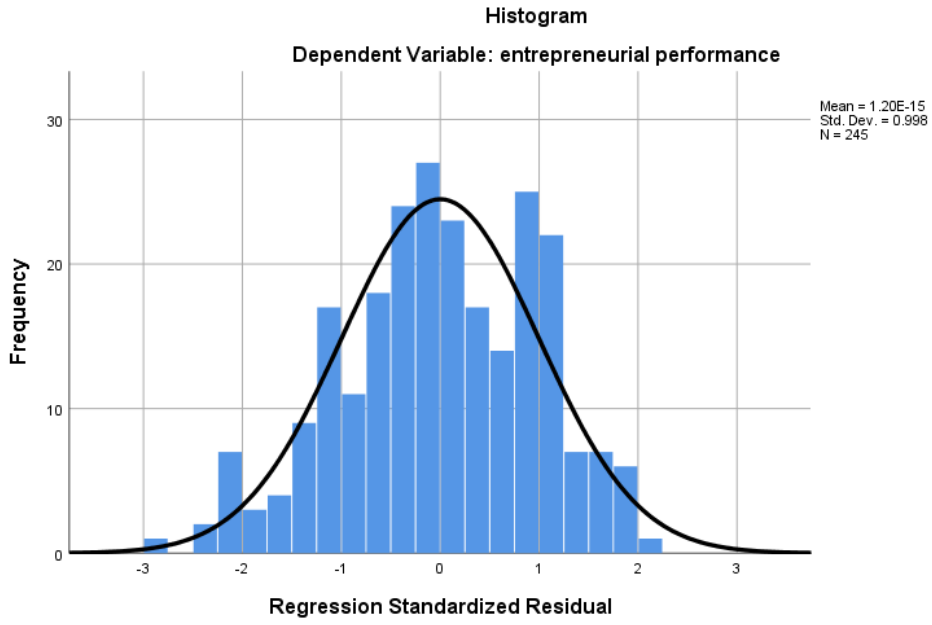

Figure 12: Histogram for Interest Rates Capping

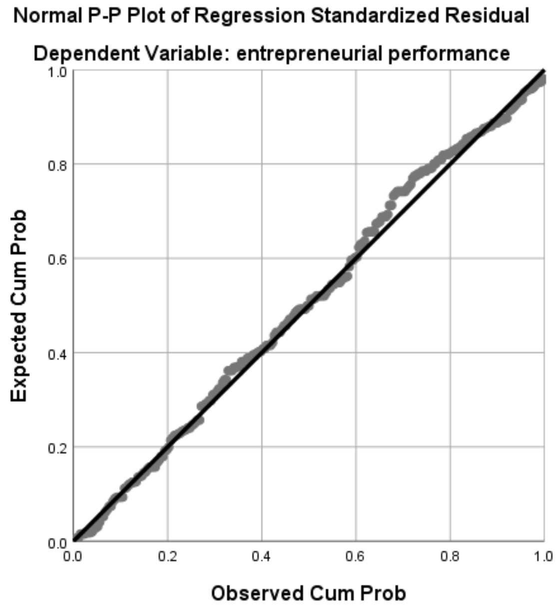

Figure 13: Normal Probability Plot for Interest Rates Capping

Non-graphical method in testing for normality entailed use of Skewness and Kurtosis. Further, in testing for normality non-graphical method (Skewness and Kurtosis) was used. According to Kothari and Garg (2014), measurement of skewness is based on mean and median while that of kurtosis measures the peaked-ness of the curve of the frequency distribution. The results presented in Table 26 show that skewness and kurtosis coefficients were between -1 and +1. Thus, it was concluded that data was normally distributed.

Table 26: Skewness and Kurtosis Test Results

Skewness and Kurtosis Test for Performance

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Performance	245	-.197	.156	-.471	.310

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Financial Access	245	-.080	.156	-.235	.310

Skewness and Kurtosis Test for Financial Transparency

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
financial transparency	245	-.187	.156	-.487	.310

Skewness and Kurtosis Test for Financial Credit Products

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
financial credit products	245	-.277	.156	-.544	.310

Skewness and Kurtosis Test for Financial Literacy

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
financial literacy	245	-.007	.156	-.278	.310

Skewness and Kurtosis Test for Interest Rates Capping

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
interest rates capping	245	-.276	.156	-.485	.310
Valid N (list wise)	245				

Source: (Researcher, 2019)

4.3.3.2 Test of Multicollinearity

Multicollinearity means that there is linear relationship between explanatory variables, which may cause the regression model to be biased (Gujarati, 2003). VIF is a statistic calculated for each variable in the model to test Multicollinearity. Theoretically, a VIF greater than 5 may suggest that the concerned variable is multi-collinear with others in the model and may need to be excluded from the model (Gujarati, 2003). Hence, as presented on Table 27 the VIF results indicate there was no collinearity in the predictor variables. Moreover, a tolerance of greater than.

Table 27: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	financial access	.694	1.441
	financial transparency	.765	1.308
	financial credit products	.825	1.212
	financial literacy	.840	1.190
	interest rates capping	.807	1.239

a. Dependent Variable: performance

Source: (Researcher, 2019)

0.2 indicates non-existence of multicollinearity. Tolerance and VIF results indicate there was no collinearity in the predictor variables.

4.3.3.3 Test of Heteroscedasticity of the Residuals of the Dependent Variable

Heteroscedasticity arises whenever there is the presence of extreme values in a regression (Gujarati, 2003). Outliers are extreme values as compared to the rest of the data and are determined by the size of the residual in an OLS regression where all of the observations are used. It was important to test whether this assumption has been met since it affects the accuracy of the *r* coefficient (Field, 2000). In order to detect outliers, the study sought to determine whether the residual values were extreme values. This was obtained by establishing the error by finding the difference between the predicted and the actual to check for extremely positive or extremely negative values. Plotting the standardized residual versus the predicted values can determine which errors are large, after running the regression (Cousineau & Chartier, 2010). Figure 14 shows that data points are evenly and randomly dispersed around zero, the graph does not funnel out and there is no sort of curve in the graph. This pattern indicates that the assumption of heteroscedasticity was met. The plot shows that there were no significant outliers meaning that the residual values did not have extreme positive or negative values. Further, the study assumed linearity of the variables since the extreme values that had been observed were dropped as show by the box plots on Figures 14 to 20.

