

**EFFECT OF ACCOUNTING PRACTICES ON ACCESS TO FINANCIAL
CREDIT BY SMALL AND MEDIUM ENTERPRISES OWNERS IN KENYA: A
SURVEY OF SMEs IN KISUMU CITY CENTRAL BUSINESS DISTRICT**

AWINO ELKANA OWILLI

**A Project Submitted to the Institute of Postgraduate Studies in of Kabarak
University Partial Fulfillment of the Requirements for the Award of Master of
Business Administration (Accounting) Degree**

KABARAK UNIVERSITY

NOVEMBER, 2024

DECLARATION

I do hereby declare that:

- i. This project is my work, and to the best of my knowledge, it has not been presented for the award of a degree at any university or college.
 - ii. The work has not incorporated material from other works or a paraphrase of such material without due and appropriate acknowledgement
 - iii. The work has been subjected to processes of anti-plagiarism and has met Kabarak University's 15% similarity index threshold
2. I understand that academic integrity issues are paramount, and I may be suspended or expelled from the university, or my degree may be recalled for academic dishonesty or any other related academic malpractices.

Signed: _____

Date: _____

Awino Elkana Owilli

GMB/NE/2449/09/20

RECOMMENDATION

To the Postgraduate Studies Research:

The research project entitled "**An Assessment of Effect of Accounting Practices on Access to Financial Credit by Small and Medium Enterprises in Kenya**. A Survey study of SMEs in Kisumu City Central Business District" written by **Awino Elkana Owilli** is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research project and recommend it be accepted in partial fulfillment of the requirement for the award of the degree of Master of Business Administration (Accounting).

Signed: _____

Date: _____

Dr. Stella Korir

Lecturer, School of Business & Economics

Kabarak University

Signed: _____

Date: _____

Prof. Mongare Omare

School of Business & Economics

Kabarak University

COPYRIGHT

©2024

Awino Elkana Owilli

All rights reserved. No part of this project may be reproduced or transmitted in any form by means of either mechanical, including photocopying, recording or any other information storage or retrieval system without permission in written form to the author or Kabarak University.

DEDICATION

I humbly dedicate this work to my wife Christine, my daughter Nana and my son Israel; I owe them my success. May God bless you abundantly.

ACKNOWLEDGEMENT

I want to take this chance to express my gratitude to God for my excellent health and for this far. Additionally, I would like to express my gratitude to my supervisors, Prof. Mongare Omare and Dr Stella Korir, for their guidance and patience as they read, corrected, re-read, and refined this work. I owe Kabarak University a debt of gratitude for providing me with a conducive environment for my studies. Additionally, I am indebted to my friends and classmates for their moral support throughout my studies.

May God continue to bless you all

ABSTRACT

Credit availability is a significant component in the development of SMEs in Kenya. Current SMEs and potential operators noted that access to funds is a significant impediment to business development and start-ups therefore the study sought to ascertain the effect of accounting practices on access to financial credit by small and medium enterprises owners in Kisumu City Central Business District. The specific objectives were to; examine the effect of costing, budgeting, and recording practices on access to financial credit among SMEs in Kisumu City CBD. The study was anchored on Accrual basis theory, full disclosure theory and revenue recognition theory. It targeted 390 registered SMEs in Kisumu City CBD. The study adopted Nassiuma's (2000) formula to get a sample size of 86. Additionally, the study used simple stratified random sampling and purposive sampling to determine the sample size from each SME. It collected primary data using structured and unstructured questionnaire. The pilot test was conducted in Kisii town where 9 questionnaires were distributed to 9 finance officers. The content validity of the research instruments was determined by seeking expert's opinions from research supervisors. Reliability was determined by assessing the Cronbach at 0.7. From the findings the Cronbach alpha was above the acceptable threshold of 0.7. The study gathered both quantitative and qualitative data which was analyzed using both descriptive and inferential statistics. In descriptive statistics, percentages, frequencies, measures of central tendency (mean), and measures of dispersion were all employed. Inferential statistics was performed using Pearson's correlation coefficient and multiple regressions. The result of analyzed quantitative data was presented in form of tables and charts. Concerning the effect of costing practice on access to financial credit among SMEs in Kisumu City CBD the study revealed that there was a strong positive and significant relationship between costing practice and access to financial credit among SMEs in Kisumu City CBD ($r = .641, P=0.000$). On the effect of budgeting practice on access to financial credit among SMEs in Kisumu City CBD the study revealed that there was a strong positive and significant relationship between budgeting practices and access to financial credit among SMEs in Kisumu City CBD ($r=0.619$ and $P=0.023$). Regarding the effect of recording practices on access to financial credit among SMEs in Kisumu City CBD the study concluded that there was a strong, positive and significant relationship between recording practices and access to financial credit among SMEs in Kisumu City CBD ($r=0.597, P=0.018$). From the findings the study concluded that there was a strong positive and significant relationship between costing practice and access to financial credit by SMEs in Kisumu City CBD. In addition, the study concluded that there was a strong positive and significant relationship between budgeting practices and access to financial credit by SMEs in Kisumu City CBD. Finally, the study concluded that there was a strong, positive and significant relationship between recording practices and access to financial credit by SMEs in Kisumu City CBD. The study recommended that SMEs owners in Kisumu City CBD should implement robust cost management strategies to optimize operational and overhead costs, regular reviews and cost-saving initiatives. Moreover, budgeting techniques should be utilized to achieve specific purposes and grand goal of the enterprise.

Keywords: *Accounting Practice, Costing Practice, Budgeting Practice, Credit Access and Recording Practice*

TABLE OF CONTENTS

DECLARATION	ii
RECOMMENDATION.....	iii
COPYRIGHT.....	iv
DEDICATION	v
ACKNOWLEDGEMENT	vi
ABSTRACT.....	vii
TABLE OF CONTENTS	viii
LIST OF TABLES.....	xii
LIST OF FIGURES	xiii
LIST OF ABBREVIATIONS	xiv
CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS.....	xv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Access to Financial Credit	4
1.1.2 Small and Medium Size Enterprises.....	6
1.2 Statement of the Problem	7
1.3 Objective of the Study.....	9
1.3.1 General Objective of the Study.....	9
1.3.2 Specific Objective of the Study	9
1.4 Research Hypotheses	9
1.5 Justification of the Study.....	9
1.6 Significance of the Study	11
1.7 Scope of the Study	11
1.8 Limitations and Delimitation to the Study	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1 Theoretical Literature Review.....	13
2.1.1 Accrual Basis Theory	13
2.1.2 Full Disclosure Theory	15
2.1.3 Revenue Recognition Theory	16

2.2 Empirical Literature Review	18
2.2.1 Effect of Costing Practice on Credit Access.....	18
2.2.2 Effects of Budgeting Practice on Credit Access.....	21
2.2.3 Effect of Recording Practice on Credit Access	22
2.3 Research Gaps	23
2.4 Conceptual Framework	25
CHAPTER THREE.....	28
RESEARCH METHODOLOGY	28
3.1 Research Design.....	28
3.2 Location of the Study	28
3.3 Target Population	29
3.4 Sample and Sampling Technique.....	29
3.5 Instrumentation	31
3.5.1 Pilot Study	31
3.5.2 Validity of Research Instrument.....	31
3.5.3 Reliability of Research Instrument	32
3.6 Data Collection Procedures.....	33
3.7 Data Analysis and Presentation.....	33
3.7.1 Diagnostic Tests.....	34
3.8 Ethical Considerations	35
CHAPTER FOUR	37
DATA ANALYSIS, PRESENTATION AND INTERPRETATION	37
4.1 Introduction	37
4.2 Response Rate	37
4.3 General Information	37
4.3.1 Age Group of the Respondents.....	38
4.3.3 Form of Business	40
4.3.4 Number of Employees in the SMEs	41
4.3.5 Start-Up Capital	42
4.3.6 Range of the SMEs Total Sales Per Year	43
4.3.7 Source of Financing.....	44
4.4 Costing Practice on SMEs Access to Financial Credit	44
4.5 Budgeting Practice on SMEs Access to Financial Credit	46

4.6 Recording Practice on SMEs Access to Financial Credit	49
4.7 Access to Financial Credit in Kisumu City CBD.....	50
4.8 Diagnostic Tests	52
4.8.1 Normality Assumptions Test	52
4.8.2 Linearity Assumptions Test.....	53
4.8.3 Multicollinearity Test	56
4.8.4 Homoscedasticity.....	56
4.9 Correlation Analysis.....	57
4.9.1 Correlation between Costing Practice on Access to Financial Credit among SMEs.....	58
4.9.2 Correlation between Budgeting Practices on Access to Financial Credit among SMEs.....	59
4.9.3 Correlation between Recordings Practices on Access to Financial Credit among SMEs.....	60
4.10 Regression Analysis	61
4.11 Hypothesis Testing.....	63
CHAPTER FIVE	66
SUMMARY, CONCLUSION AND RECOMMENDATIONS	66
5.1 Summary of the Findings	66
5.1.1 Costing Practice on SMEs Access to Financial Credit.....	66
5.1.2 Budgeting Practice on SMEs Access to Financial Credit.....	66
5.1.3 Recording Practice on SMEs Access to Financial Credit.....	67
5.2 Conclusions	68
5.3 Recommendations	69
5.3.1 Policy Recommendations	69
5.3.2 Recommendations for Further Research	71
REFERENCES	72
APPENDICES	77
Appendix I: Letter of Introduction	77
Appendix II: Instrument for Data Collection	78
Appendix III: Map of Kisumu County.....	83
Appendix VI: List of SMES	84
Appendix V: KUREC Approval Letter	86

Appendix VI: NACOSTI Research Permit	87
Appendix VII: Evidence of Participation.....	88
Appendix VIII: List of Publication	89

LIST OF TABLES

Table 1: Summary of Literature and Research Gaps	23
Table 2: Target Population	29
Table 3: Sample Size Determination	30
Table 4: Reliability Analysis	32
Table 5: Response Rate.....	37
Table 6: Age group of the Respondents.....	38
Table 7: Years of Operation.....	39
Table 8: Form of Business	40
Table 9: Number of Employees in the SMEs	41
Table 10: Start-Up Capital.....	42
Table 11: Total Sales per Year	43
Table 12: Source of Financing	44
Table 13: Costing Practice on SMEs Access to Financial Credit.....	45
Table 14: Budgeting Practice on SMEs Access to Financial Credit.....	47
Table 15: Recording Practice on SMEs Access to Financial Credit.....	49
Table 16: Access to Financial Credit in Kisumu City CBD	51
Table 17: Normality Assumption Test Results.....	53
Table 18: Multicollinearity Assumption Test Results	56
Table 19: Correlation between Costing Practice on Access to Financial Credit among SMEs.....	58
Table 20: Correlation between Budgeting Practices on Access to Financial Credit among SMEs.....	59
Table 21: Correlation between Recording Practices on Access to Financial Credit among SMEs.....	60
Table 22: Regression Model Summary	61
Table 23: ANOVA of the Regression Model	61
Table 24: Regression Coefficients	62