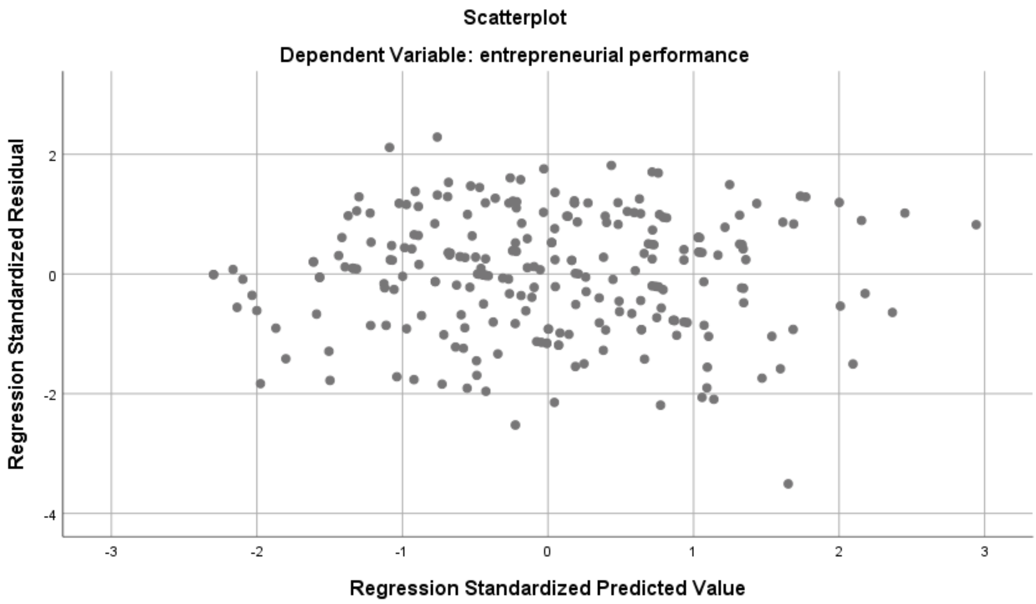

Figure 14: Scatter Plot for Performance

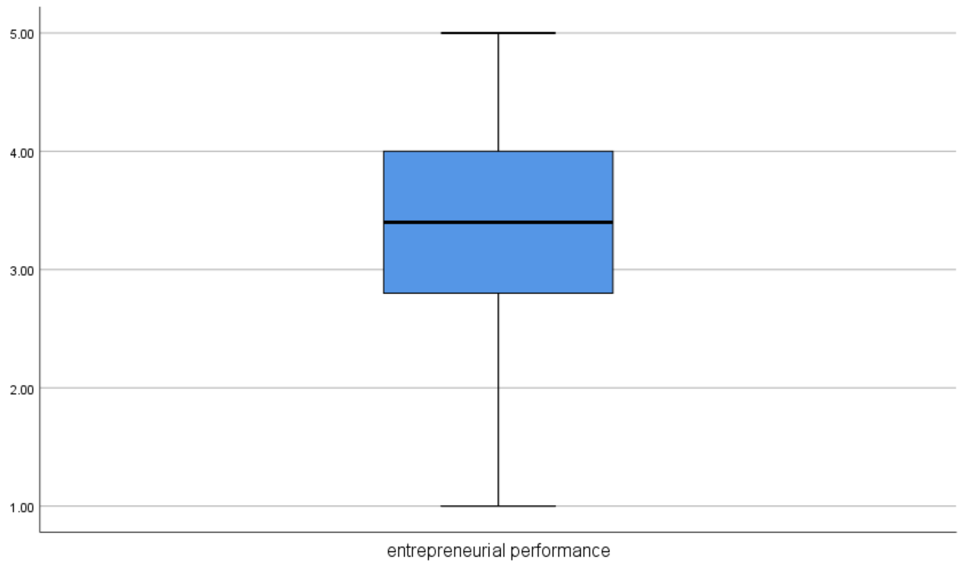

Figure 15: Box Plot for Performance

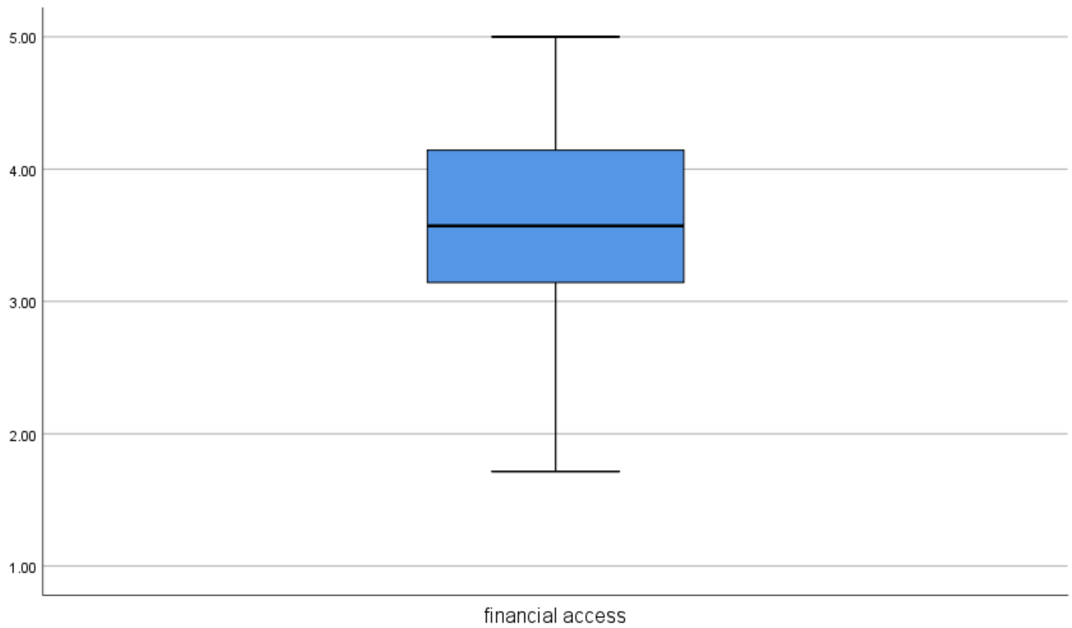

Figure 16: Box Plot for Financial Access

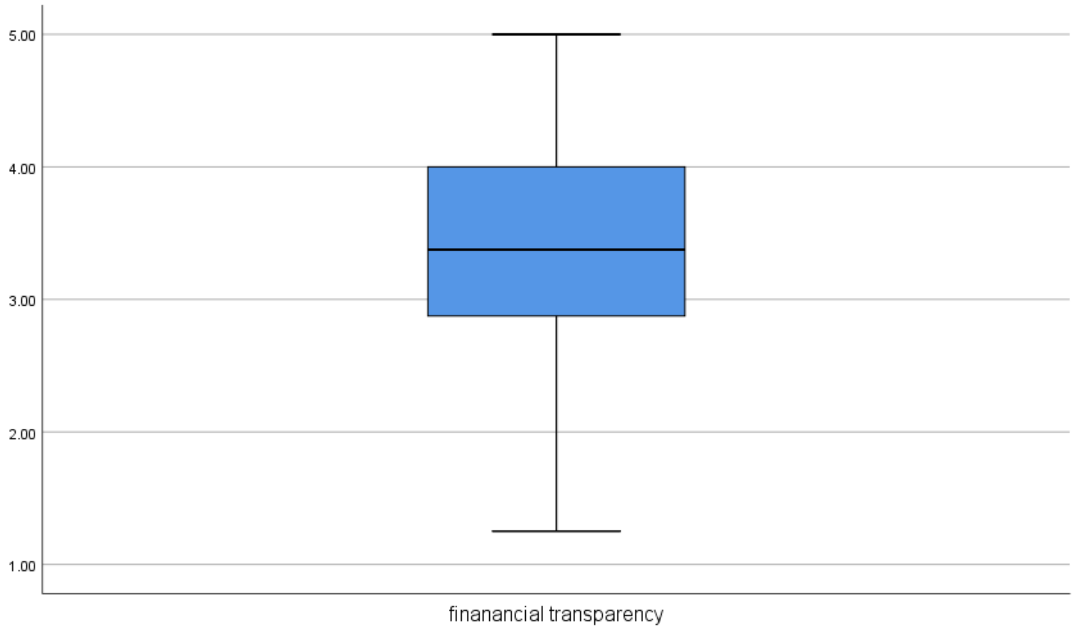

Figure 17: Box Plot for Financial Transparency

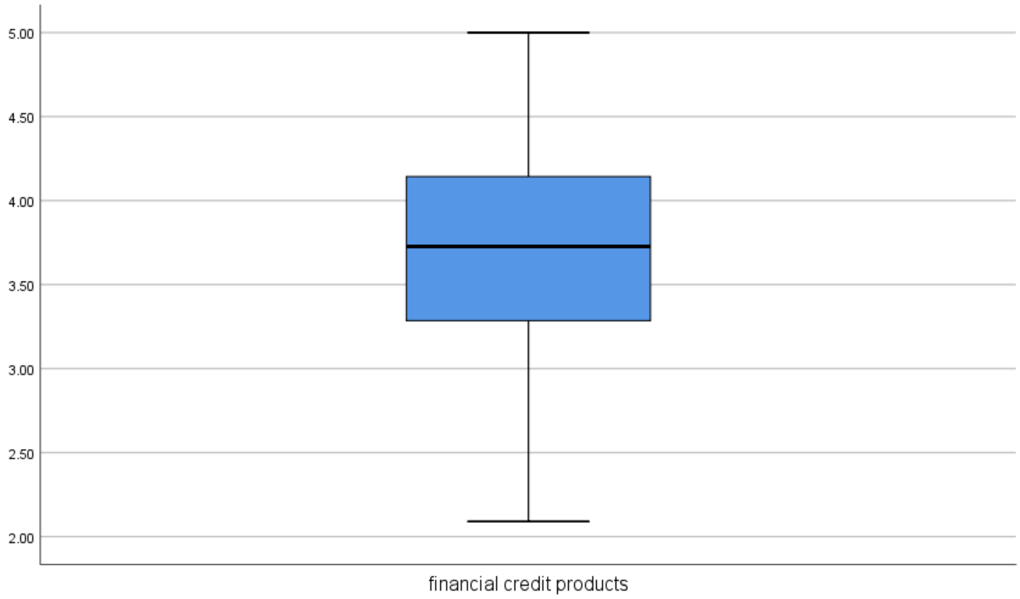

Figure 18: Box Plot for Financial Credit Products

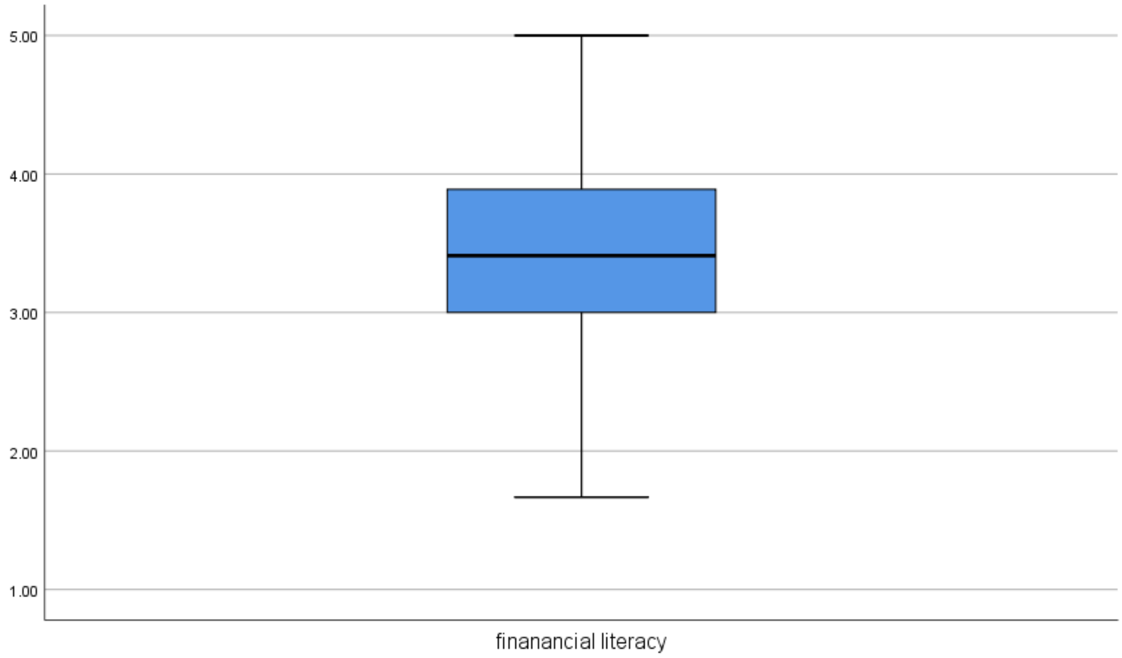

Figure 19: Box Plot for Financial Literacy

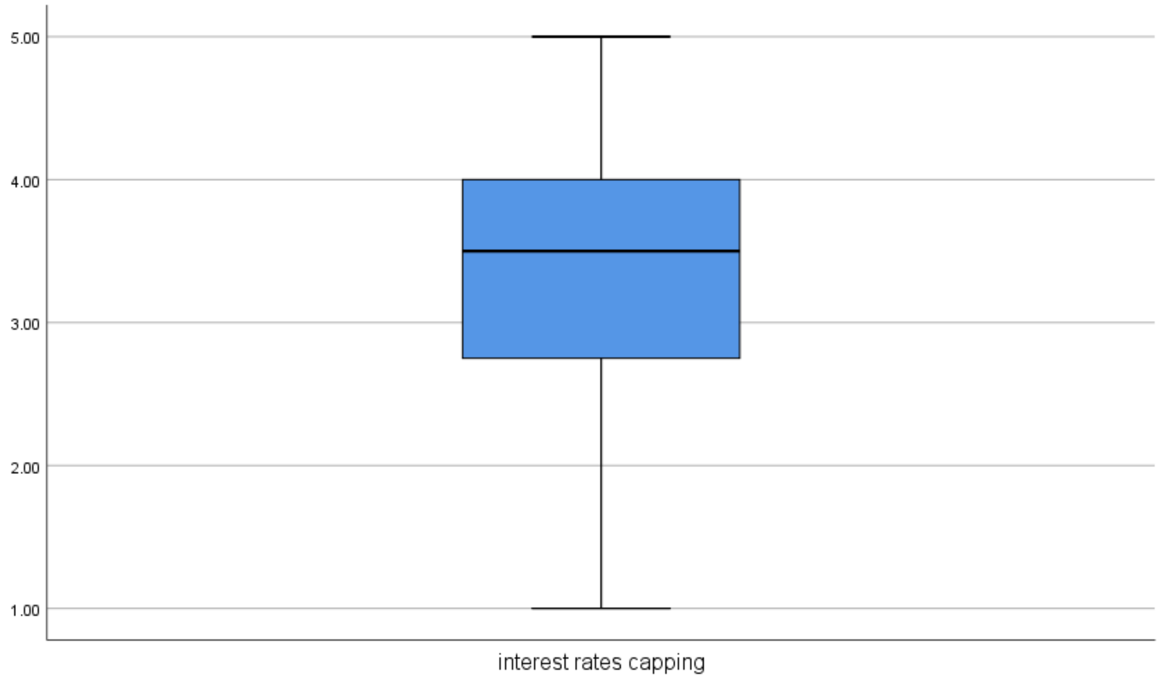

Figure 20: Box Plot for Interest Rate Capping

Further, levene Statistic was used to test the hypothesis for the homogeneity of variance that is, the error variances are all equal or homoscedastic. Table 28 shows Levene Statistic of 5.992 with an associated p-value of 0.000. Since the probability associated with the Levene Statistic is 0.000 which is less than 0.05 level of significance, we fail to reject the hypothesis and conclude that the variance of the dependent variable were homogeneous.

Table 28: Test of Homogeneity of Variances

Leven statistic	**Sig**
5.992	0.000

Source: (Researcher, 2019)

4.3.3.4 Independence of Residuals

The presence of serial correlation in the residuals was tested using the Durbin-Watson statistic in the regression analysis. This was important since high levels of correlation may result in inefficient findings. Yupitun (2008) notes that Durbin and Watson test statistic is used to check for autocorrelation among residuals in an OLS regression. The Durbin-Watson statistic should be between 1.5 and 2.5 (Verbeek, 2012). Table 29 shows that the Durbin- Watson value was 1.725, which indicates that autocorrelation in the sample, did not exist in the regression model and therefore the residuals had independent errors.

Table 29: Independence of Residual Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.370[a]	.137	.123	.82482	1.725

Source: (Researcher, 2019)

4.4 Descriptive Statistics And Discussions On Variables Under Study

Descriptive statistics analysis for variables under study and discussions are presented in this section. The independent variables were; financial access, financial transparency, financial credit products, financial literacy while performance was the dependent variable. In addition, interest rates capping was the moderating variable.

4.4.1 Financial Access

Respondents were asked to indicate the extent to which they agreed with financial access statements. The responses were analysed using frequencies and percentages. Table 30 presents the results of the analysis.

Table 30: Descriptive Results for Financial Access

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am able to access credit facilities from my financial institution	4 (1.6 %)	15 (6.1%)	44 (18.0%	53 (21.6%)	129 (52.7%)
I am able to access credit facilities after having a second or top up facility	4 (1.6%)	19 (7.8%)	59 (24.1%)	45 (18.4%)	118 (48.2%)
I am able to access more than one credit facilities	47 (19.2%)	112 (45.7%)	53 (21.6%)	13 (5.3%)	20 (8.2%)
I am able to have top up loans	12 (4.9%)	24 (9.8%)	56 (22.9%)	37 (15.1%)	116 (47.3%)
The bank has come up with new products to cover my financial credit needs	18 (7.3%)	30 (12.2%)	84 (34.3%)	22 (9.0%)	91 (37.1%)
New products for credit were available for my enterprise with existing credit	15 (6.1%)	26 (10.6%)	83 (33.9%)	40 (16.3%)	81 (33.1%)
New products for credit are available for my enterprise without existing credit	16 (6.5%)	28 (11.4%)	88 (35.9%)	35 (14.3%)	78 (31.8%)
I can access new financial products; mobile banking, e banking and agency banking	20 (8.2%)	15 (6.1%)	62 (25.3%)	37 (15.1%)	111 (45.3%)
There are new requirements needed to access new credit facilities	28 (11.4%)	28 (11.4%)	87 (35.5%)	31 (12.7%)	71 (29.0%)

Source: (Researcher, 2019)

On financial access majority of the respondents 182(74.3%) were in agreement that they were able to access credit facilities from their financial institution, with 163(66.6%) of the respondents agreeing that they were able to access credit facilities after having a second or top up facility. According to a larger majority of the respondents159 (64.9%) they were able to access more than one credit facilities and were able to have top up loans according to 153(62.4%) of the respondents. A fair majority of the respondents 113(46.1%) agreed that the banks had come up with new products to cover respondents' financial credit needs with 48(19.5%) being in disagreement while 84(34.3%) of the respondents held neutral opinion. There was agreement among most respondents 121(49.4%) that new credit products were available for their enterprises with existing credit with 83(33.9%) holding a neutral opinion. Respondents 113(46.1%) were in agreement that new credit products were available for their enterprises without existing credit. Further, a larger majority of the respondents 148(60.4%) agreed that they could access new financial products; mobile banking, e banking and agency banking while according to a fair majority of the respondents 102(41.7%) there are new requirements needed to access new credit facilities.

The findings are consistent with those of Mbugua (2015) who argued that lack of liquidity and security concerns were found to be low. The study concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion thus financial accessibility. This was because services are brought closer to the people and thus saves a lot of time, which would have been used to queue in banking halls or ATMs. The findings were also consistent with that of Ombongi and Long (2018), who found that funding seems to be the main factor through which SMEs can grow since they enable SMEs to have capacity to outdo their competitors, hence long-term survival in competitive environment.

Further the study by Mwangi and Cheluget (2018) concluded that financial innovation has not only opened up new opportunities for the sector participants, but also increased new market players arising with a range of new and innovative products in the financial market. Innovation consists of firms developing new products or new production processes to better perform their operations. The study noted that financial inclusion of small firms reduces liquidity constraints, encourages investment which in turn influences industrial structure, firm size, and competition in an economy. From the analysis it was established that financial literacy, financial innovation and financial inclusion accounted for 79% of the changes in SMEs access to credit. The study noted that financial inclusion of small firms reduces liquidity constraints, encourages investment which in turn influences industrial structure, firm size, and competition in an economy.

Samuel et al., (2019), established the access to enterprise finance had a positive and significant determination on performance of micro and small agribusiness owned by coffee smallholder agribusinesses in Kenya.

4.4.2 Financial Transparency

Respondents were asked to indicate the extent to which they agreed with financial transparency statements. The responses were analysed using frequencies and percentages. Table 31 presents the results of the analysis.