LIST OF FIGURES

Figure 1: Conceptual Framework	25
Figure 2: Normal Q-Q Plot of Costing Practice	54
Figure 3: Normal Q-Q Plot of Budgeting Practice	54
Figure 4: Normal Q-Q Plot of Recording Practice	55
Figure 5: Normal Q-Q Plot of Access to Financial Credit	55
Figure 6: Homoscedasticity	57

LIST OF ABBREVIATIONS

AAP	Accepted Accounting Principles
ABCM	Activities Based Cost Management
ANOVA	Analysis of Variance
CBD	Central Business District
CU	Computer Utilization
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JAS	Jordan Accounting Standards
KUREC	Kabarak University Research Ethics Committee
KWFT	Kenya Women Finance Trust
MFI	Micro Finance Institutions
NACOSTI	National Commission for Science and Technology and Innovation
NGOs	Non- Governmental Organizations
NSE	Nairobi Securities Exchange
PAR	Preparing Accounting Records
PFS	Preparing Financial Statements
PLS-SEM	Partial Least Squares Structural Equation Modeling
ROA	Return on Assets.
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Accounting Practice: Refers to the methods, procedures, and rules followed by a company or organization to record, analyze, and report financial transactions, (Maksoud, 2020). In this study these are the processes and activities of recording the day-to-day financial account operations in small and medium enterprises.

Budgeting Practice : Refers to the process of creating a detailed financial plan for a specific period, typically a fiscal year or a quarter, (Tsakumis, & Doupnik, 2020). In this study this is the ability of an SME to accurately estimate revenue and expenses over a specified future period of time with a view to planning business activities in financial year.

Costing Practice: Refers to the process of estimating and determining the cost of producing or providing a product or service, (Kiesler & Sproull, 2020). In this study this refers to the systematic set of procedures for recording and reporting measurements of the cost of production or service by an SME.

Credit: It is a financial term that refers to the ability to borrow money or receive goods or services with the promise of paying for them at a later time, (Kamilah, 2020). In this study this refers to the borrowing of money or resources by an SME from a lending institution such as bank with the agreement to pay it back at a later date, often with interest.

Credit Access: Refers to an individual or business's ability to obtain credit, including loans, credit cards, and other forms of credit, (Martina & McCann, 2020).

In this study this refers to the possibility that an SME can access financial services, including credit facility, payment, insurance, and other risk management services.

Financial Credit: Refers to the availability of funds provided by financial institutions to individuals, businesses, or governments, allowing them to borrow money with the promise of paying it back at a later time with interest or other charges, (Minh, 2020). In this study this refers to a type of credit that is granted to an SME by lending institution such as banks, MFI, or other lending institutions.

Lending Institutions: Refers to organizations that specialize in providing loans and other forms of credit to individuals, businesses, and governments. These institutions can be commercial banks, credit unions, or other financial intermediaries, (Ackah & Vuvor, 2020). In this study this refers to a financial institution that grants loans, accepts deposits, and offers basic financial products such as savings accounts to SMEs.

Recording Practice: Refers to the process of documenting and entering financial transactions in a systematic and organized manner. This can include a wide range of financial activities, such as purchases, sales, payments, and receipts, (Munoz, 2020). In this study this refers to all the documents involved in preparing financial statement of an SME.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Accounting practices refer to the methods and techniques used by businesses and organizations to record, classify, and summarize financial transactions, as well to prepare financial statements and reports, (Maksoud, 2021). Accounting practices involve the procedures established by management to record, classify, analyze, and interpret an organization's financial transactions to achieve the firm's objectives (Balagobei, 2020). One of the benefits of accounting practices is that they help businesses maintain efficiency in all of their operations and determine if the business is growing or not (Nakagawa, 2022). From the context of small and medium-sized enterprises (SMEs), accounting practices refer to the specific methods and techniques used by these businesses to manage their financial transactions and reporting practices.

Costing is the process of determining the cost of a product, service, or activity. It is an essential part of accounting because it helps businesses to understand the expenses incurred in producing and delivering goods or services. The main purpose of costing is to provide accurate and relevant information to management for decision making, (Tsakumis, & Doupnik, 2020). Budgeting practice is a crucial process in accounting that involves the preparation and management of financial plans and forecasts for an organization. A budget is a financial plan that outlines an organization's anticipated revenues and expenses for a specific period, usually a fiscal year. It helps to allocate resources effectively and to manage financial resources for maximum effectiveness and efficiency, (Agoglia, 2021). Recording is a fundamental process in accounting that involves documenting and summarizing financial transactions of an organization in a systematic and accurate manner. The purpose of recording is to ensure that financial data

is captured in a timely and accurate manner, so that it can be used to prepare financial statements, make informed decisions, and comply with legal and regulatory requirements, (Prakash, & Sinha, 2020).

Some of the accounting practices adopted by SMEs include; maintenance of proper books of accounts, internal accounting control system, internal auditing and independent audits (Meigs, 2022). Proper books of accounts refer to maintaining accurate and complete financial records. This practice includes recording all financial transactions, such as income, expenses, assets, and liabilities, in a systematic and organized manner. Proper books of accounts are crucial for financial transparency and compliance, (Horngren, Sundem & Stratton, (2021). Internal accounting control systems are policies and procedures designed to safeguard assets, ensure accurate financial reporting, and prevent fraud and errors. These controls help maintain the integrity of financial data and minimize risks, (COSO, 2021). Internal auditing involves the independent examination of an organization's financial and operational processes to assess their effectiveness, efficiency, and compliance with internal policies and external regulations. It helps identify weaknesses and areas for improvement, (Sawyer, 2021). Independent audits are conducted by external auditors who are not affiliated with the organization. They review the organization's financial statements and accounting practices to provide an unbiased assessment of financial accuracy and compliance. An example of a citation related to independent audits, (Steinbart, 2022).

Small and medium-sized enterprises (SMEs) in Jordan, like in many other countries, adopt a variety of accounting practices to manage their financial transactions and prepare financial statements. Many SMEs in Jordan still rely on manual bookkeeping methods such as ledger cards, journals, and spreadsheets to record financial transactions (Kiesler & Sproull, 2020). Some SMEs in Jordan use accounting software to automate their

bookkeeping and accounting processes. This makes it easier to track financial transactions, generate financial reports, and comply with accounting regulations. SMEs in Jordan are required to comply with accounting standards and regulations, such as the International Financial Reporting Standards (IFRS) and the local Jordan Accounting Standards (JAS). Some SMEs in Jordan use the cash basis of accounting, which means that transactions are recorded when cash is received or paid out, rather than when the sale or purchase is made (Ittner & Larcker, 2022).

Small and medium-sized enterprises (SMEs) in Nigeria adopt a variety of accounting practices to manage their financial transactions and prepare financial statements. Many SMEs in Nigeria still rely on manual bookkeeping methods such as ledger cards, journals, and spreadsheets to record financial transactions (Uyar, 2020). Some SMEs in Nigeria use accounting software to automate their bookkeeping and accounting processes. This makes it easier to track financial transactions, generate financial reports, and comply with accounting regulations. SMEs in Nigeria are required to comply with accounting standards and regulations, such as the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP) in Nigeria. Some SMEs in Nigeria outsource their accounting services from external professionals such as accountants or bookkeepers to help them manage their financial transactions and prepare their financial statements (Kamilah, 2020).

Small and medium-sized enterprises (SMEs) in Kenya adopt a variety of accounting practices to manage their financial transactions and prepare financial statements. Many SMEs in Kenya use accounting software to automate their bookkeeping and accounting processes. This makes it easier to track financial transactions, generate financial reports, and comply with accounting regulations (Makau, Wawire, & Ofafa, 2020). They use the cash basis of accounting, which means that transactions are recorded when cash is

received or paid out, rather than when the sale or purchase is made. Due to lack of financial literacy, some SMEs in Kenya may not be aware of the accounting standards and regulations they need to comply with. Many SMEs in Kenya are part of the informal sector, which is characterized by lack of formal accounting practices and regulations, making it hard to track their financial performance and compliance (Mugambi, 2021).

1.1.1 Access to Financial Credit

Access to financial credit refers to the ability of sole proprietors, partnerships, and corporations to obtain external finance to address cash flow challenges. (Osoro & Muturi, 2020). Credit can be short- or long-term, depending on the lender's evaluation of the borrower's creditworthiness. The ability of firms to obtain credit is crucial for private sector growth, particularly for SMEs, which frequently lack the necessary cash to grow and expand. Credit availability also affects the agricultural industry, as input costs exceed the revenue generated by the sale of the produce, (Martina & McCann, 2021). A range of factors drives credit access. Socio-economic considerations are one aspect that affects credit accessibility.

Between 2013 and 2020, the SME category in Kenya expanded significantly (Osinde, 2021). In December 2013, the overall SME lending portfolio was expected to be KSh332 billion, accounting for 23.4 per cent of banks' total loan portfolios. However, according to a 2016 Central Bank of Kenya study, bank lending to micro, small, and medium-sized firms decreased by 5.7 per cent, putting the private sector's growth at risk. Small enterprises in developed and developing markets have been observed to have little access to external finance and to be more hampered in their operation and expansion. (Galindo & Schiantarelli, 2021). Financial institutions have bundled various lending products geared at different types of business. These solutions provide a range of options for

SMEs and when correctly matched to their business objectives, resulting in better capacity, productivity, return on investment, and earnings (Njeru, 2021).

Lack of credit access is a significant impediment and limitation to the global expansion of SMEs. In developing countries such as Vietnam, greater financial leverage increases the chances of acquiring bank loans. Minh (2020) asserts that the amount of information that SMEs and their owners possess affects their decision to borrow loans based on previously reviewed financial data. In Malaysia, examining the variables influencing loan access indicated that collateral availability is essential in determining loan repayment, particularly direct borrowing. It enhances the likelihood that the loan is confirmed (Jayaraman & Ismail, 2022).

SME owners in Ghana face significant impediments to securing bank loans due to lack of collateral, exorbitant borrowing costs, and an insufficient number of consolidated financial statements, (Ackah & Vuvor, 2020). A study on loan availability in the Niger Delta in Nigeria indicated a substantial effect of social equality, enterprise age, and gender on informal finance from uncontrolled sources such as money lenders and societies. While age, size, collateral, and education all effect legal credit access those institutions that are regulated and offer significantly more credit at low-interest rates, such as banks, merchants, and credit unions (Ubon & Chukwuemeka, 2022).

Kenya's government budgeted for a low-interest "Uwezo Fund" to facilitate lending access and improve the well-being of small and medium-sized businesses, as detailed in its vision 2030 blueprints. Mwongera (2020) observed that collateral is crucial in determining whether banks and microfinance grants credit. Mwongera (2020) also indicated that interest rates were excessive and that a borrower's literacy level had a detrimental impact on their understanding of how and where to obtain loans to boost their sales. Additionally, the total number of lending institutions benefited from access to

finance since a more significant number of institutions would meet the essential individual service needs.

1.1.2 Small and Medium Size Enterprises

SMEs are a significant part of the Kenyan economy, as they are in many other developing nations, as they employ 85 per cent of the Kenyan workforce directly (Mwewa, 2021). SMEs contribute to economic diversification and social stability while also contributing significantly to private sector development. SMEs operate across all economic industries, including; primary production, manufacturing, and services, and can be owned by individuals, partnerships, or private limited companies. Several operate on a limited budget or with no funding at all, while others are more official and operate from market stalls and retail outlets (Munoz, 2020).

In Kenya, most enterprises are owned and operated by family members or are managed mainly by family members. They generally work on a shoestring budget, and their proprietors' specialized expertise and competencies are also constrained (Karanja, 2022). Kisumu City's economy is dominated by SMEs, with a sizable share of single traders and family-owned and operated firms. Kisumu City is viewed as a microcosm of the Kenyan SME landscape due to its economic significance, demographic diversity, regulatory environment, and the unique challenges faced by businesses, making it an appropriate choice for studying SME practices and access to credit in Kenya.

Accounting practices play a crucial role in determining the access of small and medium-sized enterprises (SMEs) to financial credit in Kisumu City CBD. Firstly, costing practices directly affects SMEs' ability to access credit by providing lenders with accurate information regarding the cost structure of the business (Maalim, & Gikandi, 2021). Effective costing practices allow SMEs to calculate their costs of production,

pricing strategies, and profit margins, which are essential factors considered by financial institutions when assessing creditworthiness. Additionally, budgeting practices influence access to financial credit by demonstrating SMEs' ability to plan and manage their financial resources effectively. A well-developed budgeting system provides lenders with insights into the financial stability and future prospects of SMEs, instilling confidence in their ability to repay loans and manage financial obligations responsibly (Zotorvie, 2021).

Furthermore, recording practices significantly affect SMEs' access to financial credit by ensuring transparency, accuracy, and reliability in financial reporting. Proper recording practices enable SMEs to maintain organized and up-to-date financial records, including income statements, balance sheets, and cash flow statements. These records serve as critical indicators of the financial health and performance of SMEs, guiding lenders in their assessment of creditworthiness (Pavtar, 2021). Moreover, well-maintained financial records facilitate the evaluation of past financial performance and future growth potential, influencing lenders' decisions regarding loan approvals and interest rates. In conclusion, accounting practices such as costing, budgeting, and recording play a pivotal role in shaping SMEs' access to financial credit in Kisumu City CBD, serving as key determinants of creditworthiness and financial viability for lenders (Asaduzzaman, 2021).

1.2 Statement of the Problem

Small and medium-sized business financing shows that more than half of SMEs lack access to formal loans. Globally, regionally, nationally and locally (Kenyan environment), small and medium-sized firms have faced financial difficulties, resulting in limited growth (World Bank Report on Business Performance, 2021). Credit availability is a significant component in the development of SMEs in Kenya. However,

most SMEs in Kenya lack the expertise to manage their business activities due to a lack of trained staff and entrepreneurial knowledge. As a result, they cannot publish financial information of the same quality as large enterprises and so are unable to submit audited financial statements, which are a criterion for obtaining credit from financial institutions, notwithstanding the fact that it's prudent business practice. Like in other parts of the country, access to credit continues to be a severe challenge for SMEs in Kenya, (Kenya Economic Report, 2021). According to Kisumu County Integrated Development Plan (2023), only 25% of the SMEs in Kisumu City have access to credit from microfinance institutions to a significant level through initiation capital, expansion, business loans and personal development loan facilities.

Various studies have been conducted on access to financial credit in different organizations. Mbuva & Wachira (2021) did a study on the effect of access to finance on financial performance of processing Ames in Kitui County, Kenya. The study indicated that financial performance positively correlated with the access to finance. However, the study targeted one category of SMEs while the current study targeted different categories of SMEs. Wach and Tarus (2021) conducted a study on effect of accounting practices on financial performance of small medium enterprises in Rwanda. The result showed that a lot of SMEs utilized these accounting practices to influence their financial performance. However, the dependent variable of the study was financial performance while the dependent variable of the current study is access to financial credit therefore the study sought to fill the above gaps by conducting a study on the effect of accounting practices on access to financial credit among SMEs in Kisumu City CBD.

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective is to evaluate the effect of accounting practices on access to financial credit by small and medium enterprises in Kisumu City CBD.

1.3.2 Specific Objective of the Study

Specific objectives were to:

- i. Evaluate the effect of costing practice on SMEs access to financial credit in Kisumu City CBD.
- ii. Establish the effect of budgeting practice on SMEs access to financial credit in Kisumu City CBD.
- iii. Assess the effect of recording practices on SMEs access to financial credit in Kisumu City CBD.

1.4 Research Hypotheses

H₀₁: Costing practice has no statistically significant effect on SMEs access to financial credit in Kisumu City CBD.

H₀₂: Budgeting practice has no statistically significant effect on SMEs access to financial credit in Kisumu City CBD.

H₀₃: Recording practice has no statistically significant effect on SMEs access to financial credit in Kisumu City CBD.

1.5 Justification of the Study

Conducting a study on the effect of accounting practices on access to financial credit by small and medium enterprises (SMEs) in Kisumu City Central Business District (CBD) is essential for several compelling reasons. Firstly, SMEs play a crucial role in the economic development of Kisumu and Kenya at large. They contribute significantly to

employment, innovation, and GDP. Understanding the factors that influence their access to financial credit can help enhance their growth and stability. This study is particularly important because SMEs often face challenges in accessing financial credit due to the perceived high risk by lenders. Evaluating the role of accounting practices could help identify specific barriers and provide insights into improving creditworthiness. Secondly, poor accounting practices are a common issue among SMEs, which could lead to financial mismanagement and reduced credibility with lenders. The study highlighted the importance of robust accounting systems in securing financial credit, encouraging SMEs to adopt better practices. This, in turn enhanced financial management within these enterprises, contributing to their overall sustainability and growth.

Another key justification for this study was its potential to inform policymakers. The findings can provide valuable data to policymakers and financial institutions about the state of accounting practices among SMEs. This can lead to the development of supportive policies and programs aimed at improving financial literacy and access to financial credit. Enhancing financial inclusion is a key component of sustainable economic development. By understanding how accounting practices affected financial credit access, interventions could be designed to ensure that more SMEs, especially those that were marginalized, could obtain necessary financing. Furthermore, access to financial credit was essential for the sustainability of SMEs. The study could demonstrate how effective accounting practices contribute to financial stability, enabling SMEs to weather economic fluctuations and invest in growth opportunities. This aspect was particularly relevant for ensuring the longevity and stability of SMEs in Kisumu CBD.

1.6 Significance of the Study

The finding of the study is significant to various stakeholders. First the finding of the study is significant to the management of SMEs. Understanding the relationship between accounting practices and credit access could guide SMEs to adopt better practices, ultimately making it easier for them to secure loans and other financial products. The study will provide insights into effective accounting practices, helping SMEs enhance their financial management. Better financial records can improve their creditworthiness and access to financial credit. Financial institutions can use the findings to refine their credit risk assessment models. Understanding how accounting practices affect SMEs' creditworthiness can help banks and other lenders make more informed lending decisions. The study's findings can inform policies aimed at improving SME access to credit. Policymakers can develop regulations that encourage the adoption of sound accounting practices among SMEs. The County Governments and other regulatory bodies can design support programs, such as training and grants, to help SMEs improve their accounting practices and financial management.

1.7 Scope of the Study

The study assessed the effect of accounting practices on access to financial credit among SMEs in Kisumu City CBD. The study employed a descriptive research design. It used purposive sampling to select 390 SMEs with accounting systems and structures operating within Kisumu City. Then the study adopted Nassiuma's (2000) formula to get a sample size of 86 respondents. It further used stratified random sampling and purposive sampling to determine the sample size from each SMEs. It was conducted between the months of October 2023 and October 2024.

1.8 Limitations and Delimitation to the Study

During data collection, the researcher encountered a number of limitations. First some respondents were hesitant to disclose information out of fear of victimization researcher persuaded them and reassured them that the information they provided was to be used solely for scholarly purposes. Additionally, the researcher encountered resistance from some respondents who were fearful of disclosing their business's financial and crucial information for fear that the data acquired could be used against them. To overcome the limitations the researcher identified himself using a letter from the school to demonstrate that he was conducting the research solely for the study and not for any other purpose. Additionally, the researcher scheduled adequate amount of time for data collection.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

The study was anchored on accrual basis theory, full disclosure theory, and revenue recognition theory as the main theories for the study.

2.1.1 Accrual Basis Theory

The theory was developed by Haber, (2004). Accrual accounting is a financial accounting method that requires an enterprise to recognize transactions when they occur but not when money is received. Accrual basis accounting is a method of accounting where transactions are recorded when they occur, regardless of when cash changes hands. This means that revenue is recognized when it is earned, and expenses are recognized when they are incurred, regardless of when cash is received or paid, (Sandro, 2020).

Under the accrual basis theory, revenue is recognized when a company earns it, not necessarily when they receive payment for it. For example, if a company sells products on credit, the revenue is recognized when the sale is made, even if the payment for the products is not received until a later date. Similarly, expenses are recognized when they are incurred, regardless of when they are paid. For example, if a company purchases supplies on credit, the expense is recognized when the obligation to pay arises, even if payment for the supplies is not made until a later date, (Bergnam, 2020). The accrual basis theory provides a more accurate picture of a company's financial performance because it takes into account all revenue and expenses, not just the ones that involve cash transactions. It also helps to match expenses with the revenue they generate, which provides a more accurate representation of a company's profitability.

In accrual basis accounting, revenue is recorded when it is earned, regardless of when the payment is received, and expenses are recorded when they are incurred, regardless of when payment is made, (Schuler, 2020). This method provides a more accurate picture of a company's financial performance over a given period of time, as it takes into account all revenue and expenses, including those that do not involve cash transactions. However, it can be more complex than cash basis accounting, and requires more detailed record-keeping to accurately track transactions, (Tobias, 2020).