Table 31: Descriptive Results for Financial Transparency

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My financial institution is transparent on all fees and commissions	15 (6.1%)	14 (5.7%)	122 (49.8%)	43 (17.6%)	51 (20.8%
I am aware of the interest rates offered for facilities	11 (4.5%)	11 (4.5%)	55 (22.4%)	47 (19.2%)	121 (49.4%)
I am aware of all service charges for my debt financing	11 (4.5%)	11 (4.5%)	118 (48.2%)	48 (19.6%)	57 (23.3%)
I am aware of the insurance premium paid for debt financing	19 (7.8%)	9 (3.7%)	59 (24.1%)	41 (16.7%)	117 (47.8%)

Source: (Researcher, 2019)

On financial transparency a fair majority of the respondents 122(49.8%) showed neutrality in opinion on whether their financial institution was transparent on all fees and commissions with 94(38.4%) of the respondents agreeing with this statement. Most respondents 168(68.6%) were in agreement in that they were aware of the interest rates offered for facilities. Further, 118(48.2%) of the respondents held neutral opinion on whether were aware of all service charges for their debt financing with 105(42.9%) being in agreement with this statement. A larger majority of the respondents 158(64.5%) agreed that they were aware of the insurance premium paid for debt financing with 59(24.1%) of the respondents showing neutrality in opinion on this statement.

The findings agreed with that of Wambugu and Ngugi (2013) who found that today, banks have become flexible and as such face stiff competition from each other. This has also seen immense expansion of the branch networks. Bank regulators have therefore come in to manage the speed of integration and expansion in the banking industry. This is important in protecting the customers who supply funds to the banking system. In Kenya, commercial banks are regulated by Central Bank of Kenya that sets and monitors both the operational and capital requirements for all commercial banks.

The findings were also consistent with that of Aduda et al. (2012) who found that there is a relationship between credit scoring by Kenyan banks and access to credit by SMEs in Kenya. The benefits gained from the use of credit scoring include accuracy in the decision making process. This accuracy is gained to the reduction of adverse selection cases where better assessments are made in regards to an application therefore providing better decision making.

4.4.3 Financial Credit Products

Respondents were asked to indicate the extent to which they agreed with financial credit products statements. The responses were analysed using frequencies and percentages. Table 32 presents the results of the analysis.

Table 32: Descriptive Results For Financial Credit Products

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My financial institution have credit facilities for my enterprise	48 (19.6%	17 (6.9%)	8 (3.3%)	51 (20.8%)	121 (49.4%)
Credit facilities for SMEs are available to meet my every need	10 (4.1%)	50 (20.4%)	17 (6.9%)	50 (20.4%)	118 (48.2%)
I was asked for collateral (security) for the credit facility	17 (6.9%)	15 (6.1%)	58 (23.7%)	49 (20.0%)	106 (43.3%)
I was asked for collateral for a top up or when taking another facility	32 (13.1%)	29 (11.8%)	66 (26.9%)	38 (15.5%)	80 (32.7%)
The repayment period for my loans is flexible	49 (20.0%)	112 (45.7%)	65 (26.5%)	4 (1.6%)	15 (6.1%)
The repayment period for my loans was flexible after top up or second facility	45 (18.4%)	111 (45.3%)	73 (29.8%)	3 (1.2%)	13 (5.3%)
I needed guarantors to access financial credit facilities	7 (2.9%)	14 (5.7%)	58 (23.7%)	46 (18.8%)	120 (49%)
I need guarantors to access financial credit facilities for a second or top up facility	20 (8.2%)	63 (25.7%)	19 (7.8%)	42 (17.1%)	101 (41.2%)
My credit rate score was needed for loan approval	7 (2.9%)	57 (23.3%)	12 (4.9%)	45 (18.4%)	124 (50.6%)

Source: (Researcher, 2019)

On financial credit products majority of the respondents 172(70.2%) were in agreement that their financial institution had credit facilities for their enterprises with 168(68.6%) of the respondents agreeing that credit facilities for SMEs are available to meet their every need. In addition, most respondents 155(63.3%) agreed that they were asked for collateral (security) for the credit facility. There was agreement among 118(48.2%) of the respondents that they were asked for collateral for a top up or when taking another facility with 61(24.9%) being in disagreement with this statement. A larger majority of the respondents 161(65.7%) disagreed that the repayment period for their loans was flexible while 65(26.5%) of the respondents showed neutrality in opinion on this statement. Most respondents 156(63.7%) were in disagreement that he repayment period for their loans was flexible after top up or second facility while 166(67.8%) of the respondents were in agreement that they needed guarantors to access financial credit facilities. The results indicate that a majority of the respondents 143(58.3%) agreed that they need guarantors to access financial credit facilities for a second or top up facility while there was also agreement among most respondents 169(69%) that their credit rate score was needed for loan approval**.**

The findings are consistent with those of Njue and Mbogo (2017) on factors hindering SMEs from accessing the financial products offered by banks, who concluded that there were several factors that hindered SMEs access to financial products and services. In particular, these factors included lack of credit worthiness information about SMES, lack of collateral limits the SME access to finance, low net value of the entrepreneurs in terms of assets and liabilities (Capital) limits SME access to finance borrower's lack of honesty and trustworthiness (character) limits SME access to finances. Results indicated that several factors influence access of SMEs to finance. These factors include gender, level of education, size of the business, age of the entrepreneur, collateral, and level of income for the entrepreneurs. All the factors had a negative effect on the access of finances from the banks by SMEs and hence indicate SMEs low access to financial products. Another objective of the study was to establish the tools or systems required to improve accessibility to financial products offered. Results indicated that there are tools and systems put in place by banks to improve accessibility to financial products offered to small and medium enterprises.

Further the findings agreed with that of Khandker (2011) who found that microcredit products are another measure that may help alleviate poverty and provide access to finance to poor people who do not have access to formal loans. This measure could also help protect deprived groups in the population from taking out loans in the informal sector at excessively high interest rates. Thus, microcredit products can help to provide financing without the need of imposing interest caps on loans.

The findings were also consistent with that of Van Rooyen et al. 2012; Aggarwal et al. (2013) who found empirical evidence on the impacts of microcredit products supports arguments for and against these initiatives. Some argue that they help smooth consumption, empower women, and reduce poverty for some but not for the poorest part of the population. Conversely, others say that they can increase poverty, disempowering women, and reduce the educational level of children.

4.4.4.Financial Literacy

Respondents were asked to indicate the extent to which they agreed with financial literacy statements. The responses were analysed using frequencies and percentages. Table 33 presents the results of the analysis.

Table 33: Descriptive Results for Financial Literacy

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My financial institution is transparent on all issues on financing	13 (5.3%)	38 (15.5%)	113 (46.1%)	24 (9.8%)	57 (23.3%
I was consulted before changes happen concerning financing from my bank	60 (24.5%)	96 (39.2%)	28 (11.4%)	37 (15.1%)	24 (9.8%)
My financial institution informed me and educated me on debt financing	60 (24.5%)	101 (41.2%)	33 (13.5%)	35 (14.3%)	16 (6.5%)
My financial institution had me in mind when implementing micro and small enterprise products	36 (14.7%)	95 (38.8%)	76 (31.0%)	18 (7.3%)	20 (8.2%)
My financial institution has put measures to protect me from any uncertainties especially macro changes	28 (11.4%)	95 (38.8%)	69 (28.2%)	35 (14.3%)	18 (7.3%)
My financial institution has programs where i am educated and informed on issues financing	29 (11.8%)	86 (35.1%)	69 (28.2%)	29 (11.8%)	32 (13.1%)
There is clear communication between me and my financial institution	22 (9.0%)	33 (13.5%)	100 (40.8%)	28 (11.4%)	62 (25.3%)
I feel that I am comfortable with my financial institution	21 (8.6%)	28 (11.4%)	107 (43.7%)	29 (11.8%)	60 (24.5%)

Source: (Researcher, 2019)

On financial literacy a fair majority of the respondents 113(46.1%) showed neutrality in opinion on whether their financial institution was transparent on all issues on financing, with 81(33.1%) being agreement and 51(20.8%) of the respondents disagreeing with this statement. It was not clear on whether the respondents were aware on the changes that had taken place concerning debt financing with 106(43.3%) being in agreement and

106(43.3%) holding a neutral opinion respectively. According to most respondents 156(63.7%) they were not consulted before changes happen concerning financing from their bank while 61(24.9%) held the opinion that they were consulted by the bank. Majority of the respondents 161(65.7%) were in disagreement that their financial institution informed them and educated them on debt financing while 131(53.7%) of the respondents disagreed that their financial institution had them in mind when implementing micro and small enterprise products. According to a fair majority of the respondents 123(50.2%), their financial institution has put measures to protect them from any uncertainties especially macro changes while 69(28.2%) showed neutrality in opinion. There was disagreement among most respondents 115(46.9%) that their financial institution had programs where they were educated and informed on issues financing with 69(28.2%) of the respondents holding a neutral opinion and 61(24.9%) being in agreement. Further, most respondents 11(40.8%) held neutral opinion on whether there was clear communication between them and their financial institution with 90(36.7%) being in agreement and 55(22.5%) disagreeing with this statement. Respondents 107(43.7%) showed neutrality in opinion on whether they felt that they were comfortable with their financial institution while 89(36.3%) were in agreement with 49(20%) of the respondents disagreeing with this statement.

The findings agreed with those of Nyakundi et al. (2014) that revealed that a significant change in financial performance is linked to internal controls systems. Based on the findings of the study, it is concluded that internal control systems as supported by the study findings significantly influence the financial performance of Small and Medium scale Enterprises. The investigation recommends training on the significance of internal controls among proprietors of Small and Internal Controls and Return on Investment.

The findings were consistent with that of Chepngetich (2016) who found that borrowing financial literacy has a significant effect on SME performance. SME owners possessed the requisite knowledge on effective and efficient borrowing financial literacy. Most of them had undergone training on the calculation of interest rate. They were therefore capable of ascertaining whether a project was viable, giving the SMEs a better chance of efficiently utilizing the borrowed funds and realizing profits.

4.4.5 Interest Rates Capping

Respondents were asked to indicate the extent to which they agreed interest rates capping statements. The responses were analysed using frequencies and percentages. Table 34 presents the results of the analysis.

Table 34: Descriptive Results for Interest Rates Capping

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I was asked for collateral for the credit facilities following the capping	21 (8.6%)	52 (21.2%)	22 (9.0%)	86 (35.1%)	64 (26.1%)
Privacy of my personal financial information is upheld by my financial institution	20 (8.2%)	43 (17.6%)	22 (9.0%)	77 (31.4%)	83 (33.9%)
The financial institution had me in mind when implementing the capping	45 (18.4%)	104 (42.4%)	33 (13.5%)	34 (13.9%)	29 (11.8%)
The financial institution have measures to protect me from any uncertainties following the capping	40 (16.3%)	107 (43.7%)	37 (15.1%)	32 (13.1%)	29 (11.8%)
I can access new product from my financial institutions (unsecured loans, auto loans, credit cards) after the capping	57 (23.3%)	92 (37.6%)	37 (15.1%)	30 (12.2%)	29 (11.8%)
There are new credit product available to micro enterprises after the capping	59 (24.1%)	98 (40.0%)	32 (13.1%)	36 (14.7%)	20 (8.2%)
The new products are affordable following the capping	51 (20.8%)	102 (41.6%)	26 (10.6%)	40 (16.3%)	26 (10.6%)
The new products are accessible to micro enterprises	61 (24.9%)	93 (38.0%)	30 (12.2%)	32 (13.1%)	29 (11.8%)
The new products' requirements and conditions changed after capping	28 (11.4%)	32 (13.1%)	31 (12.7%)	101 (41.2%)	53 (21.6%)

Source: (Researcher, 2019)

On interest rates capping the results indicate that majority of the respondents 150(61.2%) were in agreement that they had been asked for collateral for the credit facilities following the capping while 73(29.8%) of the respondents disagreed with the statement.

Most respondents 160(65.3%) agreed that privacy of their personal financial information was upheld by their financial institution while 149(60.8%) of the respondents were in disagreement that their financial institution had them in mind when implementing the capping. Further, most respondents 147(60%) were in disagreement that their financial institution had measures to protect them from any uncertainties following the capping while 149(60.9%) of the respondents disagreeing that they could access new product from their financial institutions (unsecured loans, auto loans, credit cards etc.) after the capping. According to a larger majority of the respondents 157(64.1%), they were no new credit products available to micro enterprises after the capping. A majority of the respondents 153 (62.4%) disagreed that the new products were affordable following the capping. In addition, 154(62.9%) of the respondents were in disagreement that the new products were accessible to micro enterprises with 61(24.9%) of the respondents being in agreement with this statement. Most respondents 154(62.8%) were in agreement that the new products' requirements and conditions changed after capping while 60(24.5%) of the respondents disagreed with this statement.

The findings are consistent with those from the study by Nyanamba et al. (2013), who concluded that the major factors that affect the capital structure of micro-enterprises are: access to capital markets, size of business, profitability of the business and lenders' attitude towards the firm. Other factors, though less significant, include asset structure of the micro-enterprises, lending interest rates, age of the business and attitude of the management toward risk.

The findings agreed with that of Chege (2014) who concluded that there is a strong relationship between financial performances of commercial banks with interest rate. The study recommended that there is need for banks to apply efficient and effective credit risk management that will ensure that loans are matched with ability to repay and minimize on their interest rate spread and other incidental costs to reduce loan default. Zachary (2013) found further that effective interest rates, annual profits and owners‟ equity explained demand for loans in that order. Demand for finance is paramount to micro and small enterprises. Further findings from the study by Kamunge et al. (2014), found that government policy and regulations that are centred toward political intentions like the interest rate caps might trigger either positive or negative effects.

4.4.6 Performance of Micro and Small Enterprises

Respondents were asked to indicate the extent to which they agreed with performance statements. The responses were analysed using frequencies and percentages. Table 35 presents the results of the analysis.