Accrual basis accounting has been criticized for its potential to misrepresent a company's short-term financial position. Critics argue that by recognizing revenue when it is earned and expenses when they are incurred, regardless of cash flow, accrual accounting can sometimes paint an overly optimistic or pessimistic picture of a company's financial health, especially in the short term (Penman, 2020). For example, a company may recognize revenue from a long-term contract upfront, leading to a surge in reported revenue in the current period, even though the cash from the contract is received over several years. This can distort the company's true liquidity position and mislead investors and creditors. Additionally, accrual accounting requires estimates and judgments for items such as bad debt provisions and depreciation, introducing subjectivity and the potential for manipulation into financial reporting (Nobes & Parker, 2020).

The theory is relevant to the current study in that accrual basis of accounting is used to prepare financial statements, such as income statements and statements of financial position, which are used to evaluate a SMEs financial health and performance. The income statement shows SMEs revenue and expenses over a specific period, while the balance sheet provides a snapshot of a company's assets, liabilities, and equity at a specific point in time. Therefore, the theory helps in explaining the effect of costing on SMEs access to financial credit in Kisumu City CBD.

2.1.2 Full Disclosure Theory

The full disclosure theory was developed by Biddle and Hilary, (2012). The full disclosure theory is a principle of accounting that requires a company to provide all relevant information in its financial statements and other reports to stakeholders. This includes information that could affect investment decisions, such as details on the company's financial health, business risks, management practices, and other relevant data. The full disclosure theory assumes that complete transparency in financial reporting promotes ethical behavior, builds trust with stakeholders, and ensures that investors have access to all the information they need to make informed decisions. In essence, it aims to ensure that all material information is disclosed so that investors and other stakeholders can have a complete picture of a company's financial condition and future prospects, (Tribó & Thomas, 2020).

The full disclosure theory is enshrined in various accounting standards, such as the Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS). These standards require companies to provide detailed information in their financial statements, including footnotes, management discussions and analysis, and other disclosures that may be relevant to stakeholders, (Blanco & Garacia, 2020).

While full disclosure theory aims to promote transparency and provide stakeholders with all relevant information, critics argue that the sheer volume of disclosures mandated by accounting standards can overwhelm users and obscure critical information. Companies often include extensive footnotes and supplementary information in their financial statements to comply with disclosure requirements, leading to lengthy and complex reports that may be difficult for investors and creditors to digest (Ryan, 2020). Moreover,

critics contend that companies may use the guise of full disclosure to bury unfavorable information or obscure key financial metrics, undermining the theory's objective of enhancing transparency and accountability (Ball, 2020). Additionally, the subjective nature of some disclosures, such as those related to risk factors and management judgments, can give companies leeway to present information in a favorable light, raising concerns about the reliability and credibility of financial reporting (Basu & Waymire, 2006). Critics argue that without clear guidelines and oversight, full disclosure can become a tool for obfuscation rather than transparency.

The theory is relevant to the current study as it can be applied in the context of budgeting practice, the full disclosure theory requires that companies provide detailed information about their budgeting practice process and the assumptions underlying their budgets. This includes information on how budgets are developed, what factors are considered in the budgeting practice process, and what risks and uncertainties may affect the budget. By providing this information, companies can ensure that stakeholders have a complete understanding of their budgeting practice process and can make informed decisions based on this information. Providers of finance would require a true and fair view of the state of affairs of the SMEs for them to advance finances to them. Full disclosure would ensure that the financial reports give a true and fair view. This gives credibility and reliability to the financial reports. Hence the theory helps in explaining the effect of budgeting practice on SMEs access to financial credit in Kisumu City CBD.

2.1.3 Revenue Recognition Theory

The theory was developed by Altamuro and Weber, (2005). Revenue recognition theory is a set of principles and guidelines that provide guidance to businesses on how to recognize and record revenue on their financial statements. The goal of revenue

recognition theory is to ensure that revenue is recognized accurately and fairly, and that financial statements provide a true and fair view of a business's financial performance, (Ayers, & Jiang, 2020). The theory provides guidance on when revenue should be recognized and recorded, which is typically when it is earned and realized or realizable. In other words, revenue should be recognized when a business has fulfilled its obligations to provide goods or services to a customer, and when it is reasonably certain that the customer pays for those goods or services, (Yeung, 2020).

There are several principles of revenue recognition theory, including: Control principle: Revenue should be recognized when a business transfers control of goods or services to a customer. Performance principle: Revenue should be recognized when a business has performed its obligations under a contract with a customer, (Collins, & Lys, 2020). Matching principle: Expenses incurred to generate revenue should be recognized in the same period as the revenue they helped to generate. Disclosure principle: A business should disclose relevant information about its revenue recognition policies and practices in its financial statements. The timing of revenue recognition and the accounts used to record revenue can have a significant effect on a business's financial statements. For example, if a business recognizes revenue too early, it may overstate its revenue and profitability. Conversely, if it recognizes revenue too late, it may understate its revenue and profitability.

Critics of revenue recognition theory argue that its principles can be manipulated by companies to artificially inflate revenue and profitability, leading to financial statement fraud and misleading investors and creditors (Zeff, 2020). By recognizing revenue based on subjective criteria such as control and performance, companies may exploit loopholes in accounting standards to accelerate revenue recognition and meet financial targets (Jones & Ratnatunga, 2020). For example, companies may engage in channel stuffing or

bill-and-hold arrangements to recognize revenue prematurely, distorting the true economic substance of transactions. Critics also point to the complexity of revenue recognition standards, such as those under ASC 606 and IFRS 15, which provide companies with significant discretion in determining the timing and amount of revenue to be recognized (Stice & Stice, 2020). This complexity not only increases the risk of accounting errors and misinterpretation but also makes it difficult for stakeholders to assess the reliability of reported revenue figures.

The theory is applicable to the current study in that revenue recognition theory and accounts recording are closely related. By following the principles and guidelines of revenue recognition theory and accurately recording revenue in the appropriate accounts, businesses can ensure that their financial statements provide a true and fair view of their financial performance. Hence it helps in explaining the effect of recording on SMEs access to financial credit in Kisumu City CBD.

2.2 Empirical Literature Review

2.2.1 Effect of Costing Practice on Credit Access

Njiru (2021) conducted a study to establish the effect of costing practices on access to credit among commercial dairy SMEs in Kiambu County. The study adopted descriptive and inferential statistics. The study adopted semi structured questionnaires instruments. Closed questions, with open ended ones and five-part Likert Scales were applied to measure specific indicators that were to be investigated. The findings indicated that costing practices has direct influence on the financial performance of commercial dairy SME's in the county of Kiambu.

Debnath (2021) conducted an empirical study to explain the influence of costing on performance improvement in Bangladeshi manufacturing enterprises. The study focused

on publicly traded industrial businesses within the country. A stratified sampling approach was employed to determine the appropriate sample size for the research. This method involves dividing the population into subgroups, or strata, based on specific characteristics relevant to the study. Subsequently, samples are selected from each stratum to ensure a representative and diverse representation of the population. The findings revealed that among the twenty cost accounting strategies examined, "opportunity costing" was identified as the most impactful on performance improvement.

Gichuki (2020) examined the effect of cost management on financial performance of manufacturing enterprises registered on the Nairobi stock exchange. The study adopted a causal design, namely a multivariate linear regression model. According to the study, the institutions employed various cost-cutting strategies, including just-in-time stock production, economic order quantity techniques, and safety stock above the ordinary amount methods. Most businesses utilized the economic order quantity strategy, which improved their financial performance.

Adigbole, Arinola, and Adebayo (2022) investigated the relationship between strategic cost management approaches and organizational performance among Nigerian manufacturing businesses. Primary data was acquired by a survey and analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique. The study showed that strategic cost management strategies positively affect an organization's performance. As a result, traditional cost management approaches, such as standard costing and fixed overhead allocation, have been proven unsuccessful in the Nigerian manufacturing industry for product costing, cost management, and strategic planning.

Ditkaew (2022) investigated the effect of cost management quality on the efficiency of internal control and decision-making reliability in Thai industrial enterprises. The

authors identified a random sample of 354 newly founded manufacturing industries in Thailand in 2020 and collected data via postal questionnaires. The ordinary least squares regression findings showed a positive and significant correlation between the quality of cost management practices and the effectiveness of internal controls. Similarly, the study identified a positive and significant relationship between the quality of cost management practices and the reliability of decision-making processes.

Kinyugo (2022) evaluated the influence of cost proficiency on the financial performance of companies registered on the Nairobi stock exchange. The sample included 47 enterprises listed on the NSE that had continuously provided financial data from 2008 to 2013. The research was performed using a descriptive survey design. The findings indicated that asset management measures reflect how well a firm's management manages its assets to earn income over a specific period. Asset management ratios demonstrate how successfully and comprehensively assets are used to create revenue. In today's extremely competitive business world, performance has become necessary.

Fridh and Borgenas (2021) evaluated Swedish manufacturing businesses' use of target costing. 91 out of 250 randomly selected firms replied to the questions in the survey. Primary data was gathered via random sampling and consisted of 277 multiple-choice questions. Findings indicated that 16.5 percent of manufacturing enterprises in Sweden employ target costs, and such firms likely prioritize cost management and efficiency in their operations. The study assessed the use of target costing in Swedish manufacturing businesses through a survey approach that involved collecting primary data from a subset of randomly selected firms.

2.2.2 Effects of Budgeting Practice on Credit Access

Onduso (2021) investigated the effect of budgeting practice on the financial performance of Nairobi County industrial enterprises. Using a cross-sectional design, he examined eighteen manufacturing businesses publicly traded on the Nairobi Securities Exchange. The researcher gathered data from various sources, both primary and secondary. The outcomes revealed that budgets have a considerable impact on the financial success of manufacturing enterprises as measured by return on assets (ROA). The research showed that capacity development, robust systems, processes prioritization, and close monitoring and assessment should enable operative budget execution.

Nafisatu (2020) examined the effect of budgeting practice and fiscal control on firm performance by utilizing the East African Portland cement industry as a case study. The independent variable was described descriptively, but the relationship between the independent and dependent variables was explained. Primary data were collected via surveys, while secondary data were derived from the East African Portland Cement Company's public financial records from 2012–to 2019. The study established a tenuous positive correlation between budgetary controls and trade volume. Hence, the low positive correlation exists because of the variety of financial management techniques available, including short-term budgeting practice, long-term planning, bendable budgeting practice, zero-based budgeting practice, rolling budgeting practice, and activity-based budgeting practice.