Table 35: Descriptive Results for Performance

Measurable indicators	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am satisfied with the profits from my enterprise	14 (5.7%)	28 (11.4%)	50 (20.4%	72 (29.4%)	81 (33.1%)
Profits from my enterprise are above 50% on average over the past 5 years	13 (5.3%)	14 (5.7%)	45 (18.4%)	79 (32.2%)	94 (38.4%)
Profits from my enterprise has enabled my enterprise to grow over the past 5 years	18 (7.3%)	39 (15.9%)	46 (18.8%)	77 (31.4%)	65 (26.5%)
I am satisfied with the sales from my enterprise	29 (11.8%)	28 (11.4%)	58 (23.7%)	60 (24.5%)	70 (28.6%)
Sales from my enterprise are above 50% on average over the past 5 years	7 (2.9%)	21 (8.6%)	46 (18.8%)	80 (32.7%)	91 (37.1%)
Sales from my enterprise has enabled my business to grow over the past 5 years	13 (5.3%)	25 (10.2%)	58 (23.7%)	92 (37.6%)	57 (23.3%)
There is increase in number of my enterprises	16 (6.5%)	15 (6.1%)	77 (31.4%)	81 (33.1%)	56 (22.9%)
My employees are productive	11 (4.5%)	25 (10.2%)	67 (27.3%)	79 (32.2%)	63 (25.7%)
My employees embrace team work collaboratively	62 (25.3%)	30 (12.2%)	10 (4.1%)	85 (34.7%)	58 (23.7%)
My customers are satisfied that their needs are met in my enterprise	21 (8.6%)	25 (10.2%)	58 (23.7%)	73 (29.8%)	68 (27.8%)

Source: (Researcher, 2019)

On performance the results indicate that most respondents 153(62.5%) were in agreement that they were satisfied with the profits from their enterprises while 173(70.6%) of the respondents profits from their enterprises were above 50% on average over the past 5 years. In addition, a fair majority of the respondents 142(57.9%) were in agreement that profits from their enterprises had enabled their enterprise to grow over the past 5 years with 57(23.2%) of the respondents being in disagreement. Further, respondents 130(53.1%) were in agreement that they were satisfied with the sales from their enterprises while 57(23.2%) disagreed and 58(23.7%) of the respondents showed neutrality on this statement. There was agreement among a larger majority of the respondents 171(69.8%) that sales from their enterprises were above 50% on average over the past 5 years and that sales from their enterprise had enabled their enterprises to grow over the past 5 years. In addition, a fair majority of the respondents (56%) were in agreement that there was an increase in number of their enterprises with 77(31.4%) showing neutrality in opinion on this statement. Most respondents 142(57.9%) were in agreement that their employees were productive while 143(58.4%) of the respondents agreed that their employees embraced teamwork collaboratively. Further, there was agreement among most respondents 141(57.6%) that their customers were satisfied that their needs were being met with 58(23.7%) of the respondents holding a neutral opinion and 46(18.8%) disagreeing with this statement.

The findings are consistent with those of Koitamet and Ndemo (2017) who found that financial access and performance of social entrepreneurship firms are positively and significant related. These findings agreed with that of Murigi (2014) who argued that financial access has been found to be the blood of small and micro enterprises and a key determinant of financial performance in developed countries. The study concluded that financial access and financial performance are significant related.

The findings were also agreed with that of Samuel et al. (2019) who established the access to enterprise finance had a positive and significant determination on performance of micro and small agribusiness owned by coffee smallholder agribusinesses in Kenya. The study concluded that since majority of the coffee smallholder agribusinesses in Kenya do not access enterprise finance they have opted for own savings as a mean of financing their micro and small agribusiness enterprises. Further, the study by Kamunge et al. (2014), concluded that access to finance and availability of management experience are the key socio-economic factors affecting the performance of businesses in Limuru Town Market.

The findings further agreed with that of Ombongi and Long (2018), who confirmed a direct relationship between SMEs financial performance and the independent variables; bank credit, technological costs, GDP, growth in number of SMEs and employee costs. Funding seems to be the main factor through which SMEs can grow since they enable SMEs to have capacity to outdo their competitors, hence long-term survival in competitive environment. The results also showed that there was a move away from reliance solely on financial measures as a means of measuring performance.

The findings agreed with the argument that in the business literature that the healthiest companies are those that have high customer satisfaction levels because of the link with customer loyalty and repeat business (Heskett et al., 2008). Indeed, the link between quality goods and services, customer satisfaction, loyalty and profits is reflected in both performance measures and the factors perceived to being critical to SME success with maintaining good customer relationships and having a good product or service deemed to be the most critical factors (Douglas et al., 2017).

4.5 Inferential Statistics

This section presents inferential statistics tools that were used namely; Pearson correlation coefficient and regression analysis.

4.5.1 Correlation Analysis

Devore and Peck (2006) recommends a guideline for assessing resultant correlation coefficients as; correlation coefficients less than 0.5 represent a weak relationship, correlation coefficients greater than 0.5, but less than 0.8, represent a moderate relationship whereas correlation coefficients greater than 0.8 represent a strong relationship. The Results are between -1 and 1. A result of -1 means that there is a perfect negative correlation between the two values, while a result of 1 means that there is a perfect positive correlation between the two variables. Result of 0 means that there is no correlation between the two variables Gujarati (2004). Before carrying out a test on research' hypotheses, the study examined how the variables of the study were related. Correlation results are presented on Table 36.

Table 36: Correlation Matrix predictor variables and the dependent variable Corrections

		Financial Access	Financial Transparency	Financial Credit Products	Financial Literacy	Performance
financial access	Pearson Correlation	1	.458**	.293**	.348**	.215**
	Sig. (2-tailed)		.000	.000	.000	.001
	N	245	245	245	245	245
financial transparency	Pearson Correlation	.458**	1	.259**	.249**	.251**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	245	245	245	245	245
financial credit products	Pearson Correlation	.293**	.259**	1	.209**	.222**
	Sig. (2-tailed)	.000	.000		.001	.000
	N	245	245	245	245	245
financial literacy	Pearson Correlation	.348**	.249**	.209**	1	.293**
	Sig. (2-tailed)	.000	.000	.001		.000
	N	245	245	245	245	245
performance	Pearson Correlation	.215**	.251**	.222**	.293**	1
	Sig. (2-tailed)	.001	.000	.000	.000	
	N	245	245	245	245	245

**. Correlation is significant at the 0.05 level (2-tailed).

Source: (Researcher, 2019)

On correlation, the results on Table 36 show a statistically significant positive relationship between financial access and performance ($r = 0.215$, $p < 0.05$). This implies that when financial access increases, performance improves among small and micro enterprises in Kericho County, Kenya.

The findings are consistent with those of Bunyasi et al. (2014) who found out that access to enterprise finance has a positive influence on the growth of SMEs. The study also recommended that the government should support the legal and regulatory framework that strengthens the financial infrastructure at the same time build capacity of the financial institutions to enhance SMEs access to finances. The study found that financing was important to the SMEs in Kenya and that the government was to enhance the efforts to enhance access to finance.

The findings agreed with that of Samuel et al. (2019), who concluded that access to enterprise finance had a positive but insignificant determination on performance of micro and small agribusinesses owned by coffee smallholders in Kenya. Further, the study concluded that access to enterprise finance showed insignificant determination on performance of MSAEs since majority of the respondents had no access to such funds. The study observed that because of the many hindrances and challenges experienced in accessing credit from financial institutions among the coffee smallholders' agribusinesses, hence concluding that this is why majority have resorted to different means available for financing. However, ensuring access to enterprise finance by micro and small agribusinesses is likely to increase agribusinesses performance (Samuel et al., 2019).

Further, the findings agreed with Koitamet and Ndemo (2017), who found that financial access has a positive and significant relationship with performance of social entrepreneurship firms. Unique contribution to theory, practice and policy. The study found that financial access and performance of social entrepreneurship firms are positively and significant related.

The results also show that there exists a statistically significant positive relationship between financial transparency and performance (r = 0.251, p < 0.05). This means that when financial transparency is enhanced, performance improves among small and micro enterprises in Kericho County, Kenya.

The findings agreed with that of Rotich, Wanjau and Namusonge (2015) who found that relationship lending has gained a lot of interest worldwide as it is seen as an avenue to help bridge the information gap between SMEs and the banks thus ultimately helping SMEs access credit. The study also found that relationship lending has a positive relationship with financial performance is also supported in literature. Nam (2004) found out that firms in relationship lending arrangements with banks have more access to finance with better credit terms than those who are not in relationship banking. Hiraki et al. (2003) showed that a positive correlation between relationship lending and the financial performance of a firm also reported similar findings.

The findings are consistent with that of Wambua and Mugambi (2013) who found evidence that relationship lending is positively correlated to financial performance. The moderation results led to the conclusion that there was a significant moderating effect of EO on the relationship between relationship lending and financial performance of manufacturing SMEs in Kenya.

The correlation results also reveal that there is a statistically significant positive relationship between financial credit products and performance (r = 0.222, p < 0.05). This implies that financial credit products are enhanced, performance improves among small and micro enterprises in Kericho County, Kenya.

The findings are consistent with those of Macharia (2012) who found that the main hindrance of SMEs in getting access to formal financial services due to lack of credit services awareness, lack of collateral, banks vetting procedures, requirements of a guarantor, cost of loans and the employment as a security issue are some of the obstacles hindering utilization Based on the study findings the study concluded that financial access have a positive and significant relationship with performance of social entrepreneurship firms.

The findings agreed with Ombongi and Long (2018) who found that funding seems to be the main factor through which SMEs can grow since they enable SMEs to have capacity to outdo their competitors, hence long-term survival in competitive environment. Further, the results show a statistically significant positive relationship between financial literacy and performance (r = 0.293, p < 0.05). These results indicate that when financial literacy is enhanced, enterprise performance improves among small and micro enterprises in Kericho County, Kenya. The findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on performance therefore the hypothesis that financial literacy influences performance was supported.

These findings agreed with that of Cherotich et al. (2019) that revealed that high financial knowledge has a significant positive impact on performance of women farm enterprises. Specifically, respondents with higher levels of FK were also associated with higher amounts of savings and enterprise margins. The findings are indicative of a significant effect of borrowing financial literacy and budgeting financial literacy on SME performance. Borrowing financial literacy has a significant effect on SME performance. SME owners possessed the requisite knowledge on effective and efficient borrowing financial literacy. Most of them had undergone training on the calculation of interest rate. The findings were also consistent with that of Siekei et al. (2013), who found and concluded that financial literacy skills acquired through the EGF contributed a lot in enhancing performance of SMEs who were part of the program.

4.6 Test of Research Hypotheses

After carrying out preliminary diagnostic tests and confirming that the data complied with the prerequisite assumptions, regression analyses were run to test the formulated research hypotheses. The unstandardized betas values were used to determine influence of predictor variables on the dependent variable. Unlike standardized beta, unstandardized beta coefficients explain how the dependent variable varies because of a unit change in the independent variables.

4.6.1 Influence of Financial Access on Performance

The first objective of the study was to examine the influence of financial access on performance of micro and small enterprises in Kericho County, Kenya. To determine the influence, the following hypothesis was tested.

$H_0$1*: Financial access has no significant influence on performance among micro and small enterprises in Kericho, Kenya.*

The study also hypothesised that;

H_o1_a: *Interest rates capping has no significant moderating effect on the relationship between influence of financial access and performance among micro and small enterprises to credit in Kericho, Kenya.*

As shown on Table 37, in model 1, the R square was 0.096, which implies that 9.6% variation in performance of micro and small enterprises to credit in Kericho, Kenya can be explained by financial access. Further, in model 2, R^2 increased to 10.1% indicating a 0.005 increase in variation as a result of the interaction effect of moderating variable. The results also indicate that this increase was statistically significant since the *p* value of 0.004 was less than 0.05 (p >0.05).

Table 37: Model Summary for Financial Access and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.215[a]	.096	.096	.86179	.096	11.750	1	243	.001
2	.224[b]	.101	.096	.86168	.005	1.059	1	242	.004

a. Predictors: (Constant), financial access

b. Predictors: (Constant), financial access, interest rates capping

Source: (Researcher, 2019).

The results on Table 38 indicate that the two models were statistically significant. Model 1 had F-statistics of the regression ($F_{(1, 243)}$ =11.750) which was statistically significant (p<0.05). This implies that the coefficients of the model are not equal to zero, suggesting that the model significantly fits the data. After moderation, model 2 had F-statistics $_{(2, 242)}$ =6.406, which was statistically significant (p<0.05). Thus, the ANOVA results in the moderated model indicate that the model was significant.

Table 38: ANOVAa Results for Financial Access and Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.727	1	8.727	11.750	.001[b]
	Residual	180.472	243	.743		
	Total	189.198	244			
2	Regression	9.513	2	4.757	6.406	.002[c]
	Residual	179.685	242	.743		
	Total	**189.198**	**244**			

a. Dependent Variable: performance

b. Predictors: (Constant), financial access

c. Predictors: (Constant), financial access, interest rates capping

Source: (Researcher, 2019)

The results on Table 39 indicate in model 1, there exist a statistically significant positive relationship financial access and performance of micro and small enterprises in Kericho, Kenya (β =0.276, $p<0.05$). This implies that when financial access increases by an additional unit, performance increases by 0.276. Thus, the null hypothesis (**Ho_1**) was rejected indicating that "Financial access has significant influence on performance of micro and small enterprises in Kericho, Kenya."

Model 2 in Table 39 shows that the moderating effect of interest rate capping on the influence of financial access and performance of micro and small enterprises in Kericho, Kenya was positive and significant (β =0.248, $p<0.05$). This implies that when financial access increases by an additional unit, performance is predicted to increases by 0.248 given that interest rate capping is held constant. The beta coefficient of the moderating variable (interest rate capping) was 0.165 with a p-value<0.05, implying that interest rate capping has a significant moderating effect on the relationship between influence of financial access and performance of micro and small enterprises in Kericho, Kenya. Thus, the null hypothesis (**$Ho1_a$**) was rejected indicating "Interest rates capping has significant moderating effect on the relationship between influence of financial access and performance of micro and small enterprises to credit in Kericho, Kenya."