Mohamed and Kerosi (2022) investigated the influence of financial controls on organizational performance at the Dara-Salaam Bank's Hargeisa Somaliland headquarters. Along with primary and secondary data, descriptive and retrospective study designs were used. Interviews were conducted to elicit primary data, while secondary data was obtained from public sources. The researcher contacted the 70

employees of the Dara-salaam Bank in Hargeisa Somaliland. Budgetary control methods were made more successful through responsibility accounting, variance analysis, and zero-based budgeting practice, enhancing budget management, proficiency, and efficiency. Additionally, while variation cost analysis does not directly affect an organization's performance, it influences decision-making, impacting organizational performance.

Qi (2021) researched the influence of budgeting practice on performance in Chinese SMEs, with the crucial empirical question being whether budgeting practice has a significant and positive effect on Chinese SMEs' performance. The formal budgeting practice approach had a beneficial impact on the functioning of the business: The study discovered that more structured budgeting practice planning increases sales revenue. Budget goal characteristics have a significant impact on the financial performance of Chinese SMEs; thus, clear budget objectives result in increased goal attainment, while challenging (but realistic) budget goals upsurge employees' impetus to meet budget requirements.

2.2.3 Effect of Recording Practice on Credit Access

Ademola (2021) highlights the significant importance of record-keeping for corporate management. Ascertaining, categorizing, storing and guarding, receiving and conveying, retaining and disposing of records used to create financial accounts is record keeping. Additionally, he added that record-keeping necessitates policies, procedures, processes, operations, and personnel to manage the records. Maintaining records is vital for effectively managing the knowledge required for good corporate performance.

Recording include transactions relating to day-to-day business activities, such as receipts and expenditures. Records may consist of a list of an organization's assets and liabilities

(Ademola, 2021). These allow the business to evaluate its performance over a particular period, generally the end of a fiscal year. Proper documentation reveals how a transaction was handled and justifies corporate standards compliance efforts. The backbone of any compliance program should be record keeping; mechanisms should be in place to collect all papers and events associated with a transaction, beginning with delivery and payment (Reed, 2021).

Onaolapo and Rahamon (2022) conducted a qualitative and quantitative analysis of the influence of record-keeping on the success of small and medium-sized businesses. To give descriptive statistics, tables and percentages were employed, and the data were analyzed using chi-square and analysis of variance (ANOVA). The research shows a significant positive association between accounting record keeping and small business performance. Accounting records are required for decision-making, which invariably affects a small business's success.

Kamua (2021) investigated the effect of recording on the financial achievement of SMEs in the CBD of Nairobi County. The evaluation used a descriptive research design on SMEs in Nairobi's Central Business District. The survey sampled 391 SMEs in Nairobi's CBD. A systematic sampling technique was utilized to sample SMEs, and the data were evaluated using descriptive statistics and regression analysis. The study showed that revenue and expense accounts considerably impact ledger accounts. To ensure the efficacy of ledger accounts, income and expense accounts must be correctly prepared to reduce the chance of SMEs in Nairobi County experiencing risky financial performance. It observed that financial performance could be improved by optimizing how purchases and sales ledgers are stored and prepared.

2.3 Research Gaps

Table 1

Summary of Literature and Research Gaps

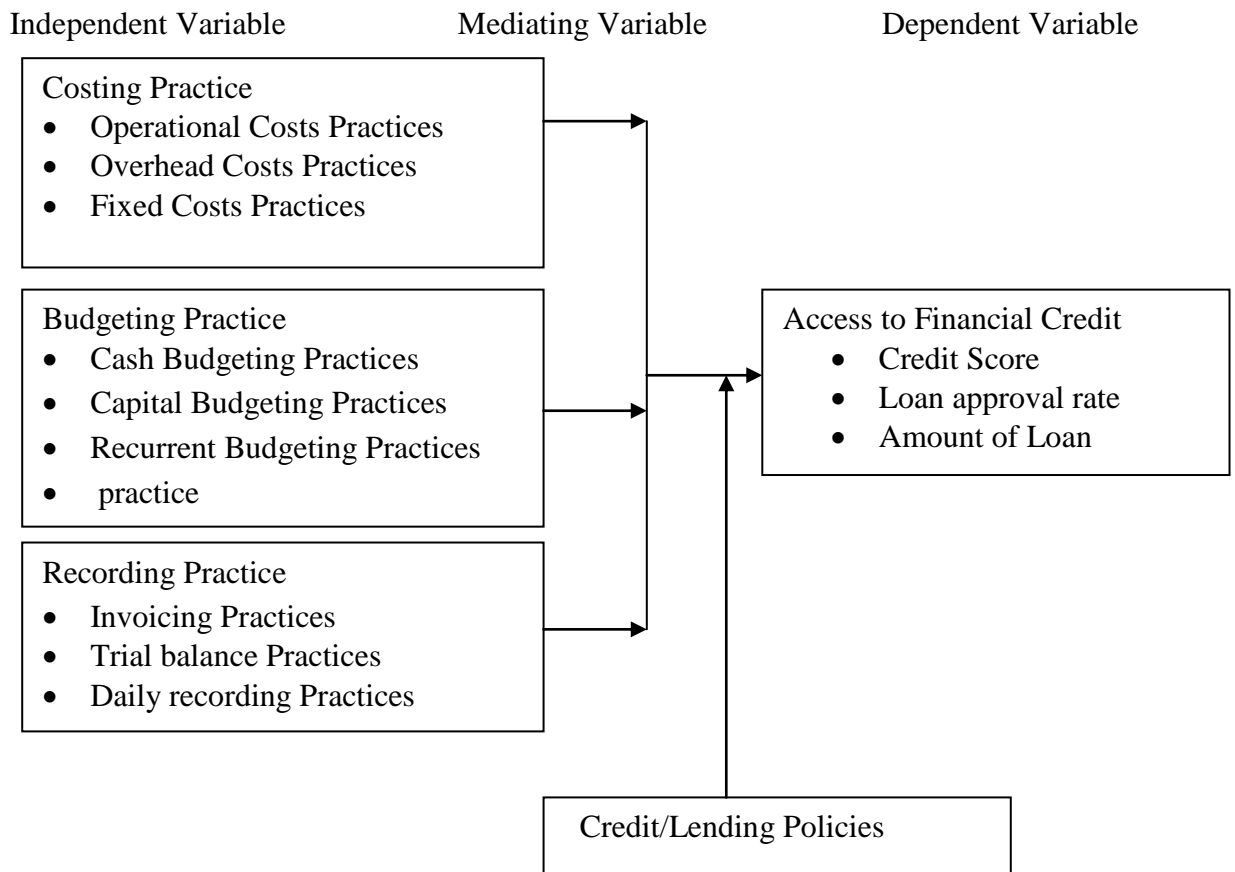
Author	Focus of the Study	Study Findings	Gaps of the Study	How to address Study Gaps
Adigbole, Arinola, and Adebayo (2022)	Relationship between strategic cost management methods and organizational performance: a case study of Nigerian manufacturing enterprises	The study showed that strategic cost management strategies positively affect an organization's performance. As a result, traditional cost management approaches, such as standard costing and fixed overhead allocation, have been proven unsuccessful in the Nigerian manufacturing industry for product costing, cost management, and strategic planning.	The previous study, however, was performed in Nigeria and concentrated on organizational performance. The study analyzed data using Partial Least Squares Structural Equation Modeling (PLS-SEM)	The current study analyzed data through. Pearson's correlation coefficient and multiple regressions were used for inferential statistics.
Mohamed and Kerosi (2022)	Effects of budgetary control measures on organizational performance at the DaraSalaam Bank's Hargeisa Somaliland headquarters	The study findings revealed that budgetary control methods were made more successful through responsibility accounting, variance analysis, and zero-based budgeting practice, enhancing budget management, proficiency, and efficiency.	The previous study used a combination of descriptive and retrospective research strategies. The study was also focused on the organizational performance of the bank	The current study used a descriptive research strategy. The current study focused on the financial credit access among the selected SMEs in Kisumu City
Somathilake and Ranathunga (2021)	Role of record-keeping methods on financial performance, with a particular emphasis on small and medium-sized firms in the Anuradhapura District	The analysis found that accounting record-keeping methods had a beneficial effect on small and medium-sized firms' financial performance. By contrast, financial statement preparation has a considerable impact on the financial success of SMEs	However, the previous study adopted quantitative research design and focused on the record keeping and financial performance.	The current study adopted a descriptive research design and focused on the costing, budgeting practice and recording on financial credit access among SMEs.
Kamua (2021)	Effect of recording on the financial achievement of SMEs in the CBD of Nairobi County.	The study showed that revenue and expense accounts considerably impact ledger accounts. To ensure the efficacy of ledger accounts, income and expense accounts must be correctly prepared to reduce the chance of SMEs in Nairobi County experiencing risky financial performance.	However, the study was conducted in Nairobi Kenya, and used a systematic sampling technique to select the study sample size.	The current study used a purposive sampling to select SMES with systems and structure and Nassima's formula to determine the sample size required for the study.

2.4 Conceptual Framework

A conceptual framework is a representation of the relationship that the researcher expects to see between the study variables, or the characteristics or properties that the researchers want to study. The independent variables of the study were; costing practice, budgeting practice, and recording practice. The dependent variable of the study was access to financial credit.

Figure 1

Conceptual Framework



Source: Author (2024)

Costing practices significantly influence the access of small and medium enterprises (SMEs) to financial credit in Kisumu City Central Business District. Effective costing practices enable SMEs to accurately determine their production costs, pricing strategies, and profit margins. Financial institutions often require detailed information on a

company's cost structure when assessing its creditworthiness. By implementing robust costing practices, SMEs can provide lenders with the necessary data to evaluate their financial viability and assess their ability to repay loans. Additionally, accurate costing practices allow SMEs to demonstrate sound financial management and operational efficiency, which can enhance their credibility and increase their chances of accessing financial credit.

Budgeting practices also play a crucial role in determining SMEs' access to financial credit in Kisumu City CBD. A well-developed budgeting system enables SMEs to plan and manage their financial resources effectively, demonstrating their ability to meet financial obligations and generate sufficient cash flows to repay loans. Financial institutions often consider the presence of a comprehensive budgeting process as a positive indicator of a company's financial stability and future prospects. By aligning their budgeting practices with their business goals and objectives, SMEs can present lenders with a clear financial roadmap, instilling confidence in their ability to utilize credit responsibly and achieve sustainable growth.

Recording practices are essential for SMEs seeking access to financial credit in Kisumu City CBD. Maintaining accurate and up-to-date financial records enables SMEs to provide lenders with transparent and reliable information regarding their financial performance and position. Comprehensive financial records, including income statements, balance sheets, and cash flow statements, allow lenders to assess the creditworthiness of SMEs and make informed lending decisions. Additionally, well-maintained financial records facilitate the evaluation of historical performance trends and future growth potential, providing lenders with valuable insights into the financial health and viability of SMEs. By implementing robust recording practices, SMEs can enhance

their credibility and increase their chances of securing financial credit to support their business operations and expansion efforts in Kisumu City CBD.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a cross-sectional research design. A cross-sectional research design is a type of observational research design that involves collecting data from a sample at a single point in time, (Vaughn & Jacquez, 2020). This design is used to gather information about a population or a phenomenon at a specific moment, providing a snapshot of the variables of interest. The study intended to assess the current status of accounting practices and credit access among SMEs in Kisumu City Central Business District. A cross-sectional design was well-suited for capturing this snapshot of the SMEs' characteristics and practices at the present moment. The cross-sectional design enabled researchers to compare different SMEs based on their varying accounting practices and observe any potential differences in their access to credit facilities.

3.2 Location of the Study

Kisumu is Kenya's third-largest city and the headquarters of Kisumu County. It has a population of 397,957 residents as of the 2019 Kenyan Census. The native population of Kisumu County was 714,668, showing that the city accounts for the largest chunk of the county's urban population of 1,155,574. It is the former capital of Nyanza Province. Due to its water and rail links, Kisumu is an essential component in the commercial route connecting Lake Victoria and Mombasa. Additionally, it serves as the primary distribution point for agricultural products from Nyanza and Western regions. It is Western Kenya's largest and most populous city. Kisumu is a commercial and transportation hub for western Kenya's Great Lakes region. Appendix V indicates the map of Kisumu County.

3.3 Target Population

The assessment unit was financial services, private education, health and entertainment, industrial plants, factories, workshops and contractors SMEs in Kisumu City CBD, while the analysis unit was officers in charge of finance in SMEs. In order to collect the relevant data for the study the research only targeted SMEs with established accounting system and structure within Kisumu City. These SMEs include: Financial services providers, private education institutions, health and entertainment establishments, Industrial plants, factories, workshops and contractors. Therefore, the total target population of the study was 390 SMEs with accounting systems and structures, (Kisumu County Business Register, 2023). The target population was as indicated in Table 2.

Table 2

Target Population

Categories of Businesses	Number of Targeted SMEs	Officer In-charge of Finance
Technical Services	120	120
Private Education, Health and Entertainment	230	230
Industrial Plants, Factories, Workshops & Contactors	40	40
Total	390	390

Source: Kisumu County Business Register, (2024)

3.4 Sample and Sampling Technique

Sampling is randomly selecting an appropriate number of components from a group. The study adopted Nassiuma's (2000) formula to get a sample size of 86 as follows;

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

n = Represents sample size

N = Represents study population

C = Represents coefficient of variation ($21\% \leq C \leq 30\%$), and

e = Represents error margin ($2\% \leq e \leq 5\%$).

Calculating the sample size,

$$n = \frac{390 (0.21)^2}{0.21^2 + (390 - 1)0.02^2}$$

$$n = \frac{17.199}{0.1997}$$

$$n = 86.124$$

Therefore, the study sample size was 86 business owner and finance officers from the selected SMEs. Additionally, the study used simple stratified random sampling and purposive sampling to determine the sample size from each category of business. The sample size determination was as indicated in Table 3.

Table 3

Sample Size Determination

Categories of Businesses	Number of Targeted SMEs	Sample Size	Percentage
Technical Services	120	26	30
Private Education, Health and Entertainment	230	51	59
Industrial Plants, Factories, Workshops & Contactors	40	9	11
Total	390	86	100

3.5 Instrumentation

The questionnaire comprised structured and unstructured questions, which was used to collect the necessary primary data for the study. According to Jankowicz (2005), questionnaires refer to written instruments that provide respondents with a set of questions or sentences. They must reply by writing their responses down or choosing from a list of pre-populated responses. The questionnaire consisted of both structured and unstructured questions. There are benefits to using the questionnaire, which informed its use in this study. These benefits entailed the ease of distribution and data collection, simplicity of data analysis, question standardization, and cost-effectiveness.

3.5.1 Pilot Study

According to Dorfler and Stierand (2020) a pilot study is conducted before the main study albeit at a small scale to test the logistics of the study, identify potential problems that may arise and come up with solutions. Therefore, the researcher conducted a pilot study among selected SMEs in Kisii town. The researcher distributed 9 questionnaires to officers in charge of finance. However, the findings of the pilot study were excluded from the main study. The pilot study provided an opportunity to check and test the research instruments for their validity and reliability.

3.5.2 Validity of Research Instrument

According to Orodho (2005), validity refers to the accuracy of the instrument in collecting the intended data. Validity establishes whether an instrument accurately measures what it was designed to assess or whether the research findings are realistic. The study used content validity. Content validity is a type of validity that assesses whether a test or assessment adequately covers the domain it is designed to measure. It is a measure of how well a test or assessment captures the full range of knowledge, skills,

or behaviors that it is intended to measure. The validity of the data collection instruments was determined by opinion from the research supervisors.

3.5.3 Reliability of Research Instrument

Reliability is the degree to which results are consistent over time and accurately represent the whole population under study (Mugenda & Mugenda, 2003). The research instrument is deemed dependable if the study's findings can be replicated using a comparable methodology (Joppe, 2000). The internal consistency technique was utilized to determine the instrument's robustness. A reliability coefficient (Cronbach's Coefficient Alpha) was calculated to determine the instrument's reliability. A coefficient of 0.70 or above indicates a high degree of reliability for the device (Mugenda & Mugenda, 2003).

Table 4

Reliability Analysis

Variable	No. of items	Cronbach alpha	Decision
Costing practice	6	0.706	Reliable
Budgeting practice	6	0.838	Reliable
Recording practice	6	0.742	Reliable
Access to Financial Credit	5	0.822	Reliable

The variable costing practice of 6 items had a Cronbach's alpha value of 0.706. The value falls within the recommended range for reliability (typically 0.7 or higher). The decision was that the variable was considered reliable, indicating good internal consistency among the items measuring costing practices. The variable budgeting practice comprising of 6 items had a Cronbach's alpha value of 0.838. The alpha value was well above the recommended threshold, indicating strong internal consistency. The variable was deemed reliable.

The variable recording practice with 6 items had a Cronbach's alpha value of 0.742. The alpha value was within the acceptable range, suggesting good reliability. The variable was considered reliable in measuring the construct of recording practice. The variable access to financial credit consisting of 5 items recorded a Cronbach's alpha value of 0.822. With an alpha value above the recommended threshold, the variable was considered reliable in capturing the concept of access to financial credit.

3.6 Data Collection Procedures

The researcher first sought a permit from the National Council of Science and Technology and Innovation (NACOSTI) through Kabarak University. The researcher further sought clearance from Kabarak University Research Ethics Committee (KUREC). The researcher presented the university's letter to the managers/owners of various targeted SMEs to obtain formal authorization to collect data. After obtaining the required authorization, questionnaires were distributed to interviewees. Potential responders were first required to assent to an introduction letter informing them that their participation is voluntary and their comments remained confidential. Questionnaires were collected at a mutually agreed upon time.

3.7 Data Analysis and Presentation

Data analysis is reorganizing, structuring, and giving meaning to massive amounts of data acquired (Cooper & Schindler, 2003). Data analysis condenses a large amount of data into manageable chunks, creates summaries, identifies trends, and applies statistical techniques. This study collected quantitative and qualitative data that was evaluated using SPSS version 24. Data analysis employed both descriptive and inferential statistics. Percentages, frequencies, measures of central tendency (mean), and measures of dispersion were all used in descriptive statistics (standard deviation). Pearson's

correlation coefficient and multiple regressions was used for inferential statistics. The results of the preceding assessments were presented in tables, analyzed, and discussed in tandem with the study objectives. The multiple regression model described below was used.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

Y = Credit Access by SMEs

β_0 = Constant Term;

$\beta_1, \beta_2, \beta_3$ and β_4 = Beta coefficients;

X_1 = Costing

X_2 = Budgeting practice

X_3 = Recording

ε = Error Term

3.7.1 Diagnostic Tests

The study undertook preliminary diagnostic tests to ensure suitability of correlation and multiple linear regressions. The preliminary diagnostic tests include normality tests, linearity multicollinearity and Homoscedacity Test. Multicollinearity is a phenomenon in which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy. Variance Inflation Factor (VIF) was used to check the Multicollinearity of the data. Normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. Normality tests were tested by determining Kolmogorov- Smirnov values. Furthermore, the study conducted a linearity test linearity as mean values of the outcome variable for each

increment of the predictors lie along a straight line. The study used Q-Q plot. Finally, the study conducted a homoscedasticity. Homoscedasticity refers to the assumption of constant variance in the errors (or residuals) of a regression. The study used scatterplot diagram to test homoscedasticity

3.8 Ethical Considerations

The study adhered to various ethical standards before, during, and after the study's completion. Before initiating data collection for the project, the researcher obtained approval from the University and the authorization of the management of the SMEs from whose data was collected for both the pilot and main studies. Additionally, the study received authorization letter and research permission from NACOSTI, the agency mandated by the Kenyan government to grant authorization for research investigations. The study refrained from requesting sensitive information from respondents. During the study, several measures were taken to ensure ethical standards were upheld. Anonymity and confidentiality were maintained by assigning codes to respondents instead of using their names, and by securely storing data. Respondent safety was prioritized by ensuring that all interactions took place in safe environments and by providing clear information about the study's purpose and procedures.

Data safety was ensured both during and after the study. Data was stored in encrypted files and only authorized personnel had access. After the study, data was disposed of according to ethical guidelines to prevent unauthorized access. In dealing with vulnerable populations, special care was taken to ensure their protection. This included obtaining informed consent and providing additional support as needed. There were no payments made to respondents to avoid any undue influence on their participation. Potential risks to both research assistants and respondents were minimized through

thorough training and by adhering to safety protocols. The adequacy of the population was ensured by conducting a thorough sampling process to ensure a representative sample. Finally, the findings of the study were disseminated to both the community and the respondents in an accessible and respectful manner, ensuring transparency and promoting the practical application of the results.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The chapter focuses on data analysis, results presentation and discussion of the findings. The general objective of the study was to evaluate the effect of accounting practices on access to financial credit by small and medium enterprises in Kisumu City Central Business District. The research specifically sought to establish the effect of costing practice, budgeting practice and recording practice on SMEs access to financial credit in Kisumu City CBD. The research findings were presented in form of tables.

4.2 Response Rate

The researcher issued 86 questionnaires to SMEs owners. Out of which 70 responses were received representing 81% response rate. According to Babbie (2002) any response of 65% and above is adequate for analysis; therefore 81% response rate was adequate for analysis.