Further, regression models were obtained where ordinary least square (OLS) model shows the relationship between variables before introducing a moderator, while moderated multiple regression (MMR) model shows the relationship between variables after introducing a moderator.

OLS model: Performance = 2.362+0.276 Financial access

MMR model: Performance = 2.242+0.248 Financial access + 0.165 interest rates capping

Table 39: Coefficients Results for Financial Access and Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.362	.296		7.985	.000
	financial access	.276	.080	.215	3.428	.001
2	(Constant)	2.242	.318		7.050	.000
	financial access	.248	.085	.193	2.927	.004
	interest rates capping	.165	.063	.068	2.619	.004

a. Dependent Variable: Performance

Source: (Researcher, 2019)

These findings agreed with that of Murigi (2014) before moderation who argued that financial access has been found to be the blood of small and micro enterprises and a key determinant of financial performance in developed countries. The study concluded that financial access and financial performance are significant related. The findings were also consist with that of Macharia (2012) who found that the main hindrance of SMEs in getting access to formal financial services due to lack of credit services awareness, lack of collateral, banks vetting procedures, requirements of a guarantor, cost of loans and the employment as a security issue are some of the obstacles hindering utilization Based on the study findings the study concluded that financial access have a positive and significant relationship with performance of social entrepreneurship firms.

The findings further agreed with study by Koitamet and Ndemo (2017) who concluded that ability to access credit, short-term repayment period greatly affect social entrepreneurship firms to access finance. In addition, collateral affect social entrepreneurship firms to access finance. Lack of the social entrepreneurship credit worthiness information also affects their ability to access credit largely of the available credit facilities.

The findings are consistent with those of Nyanamba et al. (2013) after moderation it where it was concluded that the major factors that affect the capital structure of micro-enterprises are: access to capital markets, size of business, profitability of the business and lenders' attitude towards the firm. Other factors, though less significant, include asset structure of the micro-enterprises, lending interest rates, age of the business and attitude of the management toward risk. Government policy and tax advantage of the debt have no significant role in determining the capital structure of micro-enterprises. From this research, it is clear that a number of factors affects capital structure. It is noted that micro-enterprises experience low growth rate.

The findings agreed with that of Tita and Meshach (2017), in the study on the effect of financial inclusion on welfare in sub-Saharan-Africa who analysed the relationship between various aspects of financial inclusion and income inequality in sub-Saharan African. The study showed that formal account used for business, electronic payments and formal savings have a positive relationship with income inequality. Furthermore, the positive relationship may suggest that owning a formal account does not necessarily lead to improvement in access to credit.

Further, the findings agreed with Lewis and Lindley (2015), in the study of financial inclusion, financial education, and financial regulation in the United Kingdom found that despite nearly two decades of financial inclusion policymaking, persistent problems remain. The study found that many individuals, often the most vulnerable, are unable to get financial products and services that meet their needs at affordable prices. New forms of exclusion were emerging as digital technology advances and risk profiling becomes increasingly sophisticated

4.6.2 Influence of Financial Transparency on Performance

The second objective of the study was to determine the influence of financial transparency on performance of micro and small enterprises in Kericho County, Kenya. To determine the influence, the following hypothesis was tested.

$H_0$2: *Financial transparency has no significant influence on performance among micro and small enterprises in Kericho, Kenya.*

The study also hypothesized that;

H_o2_a: *Interest rates capping has no significant moderating effect on the relationship between influence of financial transparency and performance among micro and small enterprises to credit in Kericho, Kenya.*

As shown on Table 40, in model 1, the R square is 0.163, which implies that 16.3% variation in performance can be explained by financial transparency. Further, in model 2, R^2 changed to 0.168 indicating a 0.005 increase in variation because of the interaction effect of moderating variable. The results also indicate that this increase was statistically significant since the *p* value of 0.044 is less than the conventional probability value of 0.05.

Table 40: Model Summary for Financial Transparency and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.351[a]	.163	.159	.85402	.163	16.407	1	243	.000
2	.362[b]	.168	.161	.85339	.005	1.361	1	242	.044

a. Predictors: (Constant), financial transparency
b. Predictors: (Constant), financial transparency, interest rates capping
Source: (Researcher, 2019)

The results on Table 41 indicate that the two models were statistically significant. Model 1 had F-statistics of the regression ($F_{(1,\ 243)}$ =16.407) which was statistically significant ($p<0.05$). This indicates that the model applied significantly predicted the change of the dependent variable as result of the predictor variable included in the model. After moderation, model 2 had F-statistics $_{(2,\ 242)}$ =8.896, which was statistically significant ($p<0.05$). Thus, the ANOVA results in the moderated model indicate that the model was significant.

Table 41: ANOVA Results for Financial Transparency and Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.966	1	11.966	16.407	.000[b]
	Residual	177.232	243	.729		
	Total	189.198	244			
2	Regression	12.958	2	6.479	8.896	.000[c]
	Residual	176.241	242	.728		
	Total	**189.198**	**244**			

a. Dependent Variable: Performance
b. Predictors: (Constant), financial transparency
c. Predictors: (Constant), financial transparency, interest rates capping
Source: (Researcher, 2019)

As presented on Table 42 show that in model 1, there exist a statistically significant positive relationship between financial transparency and performance of micro and small enterprises in Kericho, Kenya (β =0.282, $p<0.05$). This implies that when financial transparency increases by an additional unit, and performance increases by 0.282. This means that the null hypothesis (**Ho2)** was rejected by implying that "financial transparency has no significant influence on performance of micro and small enterprises in Kericho, Kenya."

Further, Model 2 in Table 42 shows that the moderating effect of interest rate capping on the influence of financial transparency and performance of micro and small enterprises in Kericho, Kenya was positive and significant (β =0.263, $p<0.05$). This implies that when financial transparency increases by an additional unit, performance is predicted to increases by 0.263 given that interest rate capping is held constant. The beta coefficient of the moderating variable was .171 with a p-value<0.05, implying that interest rate capping has a significant moderating effect on the relationship between influence of financial transparency and performance of micro and small enterprises in Kericho, Kenya was positive and significant. Thus, the null hypothesis (**Ho_{2a})** was rejected indicating, "Interest rates capping has a significant moderating effect on the relationship between influence of financial transparency and performance of micro and small enterprises to credit in Kericho, Kenya." In addition, regression models were obtained where ordinary least square (OLS) model shows the relationship between variables before introducing a moderator while moderated multiple regression (MMR) model shows the relationship between variables after introducing a moderator.

OLS model: Performance = 2.402 +.282 Financial transparency

MMR model: Performance = 2.227+0.263 Financial transparency + 0.171 interest rates capping

Table 42: Coefficients for Financial Transparency and Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.402	.242		9.906	.000
	financial transparency	.282	.070	.251	4.051	.000
2	(Constant)	2.227	.285		7.818	.000
	financial transparency	.263	.072	.234	3.669	.000
	interest rates capping	.171	.061	.074	2.803	.044

a. Dependent Variable: Performance

Source: (Researcher, 2019)

The findings are consistent with those of Mugo (2015) before moderation who revealed through regression analysis that the performance of wine companies was influenced largely by market innovation, process innovation, product innovation, production innovation and management innovation. The findings agreed with that of Nyakundi et al. (2014), who revealed that the level of knowledge in internal control systems significantly influence the growth in proprietors' wealth. This statement is equally true for the improvement in the SMEs profitability. The study found out too that there is a significant relationship between the level of knowledge on ICS and growth rate in revenue.

The findings agreed with that of Carletti et al. (2018), who found that the bank branch expansion led by Equity Bank, a pioneering institution that devised a banking service strategy targeting low-income clients and traditionally underserved districts in Kenya, had a positive impact on households' access to bank accounts and credit. The results highlight that microfinance at scale can be profitable and can lead to increased financial access, but there is much more to it. The findings also agreed with Ludeki and Yatundu (2018) who concludes that monetary factors are most critical to the growth of the salons.

The study recommends that the government of Kenya to create an enabling financial environment for salons as well as courses on business management. Lastly, the study recommends that further research be conducted to determine the actual effects of these factors on real growth.

The findings are consistent with those of Chege (2014), after moderation. The study concluded that there is a strong relationship between financial performances of commercial banks with interest rate. The study recommended that there is need for banks to apply efficient and effective credit risk management that will ensure that loans are matched with ability to repay and minimize on their interest rate spread and other incidental costs to reduce loan default.

The findings also agreed with Miller et al. (2009) in the study of interest rate caps and their impact on financial inclusion came up with the following findings that; there are situations when an interest rate cap may be a good policy decision for governments. Where insufficient credit is being provided to a particular industry that is of strategic importance to the economy, interest rate caps can be a short-term solution.

4.6.3 Influence of Financial Credit Products on Performance

The third objective of the study was to evaluate the influence of financial credit products on performance of micro and small enterprises in Kericho County, Kenya. To determine the influence, the following hypothesis was tested.

$H_0$3*: Financial credit products have no significant influence on performance among micro and small enterprises in Kericho, Kenya.*

The study also hypothesized that;

$H_0 3_a$*: Interest rates capping has no significant moderating effect on the relationship between influence of financial credit products and performance among micro and small enterprises to credit in Kericho, Kenya.*

As shown on Table 43 in model 1, the R square is 0.149, which implies that 14.9% variation in performance can be explained by financial credit products. Further, in model 2, R^2 changed to 0.152 indicating a 0.003 increase in variation because of the interaction effect of moderating variable. The results also indicate that this increase was statistically significant since the *p* value of 0.010 was less than the conventional probability value of 0.05.

Table 43: Model Summary for Financial Credit Products and Performance

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.322[a]	.149	.145	.86031	.149	12.626	1	243	.000
2	.329[b]	.152	.145	.86071	.003	.773	1	242	.010

a. Predictors: (Constant), financial credit products

b. Predictors: (Constant), financial credit products, interest rates capping

Source: (Researcher, 2019)

Further, the results on Table 44 indicate that the two models were statistically significant. Model 1 had F-statistics of the regression ($F_{(1, 243)}$ = 12.626) which was statistically significant (p<0.05). This indicates that the model applied significantly predicted the change of the dependent variable as result of the predictor variable included in the model. After moderation, model 2 had F-statistics $_{(2, 242)}$ = 6.694which was statistically significant (p<0.05). Thus, the ANOVA results in the moderated model indicate that the model was significant.

Table 44: ANOVA Results for Financial Credit Products and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.345	1	9.345	12.626	.000[b]
	Residual	179.853	243	.740		
	Total	189.198	244			
2	Regression	9.918	2	4.959	6.694	.001[c]
	Residual	179.280	242	.741		
	Total	**189.198**	**244**			

a. Dependent Variable: Performance
b. Predictors: (Constant), financial credit products
c. Predictors: (Constant), financial credit products, interest rates capping

Source: (Researcher, 2019)

The results on Table 45 show that in model 1, indicate that there exists a statistically significant positive relationship between financial credit products and performance of micro and small enterprises in Kericho, Kenya (β =-0.298, $p<0.05$). A beta coefficient of 0.298 implies that when financial credit products increase by an additional unit, performance increases by 0.298. This means that the null hypothesis (**Ho3)** was rejected by implying that "Financial credit products has significant influence on performance among micro and small enterprises in Kericho, Kenya".

In addition, Model 2 in Table 45 shows that the moderating effect of interest rates capping on the influence of financial credit products and performance of micro and small enterprises in Kericho, Kenya was positive and significant (β =0.270, $p<0.05$). This implies that when financial credit products increase by an additional unit, performance is predicted to increase by 0.270 given that interest rates capping is held constant. Further, beta coefficient of the moderating variable was 0.156 with a p-value<0.05, implying that interest rates capping has a significant moderating effect on the relationship between influence of financial credit products and performance of micro and small enterprises in

Kericho, Kenya. Thus, the null hypothesis **($Ho3_a$)** was rejected indicating, "Interest rates capping has significant moderating effect on the relationship between influence of financial credit products and performance of micro and small enterprises to credit in Kericho, Kenya." Moreover, regression models were obtained where ordinary least square (OLS) model shows the relationship between variables before introducing a moderator while moderated multiple regression (MMR) model shows the relationship between variables after introducing a moderator.

OLS model: Performance = 2.260 + 0.298 financial credit products

MMR model: Performance = 2.171+ 0.270 financial credit products+ 0.156 interest rates capping

Table 45: Coefficients for Financial Credit Products and Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.260	.314		7.198	.000
	financial credit products	.298	.084	.222	3.553	.000
2	(Constant)	2.171	.330		6.580	.000
	financial credit products	.270	.089	.202	3.022	.003
	interest rates capping	.156	.064	.059	2.437	.010

a. Dependent Variable: Performance

Source: (Researcher, 2019)

The findings are consistent with those of Khandker, (2011) who found that microcredit products are another measure that may help alleviate poverty and provide access to finance to poor people who do not have access to formal loans. This measure could also help protect deprived groups in the population from taking out loans in the informal sector at excessively high interest rates Thus, microcredit products can help to provide financing without the need of imposing interest caps on loans. The findings also agreed with Aggarwal et al. (2013) who found empirical evidence on the impacts of microcredit products supports arguments for and against these initiatives. Some argue that they help smooth consumption, empower women, and reduce poverty for some but not for the poorest part of the population.

The findings are consistent with those of Jelilov, (2016) after moderation who found that interest rates play a crucial role in the efficient allocation of resources aimed at facilitating growth and development of an economy and as a demand management technique for achieving both internal and external balance with specific attention for deposit mobilization and credit creation for enhanced economic development.

Further the findings agreed with Zachary (2013) who revealed that there was a very strong positive relationship (R= 0.932) between demand for credit, interest rate, annual profit and owner’s equity. The study also revealed that 86.9% of demand for credit by SMEs in Nairobi County could be explained by interest rates. From this study it was evident that at 95% confidence level, the variables produced statistically significant values and can be relied on to explain demand for loans by SMEs from lending institutions. The findings further revealed that effective interest rates, annual profits and owners‟ equity explained demand for loans in that order.

4.6.4 Influence of Financial Literacy on Performance

The fourth objective of the study was to assess the influence of financial literacy on performance of micro and small enterprises in Kericho County, Kenya. To determine the influence, the following hypothesis was tested.

$H_0$4: *Financial literacy has no significant influence on performance among micro and small enterprises in Kericho, Kenya.*

The study also hypothesized that;

H_04_a: *Interest rates capping has no significant moderating effect on the relationship between influence of financial literacy and performance micro and small enterprises to credit in Kericho, Kenya.*

As shown on Table 46, in model 1, the R square is 0.086, which implies that 8.6% variation in performance can be explained by financial literacy. In addition, in model 2, R^2 changed to 0.089 indicating a 0.003 increase in variation as a result of the interaction effect of moderating variable. The results also indicate that this increase was statistically significant since the *p* value of 0.006 is less than the conventional probability value of 0.05.

Table 46: Model Summary for Financial Literacy and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.293[a]	.086	.082	.84354	.086	22.894	1	243	.000
2	.298[b]	.089	.081	.84402	.003	.722	1	242	.006

a. Predictors: (Constant), financial literacy

b. Predictors: (Constant), financial literacy, interest rates capping

Source: (Researcher, 2019)

The results on Table 47 indicate that the two models were statistically significant. Model 1 had F-statistics of the regression ($F_{(1, 243)} = 22.894$) which was statistically significant ($p<0.05$). This indicates that the model applied significantly predicted the change of the dependent variable as result of the predictor variable included in the model. After moderation, model 2 had F-statistics $_{(2, 242)} = 11.795$, which was statistically significant ($p<0.05$). Thus, the ANOVA results in the moderated model indicate that the model was significant.

Table 47: ANOVA Results for Financial Literacy and Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.291	1	16.291	22.894	.000[b]
	Residual	172.908	243	.712		
	Total	189.198	244			
2	Regression	16.805	2	8.403	11.795	.000[c]
	Residual	172.393	242	.712		
	Total	**189.198**	**244**			

a. Dependent Variable: Performance
b. Predictors: (Constant), financial literacy
c. Predictors: (Constant), financial literacy, interest rates capping
Source: (Researcher, 2019)

As presented on Table 48 show that in model 1, there exists a statistically significant positive relationship between financial literacy and performance of micro and small enterprises in Kericho, Kenya ($\beta = 0.358$, $p<0.05$). A beta coefficient of 0.358 implies that when financial increases by an additional unit, performance increases by 0.358. This means that the null hypothesis (**Ho4)** was rejected by implying that "financial literacy has significant influence on performance of micro and small enterprises in Kericho, Kenya."

Further, Model 2 in Table 47 shows that the moderating effect of interest rates capping on the influence of financial literacy and performance of micro and small enterprises in Kericho, Kenya was positive and significant ($\beta =0.340$, $p<0.05$). This implies that when financial literacy increases by an additional unit, performance is predicted to increases by 0.340 given that interest rates capping is held constant. The beta coefficient of the moderating variable was 0.152 with a p-value<0.05, implying that interest rates capping has a significant moderating effect on the relationship between influence of financial literacy and performance of micro and small enterprises in Kericho, Kenya. Thus, the null hypothesis (**$Ho4_a$)** was rejected indicating that "Interest rates capping has significant moderating effect on the relationship between influence of financial literacy and performance of micro and small enterprises to credit in Kericho, Kenya." In addition, regression models were obtained where ordinary least square (OLS) model shows the relationship between variables before introducing a moderator while moderated multiple regression (MMR) model shows the relationship between variables after introducing a moderator.

OLS model: Performance = 2.132+ 0.358 financial credit products

MMR model: Performance = 2.017+ 0.340 financial credit products+ 0.152 interest rates capping

Table 48: Coefficients for Financial Literacy and Performance

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.132	.262		8.135	.000
	financial literacy	.358	.075	.293	4.785	.000
2	(Constant)	2.017	.295		6.845	.000
	financial literacy	.340	.078	.279	4.378	.000
	interest rates capping	.152	.061	.054	2.491	.006

a. Dependent Variable: Performance

Source: (Researcher, 2019)

The findings are consistent with those of Cherotich et al. (2019) before moderation that revealed high financial knowledge has a significant positive impact on performance of women farm enterprises. Specifically, respondents with higher levels of FK were also associated with higher amounts of savings and enterprise margins.

The findings agreed with that of Mary and Wanjira (2018) who found that financial literacy trainings had significant and positive effect on the livelihoods of the youth as the youth realized that they had a challenge in keeping records and that their level of education contributed to the slow uptake of understanding the record keeping concepts. The study also revealed that there was a significant and positive effect on the provision of start-up capital to the livelihoods of the youth, which enabled them to start their horticulture enterprises, enabled them to borrow loans and earn incomes.

The findings also agreed with that of Oluoch (2016), who found out that SMEs usually use proper and petty cashbooks in financial recording and that optimum cash balance is always maintained. Further, the study established that cash management practices have a positive and significant effect on SME performance. The study also concluded that cash management practices such as using proper and petty cash book have a positive impact on SME performance. Proper cash management is therefore vital to the success of SMEs.

The findings are consistent with those of Gathungu and Sabana (2018) after moderation. The study established that the joint influence of entrepreneur financial literacy, financial access, and transaction cost is statistically significant. This implies that the study variables jointly predict enterprise performance. The study recognises that the variables used for this study are not exhaustive and therefore suggests that future research should include more triangulation utilizing other intervening and moderating variables as well as using alternative measures of all the study variables.

Findings also agreed with Kausar (2013), who found that microfinance institutions are providing the services of microcredit, savings and insurance. The main purpose of microcredit loan is to reduce the poverty and for empowering the women mostly in under development countries. It is concluded that there are many factors which may affect the demand of microcredit by the borrowers. These includes the interest rate, relationship between lenders and borrower, government policies, gender differences, prospective, credit worthiness of borrower, transaction cost, limited access to credit, economic condition and the availability of information.

4.6.5 Moderated Multiple Regression Analysis Results

Moderated multiple regression analysis was conducted to empirically determine whether interest rates capping moderates the combined influence of financial access, financial transparency, financial credit products and financial literacy and performance among micro and small enterprises to credit in Kericho, Kenya. As presented on Table 49, Model 1 shows an R^2 of 0.437 which after including a moderator changed to 0.446 indicating a 0.009 increase in variation because of the interaction effect of moderating variable. Further, the increase was statistically insignificant since the probability value of 0.221 was greater than 0.05 (P>0.05).

Table 49: Model Summary for Overall Models

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.470[a]	.437	.323	.3302	.437	82.376	4	240	.000
2	.477[b]	.446	.339	.82632	.009	9.089	1	239	.019

a. Predictors: (Constant), financial literacy, financial credit products, financial transparency, financial access

b. Predictors: (Constant), financial literacy, financial credit products, financial transparency, financial access, interest rates capping

Source: (Researcher, 2019)

The results on Table 50 indicate that the two models were statistically significant before and after moderation. Before moderation, Model 1 had $F_{(4, 240)} = 82.376$, $p<0.05$ while after moderation, model 2 had $F_{(5, 239)} = 73.287$, $p<0.05$. Further, the mean square of the residuals reduced from 0.109 in model 1 to 0.101 in model 2. This implies that the coefficients of the 2 models were not equal to zero, suggesting that the models significantly fit the data.

Table 50: ANOVA Results for Overall Models

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	35.919	4	8.979	82.376	.000[b]
	Residual	26.279	240	.109		
	Total	62.198	244			
2	Regression	37.008	5	7.402	73.287	.000[c]
	Residual	24.190	239	.101		
	Total	**61.198**	**244**			

a. Dependent Variable: Performance

b. Predictors: (Constant), financial literacy, financial credit products, financial transparency, financial access

c. Predictors: (Constant), financial literacy, financial credit products, financial transparency, financial access, interest rates capping

Source: (Researcher, 2019)

Table 51 Model 1 and 2 shows the overall significant test results for the hypothesized research models. The relationships between all explanatory variables were positive and significant. This was supported by p-values that were less than the convectional value of 0.05 at 95% level of significance. Further, the results show a significant presence of moderating effect of interest rates capping on the relationship between explanatory variables (financial inclusion) and performance of micro and small enterprises to credit in Kericho, Kenya (β =0.123, $p<0.05$).

The models were expressed as follows;

OLS model: Performance = 1.093+ 0.143 financial access +0.167 financial transparency + 0.172 financial credits products + 0.266 financial literacy

MMR model: Performance = 1.103 +0.148 financial access + 0.168 financial transparency + 0.180 financial credit products + 0.270 financial literacy + 0 .123 interest rates capping.

Table 51: Coefficients for Overall Models

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.093	.393		2.782	.006
	financial access	.143	.091	.033	1.571	.042
	financial transparency	.167	.077	.149	2.172	.031
	financial credit products	.172	.085	.128	2.013	.045
	financial literacy	.266	.079	.218	3.368	.001
2	(Constant)	1.103	.395		2.794	.006
	financial access	.148	.093	.037	1.591	.007
	financial transparency	.168	.077	.150	2.184	.030
	financial credit products	.180	.089	.135	2.034	.043
	financial literacy	.270	.080	.221	3.379	.001
	interest rates capping	.123	.064	.024	1.92	.019

a. Dependent Variable: Performance

Source: (Researcher, 2019)

Findings are consistent with Kausar (2013), who found that there are many factors, which may affect the demand of microcredit by the borrowers. These includes the interest rate, relationship between lenders and borrower, government policies, gender differences, prospective, credit worthiness of borrower, transaction cost, limited access to credit, economic condition and the availability of information. It was also concluded that the basic purpose of micro credit is to provide the money to low income people and the poor to use it in activities of businesses and for improving their life standards. There are different factors like interest rate, economic condition, credit worthiness; non-availability of information, gender difference and govt. policies etc. affects the demand of microcredit in Pakistan.

The findings are consistent with that of Chege (2014), who found that there is a strong relationship between financial performances of commercial banks with interest rate. The study recommended that there is need for banks to apply efficient and effective credit risk management that will ensure that loans are matched with ability to repay and minimize on their interest rate spread and other incidental costs to reduce loan default.

Findings are consistent with those of Maimbo and Henriquez (2014) that found that the general idea is that interest rate ceilings limit the tendency of some financial service providers to increase their interest yields (all income from loans as a percentage of the lender's average annual gross loan portfolio) especially in markets with a combination of no transparency, limited disclosure requirements and low levels of financial literacy. This is consistent with interest rates capping affect financial inclusion. The findings also agreed with Mia (2017), who found one of the major drawbacks of an interest rate cap is that it substantially reduces social outreach (providing financial services to the poorest.

4.7 Summary of Results of Tests of Hypotheses

The summary of tests of hypotheses is presented on Table 52.

Table 52: Summary of the Results of the Test of Hypotheses

Hypothesis	Results	Conclusion
$H_0$1:Financial access has no significant influence on performance among micro and small enterprises in Kericho, Kenya.	Positive statistically significant influence of financial access on performance among micro and small enterprises in Kericho, Kenya (β =0.276, $p<0.05$)	$H_0$1 Rejected
$H_0 1_a$: Interest rates capping has no significant moderating effect on the relationship between financial access and performance among micro and small enterprises to credit in Kericho, Kenya.	Positive statistically significant moderating effect of interest rates capping on the relationship between influence of financial access and performance among micro and small enterprises in Kericho, Kenya (β =0.165, $p<0.05$)	$H_0 1_a$ Rejected
$H_0$2: Financial transparency has no significant influence on performance among micro and small enterprises in Kericho, Kenya.	Positive statistically significant influence of financial transparency on performance among micro and small enterprises in Kericho, Kenya (β =0.282, $p<0.05$)	$H_0$2 Rejected
$H_o 2_a$: Interest rates capping has no significant moderating effect on the relationship between financial transparency and performance of micro and small enterprises to credit in Kericho, Kenya.	Positive statistically significant moderating effect of interest rates capping on the relationship between influence of financial transparency and performance among micro and small enterprises in Kericho, Kenya (β =0.171, $p<0.05$)	$H_0 2_a$ Rejected
$H_0$3: Financial credit products have no significant influence on performance among micro and small enterprises in Kericho, Kenya.	Positive statistically significant influence of financial credit products on performance among micro and small enterprises in Kericho, Kenya (β =0.298, $p<0.05$)	$H_0$3 Rejected

H_03_a: Interest rates capping has no significant moderating effect on the relationship between financial credit products and performance among micro and small enterprises to credit in Kericho, Kenya	Positive statistically significant moderating effect of interest rates capping on the relationship between influence of financial credit products and performance among micro and small enterprises in Kericho, Kenya (β =0.156, $p<0.05$)	H_03_a Rejected
H_04: Financial literacy has no significant influence on performance of micro and small enterprises in Kericho, Kenya	Positive statistically significant influence of financial literacy on performance among micro and small enterprises in Kericho, Kenya (β =0.358, $p<0.05$)	H_04 Rejected
H_04_a: Interest rates capping has no significant moderating effect on the relationship between financial literacy and performance among micro and small enterprises to credit in Kericho, Kenya	Positive statistically significant moderating effect of interest rates capping on the relationship between influence of financial literacy and performance among micro and small enterprises in Kericho, Kenya (β =0.152, $p<0.05$)	H_04_a Rejected

Source: (Researcher, 2019)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions, recommendations and suggestions for further research following the findings of the study.