Table 5

Response Rate

Sampled No. of respondents	No. of Questionnaires Returned	Response Rate (%)
86	70	81

4.3 General Information

The general information of this study comprised of the age group of the respondents, years of operation, the form of business and number of employees. The demographic data also included the startup capital and the enterprise's total sales per year.

4.3.1 Age Group of the Respondents

The respondents were requested to indicate their age group. The findings were as indicated in Table 6.

Table 6

Age group of the Respondents

Age group	Frequency	Percentage
18-25 years	3	4
26-30 years	9	13
31-35 years	11	16
36-45 years	17	24
46-55 years	21	30
Above 55 years	9	13
Total	70	100%

From the analysis 4% of the respondents revealed that they were in age group of 18-25 years, 13% were in age group of 26-30 years, 16% were in age group of 31-35 years, 24% were in age group of 36-45 years, 30% were in age group of 46-55 years while 13% were above 55 years. This implies that majority of SMEs owners were in the age group of 36-45 years and 46-55 years. Age can influence accounting practices. For example, younger business owners, who are more familiar with technology, are more likely to adopt automated accounting practices while older business owners might be more comfortable with traditional paper-based methods or slower to adopt new technologies. The age the respondents' is significant in a study; it helps to identify patterns or trends related to how age influences behaviors, decisions, or outcomes relevant to the research objectives.

4.3.2 Years of Operation

The respondents were requested to indicate their years the business has been in operation. The study findings were indicated in Table 7.

Table 7

Years of Operation

Years of Operation	Frequency	Percentage
1 month- 5 years	7	10
6-10 years	18	26
11-15 years	13	19
16-20 years	10	14
More than 20 years	22	31
Total	70	100%

From the findings 10% of the respondents stated that their businesses have been operation for less than 5 years, 26% of the respondents stated that their businesses have been operation for 6-10 years, 19% of the respondents stated that their businesses have been operation for 11-15 years, 14% of the respondents stated that their businesses have been operation for 16-20 years while 31% of the respondents stated that their businesses have been operation for more than 20 years. This shows that majority of business have been operation for more than 20 years. Businesses that have been operating for many years often have well-established accounting processes and procedures. Over time, they have refined their systems to efficiently handle financial transactions, reporting, and compliance requirements.

As businesses grow and mature, the complexity of their financial transactions typically increases. For example, a startup may have relatively straightforward revenue and expense streams, while a mature company may have diverse revenue sources, complex expense structures, and investments in assets or subsidiaries. Accounting practices need to evolve to accommodate these changes in transaction complexity. The significance of the years of operation of respondents' businesses in a study provides insights into

business stability, experience, and potential growth patterns, which can impact the study's findings on sustainability and success factors.

4.3.3 Form of Business

The respondents were requested to indicate the type of business they are involved in. The findings were indicated in Table 8.

Table 8

Form of Business

Form of Business	Frequency	Percentage
Sole trader	7	10
Partnership	23	33
Private Limited company	40	57
Total	70	100%

From the analysis it was clear that 10% were sole traders, 33% were partnership and 57% of the enterprises were private limited companies. This implies that majority of the SMEs in Kisumu central business district were private limited company and partnership. The type of business ownership can have a significant influence on accounting practices due to differences in legal structure, ownership dynamics, reporting requirements, and tax implications. In a sole proprietorship, the business is owned and operated by one individual. Accounting practices in sole proprietorships are often simpler compared to other types of ownership. Owners may commingle personal and business finances, and accounting records may be less formal.

Tax reporting is usually done on the owner's personal tax return, and there may be fewer regulatory compliance requirements. Partnerships involve two or more individuals sharing ownership and management responsibilities. Accounting practices in partnerships often involve more complex record-keeping to track each partner's contributions, distributions, and share of profits or losses. Partnerships may also have

specific reporting requirements outlined in partnership agreements. The significance of the form of business of the respondents in a study highlights the diversity of business structures, which can influence factors like decision-making, resource allocation, and overall performance, thereby affecting the study's outcomes.

4.3.4 Number of Employees in the SMEs

The respondents were requested to indicate the number of employees that the business had. The findings were as indicated in Table 9.

Table 9

Number of Employees in the SMEs

Years	Frequency	Percentage
Less than 10	2	3
11-20	3	4
21-30	10	14
31-40	14	21
41-50	17	24
Above 50 employees	24	34
Total	70	100%

From the findings 3% of the respondents stated that their business have less than 10 employees, 4% of the respondents stated that their business have less than 11-20 employees, 14% of the respondents stated that their business have less than 21-30 employees, 21% of the respondents stated that their business have less than 31-40 employees, 24% of the respondents stated that their business have less than 41-50 employees while 34% of the respondents stated that their business have more than 50 employee. This implies that majority of sampled SMEs have more than 50 employees. The number of employees could influence accounting practices. Larger businesses require stronger internal controls to prevent fraud, errors, and misuse of company assets.

Accounting practices may involve implementing segregation of duties, approval workflows, and periodic audits to maintain the integrity of financial records and safeguard company assets. Businesses must adapt their accounting practices to effectively manage these challenges as they grow and expand their workforce. The significance of the number of employees in a study provides insights into the business's size and operational capacity, which can influence productivity, scalability, and the overall impact of business practices on the study's outcomes.

4.3.5 Start-Up Capital

The respondents were requested to indicate the amount of startup capital they invested in the business. The findings were indicated in Table 10.

Table 10

Start-Up Capital

Start-Up Capital	Frequency	Percentage
Ksh 50,000-100,000	26	37
Ksh 101,000-150,000	17	24
Ksh 151,000-200,000	11	16
Ksh 201,000-250,000	9	13
Above Ksh 250,000	7	10
Total	70	100%

The study findings revealed that 37% of SMEs invested Ksh 50,000-100,000 as the startup capital, 24% of the SMEs invested Ksh 101,000-150,000 as the startup capital, 16% invested Ksh 151,000-200,000 as the startup capital, 13% invested Ksh 201,000-250,000 while 10% invested Above Ksh 250,000 as the startup capital. This implies that majority of the SMEs in Kisumu CBD invested Kshs 50,000-100,000 and Kshs 101,000-150,000 as the startup capital. Startup capital influences accounting practices by shaping

how funds are acquired, invested, managed, and reported. Effective accounting practices are essential for startups to make informed financial decisions.

4.3.6 Range of the SMEs Total Sales Per Year

The respondents were requested to indicate the average, range of the enterprise’s total sales per year. The findings were as indicated in Table 11.

Table 11

Total Sales per Year

Years	Frequency	Percentage
Below 500,000	0	0
Between KSH 501,000 and KSH 2,000,000	2	3
Between KSH 2,000,001 and KSH 5,000,000	35	50
Above Kshs 5, 000, 000	33	47
Total	70	100%

From the findings 3% of the respondents stated that their total sale per year ranges between KSH 501,000 and KSH 2,000,000, 50% of the respondents stated that their total sale per year ranges between KSH 2,000,001 and KSH 5,000,000 while 47% of the respondents stated that their total sale per year ranges is above Kshs 5,000, 000. The total sales per year impact how revenue is recognized in financial statements. Accounting practices need to adhere to revenue recognition principles, such as recognizing revenue when it is earned and realizable, to accurately reflect the timing and amount of sales in the financial statements. Higher total sales may require more complex revenue recognition methods, such as percentage-of-completion or installment sales accounting. Higher total sales volume means more transactions to record and track in the accounting system. Accounting practices need to efficiently handle the increased transaction volume, including sales invoices, customer payments, returns, and discounts.

4.3.7 Source of Financing

The respondents were requested to indicate the sources of funding for the business. The findings were indicated in Table 12.

Table 12

Source of Financing

Source of Financing	Frequency	Percentage
Savings	23	33
Loans from financial institutions	40	57
Borrowing from friends/relatives	7	10
Total	70	100%

From the analysis, 33% of the SMEs within Kisumu CBD finance their business through personal savings, 57% finance their business through, loans from financial institutions while 10% finance their business through borrowing from friends/relatives. This implies that majority of the SMEs finance their business through loans from financial institutions and borrowing from friends/relatives. The source of financing influences accounting practices by affecting how financial transactions are recorded, reported, and disclosed in the financial statements. Accounting practices need to reflect the terms and conditions of financing arrangements, comply with accounting standards and regulations, and provide stakeholders with transparent and accurate information about the company's financial position and performance.

4.4 Costing Practice on SMEs Access to Financial Credit

The researcher sought to find out the effect of costing practice on SMEs access to financial credit in Kisumu City CBD. The study findings were as indicated in Table 13.

Table 13*Costing Practice on SMEs Access to Financial Credit*

Statements on Costing Practice	SA	A	N	D	SD	Mean	Std
Managing operational costs helps the SMEs reduce expenses and increase profits.	58%	24%	8%	4%	6%	4.177	0.912
Managing operational costs helps SMEs to remain competitive in the market.	40%	48%	4%	8%	0%	3.984	1.032
Managing overhead cost ensures that the SMEs has enough cash flow	50%	34%	8%	4%	4%	4.145	0.921
Managing overhead costs helps SMEs to improve their pricing strategy and ensure profitability.	54%	36%	2%	5%	3%	4.563	.608
Fixed costs are essential for SMEs operations, such as rent, salaries, and utilities.	48%	40%	3%	5%	4%	4.181	.513
Fixed costs help SMEs to make informed decisions on the type of investment to make	50%	34%	8%	4%	4%	4.145	0.921

The findings from the analysis presented in Table 13 indicated that the respondents strongly agreed that managing operational costs helps the SMEs reduce expenses and increase profits (mean=4.177, SD=0.912). The respondents further agreed that managing operational costs helps SMEs to remain competitive in the market (mean=3.984, SD=1.032). The study findings were in line with those of Debnath (2021) who found out that by scrutinizing expenses and processes, SMEs can identify inefficiencies and wasteful spending. Streamlining operations, eliminating redundancies, and optimizing workflows can lead to cost savings without compromising productivity.

On the same note majority of the respondents agreed that managing overhead cost ensures that the SMEs had enough cash flow (mean=4.145, SD=0.921). Moreover, the respondents strongly agreed that managing overhead costs helps SMEs to improve their pricing strategy and ensure profitability with (mean=4.563, SD=0.608). The study findings were in tandem with the findings of Gichuki (2020) who found that controlling overhead costs enables SMEs to offer competitive pricing in the marketplace. By keeping costs low, SMEs could price their products or services competitively, attracting more customers and gaining market share without sacrificing profitability.