5.2 Summary of Findings

This study sought to examine the influence of financial inclusion on performance among small and micro enterprises in Kericho County, Kenya. Primary data was used which was collected from 245 respondents using structured questionnaires. This section summarizes the research findings of the study based on formulated research objectives.

5.2.1 Financial Access and Performance

The first objective of the study was to examine the influence of financial access on performance of micro and small enterprises in Kericho County, Kenya. The research findings indicate that majority of the respondents were in agreement that they were able to access credit facilities from their financial institution and that they were able to access credit facilities after having a second or top up facility. Most respondents were able to access more than one credit facilities and were able to have top up loans. Further, a fair majority of the respondents agreed that the banks had come up with new products to cover respondents' financial credit needs with few respondents being in disagreement while a sizeable number of the respondents held neutral opinion. There was agreement among most respondents that new credit products were available for their enterprises with existing credit with some holding a neutral opinion. Respondents agreed that new credit products were available for their enterprises without existing credit. Further, a larger majority of the respondents agreed that they could access new financial products;

mobile banking, e-banking and agency banking while according to a fair majority of the respondents there are new requirements needed to access new credit facilities. There exist a statistically significant positive correlation between financial access and performance. In addition, there exist a statistically significant positive relationship financial access and performance of micro and small enterprises in Kericho, Kenya.

5.2.2 Financial Transparency and Performance

The second objective of the study was to determine the influence of financial transparency on performance of micro and small enterprises in Kericho County, Kenya. A fair majority of the respondents showed neutrality in opinion on whether their financial institution was transparent on all fees and commissions with some of the respondents agreeing with this statement. Most respondents were in agreement in that they were aware of the interest rates offered for facilities. Further, a fair majority of the respondents held neutral opinion on whether were aware of all service charges for their debt financing with some being in agreement with this statement. Respondents agreed that they were aware of the insurance premium paid for debt financing with a sizeable number of the respondents showing neutrality in opinion on this statement. The results also show that there exists a statistically significant positive relationship between financial transparency and performance. It was also established that there exists a statistically significant positive relationship between financial transparency and performance of micro and small enterprises in Kericho, Kenya.

5.2.3 Financial Credit Products and Performance

The third objective of the study was to evaluate the influence of financial credit products on performance of micro and small enterprises in Kericho County, Kenya. Most respondents were in agreement that their financial institution had credit facilities for their enterprises and that credit facilities for SMEs are available to meet their every need. In addition, most respondents agreed that they were asked for collateral (security) for the credit facility. There was agreement among a fair majority of the respondents that they were asked for collateral for a top up or when taking another facility with some being in disagreement with this statement. A larger majority of the respondents disagreed that the repayment period for their loans was flexible while sizeable number of the respondents showed neutrality in opinion on this statement. Most respondents were in disagreement that he repayment period for their loans were flexible after top up or second facility. Respondents were in agreement that they needed guarantors to access financial credit facilities and that they need guarantors to access financial credit facilities for a second or top up facility. Ina addition, there was also agreement among most respondents that their credit rate score was needed for loan approval**.** The correlation results also reveal that there is a statistically significant positive relationship between financial credit products and performance. Further, the regression results indicate that there exists a statistically significant positive relationship between financial credit products and performance of micro and small enterprises in Kericho, Kenya.

5.2.4 Financial Literacy and Performance

The fourth objective of the study was to assess the influence of financial literacy on performance of micro and small enterprises in Kericho County, Kenya. A fair majority of the respondents showed neutrality in opinion on whether their financial institution was transparent on all issues on financing, with some being agreement and others disagreeing with this statement. It was not clear on whether the respondents were aware on the changes that had taken place concerning debt financing with a fair majority of the respondents agreeing and a similar number holding a neutral opinion respectively.

According to most respondents, they were not consulted before changes happen concerning financing from their bank while others held the opinion that they were consulted by the bank. Majority of the respondents were in disagreement that their financial institution informed them and educated them on debt financing while most of the respondents disagreed that their financial institution had them in mind when implementing micro and small enterprise products. According to a fair majority of the respondents, their financial institution has put measures to protect them from any uncertainties especially macro changes while some showed neutrality in opinion.

There was disagreement among most respondents that their financial institution had programs where they were educated and informed on issues financing with some of the respondents holding a neutral opinion and others being in agreement. Further, most respondents held neutral opinion on whether there was clear communication between them and their financial institution with a sizeable number agreeing and others disagreeing with this statement. Most respondents showed neutrality in opinion on whether they felt that they were comfortable with their financial institution. The results show a statistically significant positive correlation between financial literacy and performance. There exists a statistically significant positive relationship between financial literacy and performance of micro and small enterprises in Kericho, Kenya.

5.2.5 Moderating Effect of Interest Rates Capping

On interest rates capping the results indicate that most respondents agreed that they were asked for collateral for the credit facilities following the capping while a sizeable number of the respondents disagreed with the statement. Most respondents agreed that their financial institution upheld privacy of their personal financial information and that their financial institution had them in mind when implementing the capping. Further, most respondents were in disagreement that their financial institution had measures to protect them from any uncertainties following the capping. Respondents disagreed that they could access new product from their financial institutions (unsecured loans, auto loans, credit cards etc.) after the capping. According to a larger majority of the respondents, they were no new credit products available to micro enterprises after the capping. There was disagreement among respondents that the new products were affordable following the capping. In addition, respondents were in disagreement that the new products were accessible to micro enterprises. Most respondents agreed that the new products' requirements and conditions changed after capping while some of the respondents disagreed with this statement.

Further, the study sought to determine whether interest rates capping significantly moderates the influence of financial access, financial transparency, financial credit products and financial literacy and performance of micro and small enterprises to credit in Kericho, Kenya. The results show that the moderating effect of interest rate capping on the influence of financial access and performance of micro and small enterprises in Kericho, Kenya was positive and significant. The moderating effect of interest rate capping on the influence of financial transparency and performance of micro and small enterprises in Kericho, Kenya was positive and significant. The results show that the moderating effect of interest rates capping on the influence of financial credit products and performance of micro and small enterprises in Kericho, Kenya was positive and significant. In addition, the moderating effect of interest rates capping on the influence of financial literacy and performance of micro and small enterprises in Kericho, Kenya was positive and significant.

5.3 Conclusions

Following the research findings of the study, the following conclusions were made as per the objectives under study.

5.3.1 Financial Access and Performance

It was concluded that financial access has a significant influence on performance of micro and small enterprises in Kericho County, Kenya. Micro and small enterprises in Kericho County, Kenya able to access credit facilities from their financial institution and also able to access credit facilities after having a second or top up facility. It can be concluded that micro and small enterprises are able to access more than one credit facilities and are able to have top up loans. Banks have come up with new products to cover micro and small enterprises financial credit needs. Further, conclusions can be made that new credit products were available for micro and small enterprises with existing credit. New credit products were available for micro and small enterprises without existing credit. It was concluded that micro and small enterprises are able to access new financial products; mobile banking, e-banking and agency banking. In addition, conclusions can be made that there are new requirements needed to access new credit facilities of micro and small enterprises in Kericho County.

5.3.2 Financial Transparency and Performance

It was concluded that financial transparency has a significant influence on performance of micro and small enterprises in Kericho County, Kenya. Conclusions were made that financial institutions were not transparent on all fees and commissions they charge. It was concluded that micro and small enterprises in Kericho, Kenya were aware of the interest rates offered on credit facilities. Further, it was concluded that micro and small enterprises were not aware of all service charges for their debt financing. Micro and small enterprises were somehow aware of the insurance premium paid for debt financing.

5.3.3 Financial Credit Products and Performance

It was concluded that financial credit products have a significant influence on enterprise performance of micro and small enterprises in Kericho County, Kenya. Conclusions can be made that financial institution had credit facilities for micro and small enterprises and that credit facilities for SMEs are available to meet their every need. Micro and small enterprises are asked for collateral (security) when applying for a credit facility while some financial institutions require collateral for a top up or when SMEs are taking another credit facility. It was concluded that repayment period for a SMEs loan was not flexible even after top up or second facility. Micro and small enterprises need guarantors to access financial credit facilities and that they need guarantors to access financial credit facilities for a second or top up facility. Further, conclusion can be made that micro and small enterprises credit rate score was needed for loan approval by financial institutions in Kericho County, Kenya.

5.3.4 Financial Literacy and Performance

It was concluded that financial literacy has a significant influence on performance of micro and small enterprises in Kericho County, Kenya. It was concluded that micro and small enterprises in Kericho, Kenya were not fully aware on the changes that had taken place concerning debt financing. Conclusions can be made that micro and small enterprises were not consulted before changes happened concerning financing from their bank. Financial institutions did not educate micro and small enterprises on debt financing had did not therefore have them in mind when implementing micro and small enterprises credit products. Micro and small enterprises have not been provided forums by financial institutions where they were educated and informed on issues financing. It was concluded that there was not clear communication between micro and small enterprises and their respective financial institutions.

5.3.5 Moderating Effect of Interest Rates Capping

It can be concluded that interest rates capping significantly moderates the influence of financial access, financial transparency, financial credit products, financial literacy and performance of micro and small enterprises to credit in Kericho, Kenya. Conclusions were made that of micro and small enterprises in Kericho County had been asked for collateral for the credit facilities following the capping. Financial institutions uphold privacy of personal financial information for micro and small enterprises as customers. It can be concluded that financial institutions have no measures to protect them from any uncertainties following the capping. Further, micro and small enterprises are not able to access new product from their financial institutions (unsecured loans, auto loans, credit cards etc.) after the capping.

5.4 Recommendations

Based on the research findings and conclusions, the following recommendations were made;

5.4.1 Financial Access and Performance

It was recommended that the County government of Kericho should ensure measures are put in place to enhance credit accessibility to micro and small enterprises in Kericho County, Kenya. This is because micro and small enterprises are finding it hard to access credit facilities from existing financial institutions in that County. Further, financial institutions such as banks should come up with new products to cover micro and small enterprises financial credit needs.

5.4.2 Financial Transparency and Performance

It recommended that the regulatory arm that is the central bank should ensure that financial institutions serving micro and small enterprises in Kericho, Kenya exercise transparency on all fees and commissions they charge. The disclosure should also include all service charges on debt financing tailored to micro including insurance premium paid for debt financing.

5.4.3 Financial Credit Products and Performance

It was recommended that financial institutions should ensure that credit facilities are tailored to the need of micro and small enterprises. Further, financial institutions should do a due diligence on the creditworthiness of micro and small enterprises. This will ensure that financial institutions do not dwell so much of the collateral aspect held by micro and small enterprises. Marque micro and small enterprises may lack physical collateral to secure credit facilities advanced to them. It was recommended that financial institutions should review the repayment period for a SMEs loan since the respondents indicated that the period set was not flexible even after top up or second facility.

5.4.4 Financial Literacy and Performance

It was recommended that financial institutions should put measures in place to ensure that there is clear channel of communication to the customers especially micro and small enterprises on issues such as changes that take place concerning debt financing. There should also be consultations with micro and small enterprises before changes are affected that touch on the financial aspect of micro and small enterprises in Kericho, Kenya. Recommendations can also be made that micro and small enterprises should be provided with forums and workshops where they would be educated and informed on issues of financing and available opportunities.

5.4.5 Moderating Effect of Interest Rates Capping

It was recommended that financial institutions put in place measures to micro and small enterprises protect from any uncertainties following the capping. Further, financial institutions should ensure that they development innovative financing products which micro and small enterprises can access after the interest rates capping in a bid to enhance enterprise performance.

5.5 Suggestions for Further Research

The study adopted a case study approach of small and micro enterprises in Kericho County, Kenya. According to Yin (2003) reveals that case study findings cannot be generalized. Thus, the findings of the study may not be extrapolated to other groups within the population and therefore the study recommended that a similar study should be conducted on a broader scale in Kenya.

Further should be noted, however, that this paper uses cross-sectional data and the results cannot be used to infer behaviour over a period or determine cause and effect. Therefore, future panel surveys and availability of other data may necessitate corresponding revisions of estimated relationships. Further, in determination of measurable indicators under each variable of the study qualitative research was used. The study recommends that further research should use a quantitative approach in order to test and validate the research findings.

5.6 Policy Recommendations

Financing for micro and small enterprises remains to be a key element in their performance hence there is more need for policy formulations, administration and implementation by the government and its partner agencies to promote this vital sector. There should be continuous trainings of this sector on financial literacy, business planning, finance basics, handling cash flows, ethics in Business and interest rates capping. There should be discussions not only on finance but also on capacity building.

Development agencies and financial institutions should also offer support where they can.

Following the interest rate capping, the government should re-evaluate more on the pros and cons and broadly look at the implications it has on the minority groups in the various sectors. The study recommended policy makers in the country to do further research on financing among the micro and small enterprises and come up with policies that will enhance and promote this sector especially with the rising unemployment in the country.

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APPENDICES

Appendix I: Letter of Permission to Carry out Research Work

Kabarak University
Private Bag,
KABARAK

Dear Sir/Madam,

<u>Re: Permission to Carry out Academic Research</u>

My name is Matilda Chemutai Sang'. I am doctoral student at Kabarak University, School of Business. I am carrying out a study on the Influence of financial inclusion on performance of micro and small enterprises in Kericho County and your enterprise has been selected for this study. I would appreciate if you could spare a few minutes of your time to respond to the following questionnaire. The questions have been simplified and the information collected is for academic research only and will be treated with utmost confidentiality.

The aim of the study is to contribute to a better understanding of the problems that entrepreneurs face so that better policies can be developed to support them. The findings of the study will be disseminated to all relevant stakeholders and you will be invited for the dissemination. The study findings will be used be used for academic purposes only and in no other way injurious to you, your family or your business.

Thank you for your cooperation.

Matilda Chemutai Sang'
0716395136

Appendix II: Questionnaire

Section A: Entrepreneur and Enterprise Profile

Entrepreneur profile

(Please tick on the appropriate box.)

1. Enterprise profile

i) Please indicate the how many years your enterprise has been in operation

1-5 years [ ]

5-10 years [ ]

10-15 years [ ]

Over 15 years [ ]

ii) Type of business

Retail [ ]

Wholesale [ ]

Manufacturing [ ]

Service [ ]

iii) Business ownership

Sole proprietor [ ]

Partnership [ ]

Company [ ]

Section B: Financial Inclusion

1. **Financial Credit Products – Availability of financing**

The following statements relate to financial credit products, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Neutral; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate to what extent you agree with these statements.

Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1. Financial credit products					
1. My financial institution have credit facilities for my enterprise					
2. Credit facilities for SMEs are available to meet my every need					
3. I was asked for collateral (security) for the credit facility					
4. I was asked for collateral for a top up or when taking another facility					
5. The repayment period for my loans is flexible.					
6. The repayment period for my loans was flexible after top up or second facility					
7. I needed guarantors to access financial credit facilities					
8. I need guarantors to access financial credit facilities for a second or top up facility					
9. My credit rate score was needed for loan approval					

2. Financial Access

The following statements relate to financial access, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Neutral; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate to what extent you agree with these statements.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1. I am able to access credit facilities from my financial institution.					
2. I am able to access credit facilities after having a second or top up facility					
3. I am able to access more than one credit facilities.					
4. I am able to have top up loans.					
5. The bank has come up with new products to cover my financial credit needs					
6. New products for credit were available for my enterprise with existing credit					
7. New products for credit are available for my enterprise without existing credit					
8. I can access new financial products; mobile banking, e banking and agency banking					
9. There are new requirements needed to access new credit facilities					

3. Financial Transparency

The following statements relate to financial transparency, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Neutral; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate to what extent you agree with these statements.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1. My financial institution is transparent on all fees and commissions.					
2. I am aware of the interest rates offered for facilities					
3. I am aware of all service charges for my debt financing					
4. I am aware of the insurance premium paid for debt financing					

4. Financial Literacy

The following statements relate to financial literacy, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Neutral; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate to what extent you agree with these statements.

Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
1. My financial institution is transparent on all issues financing					
2. I am aware that the changes that take place concerning debt financing					
3. I was consulted before changes happen concerning financing from my bank.					
4. My financial institution informed me and educated me on debt financing					
5. My financial institution had me in mind when implementing micro and small enterprise products					
6. My financial institution has put measures to protect me from any uncertainties especially macro changes					
7. My financial institution has programs where i am educated and informed on issues financing					
8. There is clear communication between me and my financial institution					
9. I feel that I am comfortable with my financial institution					

Section C: Interest Rates Capping

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. I was asked for collateral for the credit facilities following the capping					
2. Privacy of my personal financial information is upheld by my financial institution					
3. The financial institution had me in mind when implementing the capping					
4. The financial institution have measures to protect me from any uncertainties following the capping					
5. I can access new product from my financial institutions (unsecured loans, auto loans, credit cards etc.) after the capping					
6. There are new credit product available to micro enterprises after the capping					
7. The new products are affordable following the capping					
8. The new products are accessible to micro enterprises.					
9. The new products' requirements and conditions changed after capping					

Section D: Enterprise Performance

The following statements relate enterprise performance, on a scale of 1-5 (Where: 5=Strongly Agree; 4=Agree; 3=Neutral; 2=Disagree; 1=Strongly Disagree) tick appropriately to indicate to what extent you agree with these statements.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1. I am satisfied with the profits from my enterprise					
2. Profits from my enterprise are above 50% on average over the past 5 years					
3. Profits from my enterprise has enabled my enterprise to grow over the past 5 years					
4. 5I am satisfied with the sales from my enterprise					
5. Sales from my enterprise are above 50% on average over the past 5 years					
6. Sales from my enterprise has enabled my business to grow over the past 5 years					
7. There is increase in number of my employees					
8. My employees are productive					
9. My employees embrace team work collaboratively					
10. My customers are satisfied that their needs are met in my enterprise					

Appendix III: Post Graduate Studies and Research Authorization Letter

KABARAK UNIVERSITY

Private Bag - 20157
KABARAK, KENYA
http://kabarak.ac.ke/institute-postgraduate-studies/

Tel: 0773 265 999
E-mail: directorpostgraduate@kabarak.ac.ke

BOARD OF POSTGRADUATE STUDIES

15th May, 2019

The Director General
National Commission for Science, Technology & Innovation (NACOSTI)
P.O. Box 30623 – 00100
NAIROBI

Dear Sir/Madam,

RE: MATILDA CHEMUTAI SANG- REG. NO. GDB/M/1290/09/15

The above named is a Doctor of Philosophy student at Kabarak University in the School of Business & Economics. She is carrying out research entitled ***"Influence of Financial Inclusion on Entrepreneur Performance of Micro and Small Enterprises in Kericho County Kenya".*** She has defended her proposal and has been authorized to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide her with a research permit to enable her to undertake her research.

Thank you.

Yours faithfully,

KABARAK UNIVERSITY
DIRECTOR
POST GRADUATE STUDIES
15 MAY 2019
PRIVATE BAG 20157, KABARAK

Dr. Betty Jeruto Tikoko
DIRECTOR, POSTGRADUATE STUDIES

Kabarak University Moral Code

As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)

Appendix IV: NACOSTI Research Authorization Letter

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone:+254-20-2213471,
2241349,3310571,2219420
Fax:+254-20-318245,318249
Email: dg@nacosti.go.ke
Website : www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No. **NACOSTI/P/19/45444/30689**

Date: **7th June, 2019.**

Matilda Chemutai Sang
Kabarak University
Private Bag - 20157
KABARAK.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Influence of financial inclusion on entrepreneurial performance of Micro and Small Enterprises in Kericho County, Kenya."*** I am pleased to inform you that you have been authorized to undertake research in **Kericho County** for the period ending **7th June, 2020.**

You are advised to report to **the County Commissioner, and the County Director of Education, Kericho County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

BONFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Kericho County.

The County Director of Education
Kericho County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

Appendix V: NACOSTI Research Authorization Permit

THIS IS TO CERTIFY THAT:
MS. MATILDA CHEMUTAI SANG
of KABARAK UNIVERSITY, 3293-30100
ELDORET,has been permitted to conduct
research in Kericho County

on the topic: INFLUENCE OF FINANCIAL INCLUSION ON ENTREPRENEURIAL PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN KERICHO COUNTY, KENYA

for the period ending:
7th June,2020

Permit No : NACOSTI/P/19/45444/30689
Date Of Issue : 7th June,2019
Fee Recieved :Ksh 2000

Applicant's Signature

Director General
National Commission for Science, Technology & Innovation

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS

1. The License is valid for the proposed research, location and specified period.
2. The License and any rights thereunder are non-transferable.
3. The Licensee shall inform the County Governor before commencement of the research.
4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
5. The License does not give authority to transfer research materials.
6. NACOSTI may monitor and evaluate the licensed research project.
7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.

National Commission for Science, Technology and innovation
P.O. Box 30623 - 00100, Nairobi, Kenya
TEL: 020 400 7000, 0713 788787, 0735 404245
Email: dg@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH LICENSE

Serial No.A 25247

CONDITIONS: see back page

Appendix VI: Letter from County Director of Education Kericho County

MINISTRY OF EDUCATION

STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION

Email:cdekerichocounty@gmail.com
When Replying Please Quote:

County Education Office
P.O BOX 149
KERICHO

REF: KER/C/ED/GC/2/VOL.II/

8TH JULY, 2019.

TO WHOM IT MAY CONCERN.

RE: RESEARCH AUTHORIZATION.
MATILDA CHEMUTAI SANG

The above student has been authorized by the National Commission for Science, Technology and innovation to undertake research on "***Influence of financial inclusion on entrepreneurial performance of Micro and Small Enterprises in Kericho*** County, ***Kenya***", for the period ending 7th June, 2020.

Kindly accord her the necessary assistance.

COUNTY DIRECTOR OF EDUCATION
08 JUL 2019
P.O. Box 149-20200 KERICHO

ZACHARY MUTUIRI
COUNTY DIRECTOR OF EDUCATION
KERICHO COUNTY.

Appendix VII: Letter from County Commissioner Kericho County

OFFICE OF THE PRESIDENT

MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: ……………………
Telephone: Kericho 20132
When replying please quote
kerichocc@yahoo.com

THE COUNTY COMMISSIONER
KERICHO COUNTY
P.O. BOX 19
KERICHO

REF: MISC.19 VOL.III/238

7th July,2019

Matilda Chemutai Sang
Kabarak University
P.O Box 20157
KABARAK

RE: RESEARCH AUTHORISATION

I am pleased to inform you that you are authorized to undertake research as per the letter Ref. No. NACOSTI/P/19/45444/30689 dated 7th June 2019 on ***"Influence of financial inclusion on entrepreneurial performance of Micro and Small Enterprises in Kericho County, Kenya"*** for a period ending 7th June, 2020.

Any assistance accorded to her is highly appreciated.

COUNTY COMMISSIONER
KERICHO COUNTY

Ezekiel Amonde
FOR: COUNTY COMMISSIONER
KERICHO COUNTY

CC: County Director of Education
KERICHO

Appendix VIII: Conference Presentations

MULTIMEDIA UNIVERSITY OF KENYA
&
AFRICAN INTERDISCIPLINARY STUDIES ASSOCIATION

Certificate of Presentation

This is to certify that

Matilda Chemutai Sang

Presented a paper titled, "Effect of Interest Rates Capping on the Relationship between Financial Access and Entrepreneurial Performance of Micro and Small Enterprises in Kericho County, Kenya", during the joint KESSA-AISA-MMU 11th Annual International Interdisciplinary Conference held on 23rd to 26th June, 2021.

Prof. Maurice N. Amutabi, PhD
Convenor, Conference Org Committee

Prof. (Eng.) Abel N. Mayaka, PhD
Co-Convenor, Conference Org Committee

MULTIMEDIA UNIVERSITY OF KENYA
&
AFRICAN INTERDISCIPLINARY STUDIES ASSOCIATION

Certificate of Participation

This is to certify that

Matilda Chemutai Sang

Participated in the joint KESSA-AISA-Multimedia University of Kenya 11th Annual International Interdisciplinary Conference held on 23rd to 26th June, 2021.

Prof. Maurice N. Amutabi, PhD
Convenor, Conference Org Committee

Prof. (Eng.) Abel N. Mayaka, PhD
Co-Convenor, Conference Org Committee

Appendix IX: Publications

International Journal of Economics Commerce and Management

IJECM

ijecm.co.uk

ISSN 2348-0386
1st Fl, Fort Bridgewood, Maidstone Road, Rochester, Kent, ME1 3DQ, United Kingdom

Date: 12/10/19

To,

MATILDA CHEMUTAI SANG

Department of Business, Kabarak University, Kenya

Dr. CHARLES ZAKAYO

Department of Business, Kabarak University, Kenya

Prof. PETER B. KIBAS

Dean, School of Business and Economics, Zetech University, Kenya

Subject: Acceptance of research paper for final publication in IJECM.

Dear Author(s),

Your paper entitled **'INFLUENCE OF FINANCIAL LITERACY ON ENTREPRENEURIAL PERFORMANCE AMONG MICRO AND SMALL ENTERPRISES IN KERICHO COUNTY, KENYA'** id ED10-90 is accepted for final publication in Vol. 7, Issue 10 (releasing on 15th Oct 2019) of International Journal of Economics, Commerce and Management.

Regards

Adam

Emeritus Professor Dr. Malcolm Christopher
Chief Editor

International Journal of Business and Management Review
Vol.7, No.7, pp.61-88, October 2019
Published by ECRTD-UK
Print ISSN: 2052-6393(Print), Online ISSN: 2052-6407(Online)

ACCESS TO FINANCIAL CREDIT PRODUCTS AND ITS INFLUENCE ON ENTREPRENEURIAL PERFORMANCE AMONG MICRO AND SMALL ENTERPRISES IN KERICHO COUNTY, KENYA.

Matilda Chemutai Sang

Department of Business, Kabarak University, Kenya.

Dr Charles Zakayo

Department of Business, Kabarak University, Kenya.

Prof. Peter B. Kibas

Dean, School of Business and Economics, Zetech University, Kenya.

ABSTRACT: *Financing includes all initiatives directed towards making formal financial services available and accessible. Researchers have argued that lack of financing is almost universally indicated as a key problem for micro and small enterprises. The study was guided by the following objectives: to establish the influence of financial access and financial credit products on entrepreneurial performance among micro and small enterprises. The study adopted a cross sectional survey design from a population of 7277 micro and small enterprises from which a sample of 380 were given questionnaires. SPSS version 25 was used in data analysis. The research concluded that repayment period for loans was not flexible even after top up or second facility. Micro and small enterprises need guarantors to access financial credit facilities. The study recommended that financial institutions ensure they are serving and coming up with credit facilities tailored to the needs of micro and small enterprises in Kenya.*

Keywords: financial access, financial credit products, entrepreneurial performance, micro and small enterprises

INTRODUCTION

Financial inclusion includes all initiatives directed towards making formal financial services available, accessible and affordable to everyone in a given society. Accessing finance has been identified as a key element for micro and small enterprises to thrive in their drive to build productive capacity, to compete, create jobs and to contribute to poverty alleviation in developing countries (Awuah & Addaney 2016).

Micro and Small Enterprises (MSEs) is an important sub sector for the Kenyan economy like many other developing countries, since it employs about 85 per cent of the Kenyan workforce(about 7.5 million Kenyans of the country‘s total employment). The current Constitution provides a new window of opportunity to address MSEs related issues through

Appendix X: Map of Kericho County

Source: Google Maps