Moreover, majority of the respondents agreed that fixed costs are essential for SMEs operations, such as rent, salaries, and utilities (mean=4.181, SD=0,513). Finally, majority of the respondents agreed that fixed costs helps SMEs to make informed decisions on the type of investment to make (mean=3.984, SD=1.032). The findings are in line with those of Kinyugo (2022) who revealed that fixed costs provide SMEs with a clear understanding of their baseline expenses that must be covered regardless of changes in production levels or sales. This knowledge allowed SMEs to budget effectively and plan for future investments without jeopardizing their financial stability.

4.5 Budgeting Practice on SMEs Access to Financial Credit

Further the study sought to establish the effect of budgeting practice on SMEs access to financial credit in Kisumu City CBD. The findings were indicated in Table 14.

Table 14*Budgeting Practice on SMEs Access to Financial Credit*

Statements on Budgeting Practice	SA	A	N	D	SD	Mean	Std
Cash budgeting practice help SMEs avoid cash flow problems and maintain a healthy financial position	68%	23%	2%	4%	3%	4.258	0.886
Cash budgeting practice also helps SMEs plan and control their financial activities	69%	21%	0%	5%	5%	4.403	0.557
Capital budgeting practice helps SMEs maximize their return on investment	40%	55%	0%	2%	3%	4.145	0.807
Capital budgeting practice helps SMEs in long-term planning by considering cash flow and costs associated.	49%	33%	12%	3%	3%	4.452	0.592
Recurrent budgeting practice helps SMEs plan their regular expenses and allocate resources accordingly	48%	40%	3%	5%	4%	4.181	.513
Recurrent budgeting practice provides a benchmark for SMEs to evaluate their financial performance over time	50%	34%	8%	4%	4%	4.145	0.921

From the findings the study revealed that cash budgeting practice help SMEs avoid cash flow problems and maintain a healthy financial position (mean=4.258, SD=0.886). On whether the cash budgeting practice also helps SMEs plan and control their financial activities (mean=4.403, SD=0.557). The study findings agreed with the findings of

Onduso (2020) who revealed that cash budgeting involves projecting future cash inflows and outflows over a specific period, typically monthly or quarterly. By forecasting cash flows, SMEs gained insights into their expected liquidity position, enabling them to anticipate potential cash shortages or surpluses and plan accordingly.

The respondents further agreed that capital budgeting practice helps SMEs maximize their return on investment with (mean=4.145, SD=0.807). On the same note, the respondents also agreed that capital budgeting practice helps SMEs in long-term planning by considering cash flow and costs associated, (mean=4.452, SD=0.592). The study findings were in line with the findings of Nafisatu (2020) who revealed that capital budgeting allows SMEs to assess potential investment opportunities, such as purchasing equipment, expanding facilities, or launching new products or services. By analyzing the cash inflows and outflows associated with each opportunity, SMEs can make informed decisions about where to allocate their financial resources for long-term growth.

The respondents strongly agreed that recurrent budgeting practice helps SMEs plan their regular expenses and allocate resources accordingly (mean=4.177, SD=0.912). The respondents further agreed that recurrent budgeting practice provides a benchmark for SMEs to evaluate their financial performance over time (mean=3.984, SD=1.032). The study findings were also in tandem with the findings of Mohamed and Kerosi (2022) who revealed that recurrent budgeting establishes a baseline against which SMEs can compare their actual financial performance. By setting annual budgets that outline expected revenues, expenses, and profitability, SMEs created a benchmark for evaluating their actual financial results against projected targets.

4.6 Recording Practice on SMEs Access to Financial Credit

Further the study sought to establish the effect of recording practice on SMEs access to financial credit in Kisumu City CBD. The findings were indicated in Table 15.

Table 15

Recording Practice on SMEs Access to Financial Credit

Statement on recording practice	SA	A	N	D	SD	Mean	Std
Timely invoicing ensures payment for the products or services provided is received.	64%	29%	2%	5%	0%	4.403	0.778
Invoices provide a record of sales transactions, which can be used for accounting and tax purposes	54%	30%	8%	5%	3%	4.307	0.738
Trial balance helps SMEs to prepare for the income statements	38%	38%	4%	11%	9%	4.145	0.807
Trial balance helps the SMEs to identify areas where they need to invest or cut cost	43%	34%	7%	5%	11%	4.387	0.869
Daily recording ensures that all financial transactions are accurately recorded in the accounting system	68%	23%	2%	4%	3%	4.258	0.886
Daily recording of financial transactions helps SMEs to manage their cash flow more effectively	69%	21%	0%	5%	5%	4.403	0.557

The findings in Table 15 revealed that majority of the participants were strongly in agreement with a mean of 4.403 and standard deviation of 0.778, that the timely

invoicing ensures payment for the products or services provided is received. On whether invoices provide a record of sales transactions, which could be used for accounting and tax purposes, majority of the respondents strongly agreed with a mean score of 4.307 and standard deviation of 0.738. Furthermore, the findings revealed that majority of the respondents were in agreement with a mean of 4.145 and standard deviation of 0.807 that trial balance helps SMEs to prepare for the income statements. The study findings are in line with the findings of Ademola (2021) trial balance provides a summary of all the accounts and their respective balances, including both debit and credit entries. This ensured that SMEs have accurate and complete financial data to work with when preparing their income statements.

The study sought to find out whether trial balance helps the SMEs to identify areas where they need to invest or cut cost. Majority of the participants were in agreement in their responses with a mean of 4.387 and standard deviation of 0.869. Moreover, the findings revealed that majority of the respondents agreed that daily recording ensures that all financial transactions are accurately recorded in the accounting system (mean=4.258, SD=0.886). On whether the daily recording of financial transactions helps SMEs to manage their cash flow more effectively (mean=4.403, SD=0.557). The study conformed with the findings of Kamua (2021) who revealed that recording financial transactions daily provides SMEs with real-time visibility into their cash flow. By documenting income and expenses as they occurred, SMEs can accurately track the movement of cash in and out of their business, enabling them to make informed decisions based on up-to-date financial information.

4.7 Access to Financial Credit in Kisumu City CBD

Further the study sought to establish the effect of recording practice on SMEs access to financial credit in Kisumu City CBD. The findings were indicated in Table 16.

Table 16*Access to Financial Credit in Kisumu City CBD*

Statements on Access to Financial Credit	SA	A	N	D	SD	Mean	Std
The credit worthiness of our business has grown over the years	49%	39%	10%	2%	0%	4.351	.767
Majority of lenders are more willing to lend to our business	48%	39%	6%	4%	3%	4.345	.692
The business is able to access higher amount of financial credit	44%	38%	7%	7%	4%	4.273	.689
There has been a gradual increase in credit score over the years	62%	32%	3%	3%	0%	4.604	.670
There has been a gradual increase in the value of collateral used to access financial credit	40%	42%	9%	3%	6%	3.873	1.037

The findings from the analysis presented in Table 16 indicated that the respondents strongly agreed that the credit worthiness of their business has grown over the years, (mean =4.351, SD=0.767). The respondents further strongly agreed that majority of lenders are more willing to lend to their business (mean=4.345, SD=0.692). According to Galindo and Schiantarelli, (2021) who argued that creditworthiness is a critical measure of a business's ability to meet its financial obligations. It is an essential criterion used by lenders, investors, suppliers, and other stakeholders to assess the risk associated with extending credit or investing in a business. The evaluation of creditworthiness involves examining a business's credit history, financial health, operational stability, and future prospects. Ensuring and maintaining high creditworthiness is pivotal for businesses as it directly impacts their financial flexibility, growth opportunities, and overall market reputation.

On the same note, the respondents also agreed that their business is able to access higher amount of financial credit (mean=4.273, SD=0.689). The study sought to find out whether there has been a gradual increase in credit score over the years, from the findings majority of the respondents agreed with a mean of 4.604 and SD of 0.670. The respondents further agreed that there has been a gradual increase in the value of collateral used to access financial credit, (mean=3.873, SD=1.037). The findings agree with Jayaraman & Ismail, (2022) who argued that businesses often possess substantial assets that can be used as collateral for loans. These assets include real estate, machinery, equipment, inventory, and accounts receivable. The availability of collateral significantly reduces the lender's risk, as these assets can be seized and sold to recover the loan amount in case of default. The asset base of businesses provides a tangible security cushion, making lenders more willing to extend credit. Individuals, on the other hand, might have limited collateral, making unsecured loans riskier for lenders.

4.8 Diagnostic Tests

The study conducted four diagnostic tests to validate the assumptions underlying statistical models.

4.8.1 Normality Assumptions Test

The first diagnostic test that the researcher conducted was normality test to determine whether the data is normally distributed. The result of the normality test is indicated in Table 17.

Table 17*Normality Assumption Test Results*

Variable	Kolmogorov- Smirnov	Sig
Costing Practice	.282	.667
Budgeting Practice	.228	.877
Recording Practice	.236	.912
Access to Financial Credit	.236	.877

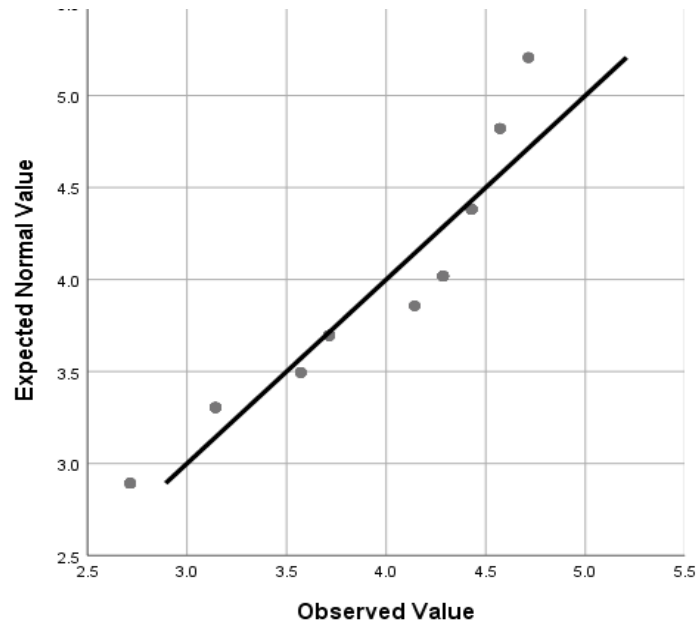
Normality assumption test results in Table 17 established that the data was normally distributed since the significance values for Kolmogorov-Smirnov were greater than 0.05. The study findings indicated that costing practice had a Kolmogorov-Smirnov significance value of $p=.282>0.05$. Budgeting practice had a Kolmogorov-Smirnov significance value of $p=.228>0.05$. Recording practice had a Kolmogorov-Smirnov significance value of $p=.236>0.05$. The access to financial credit had a Kolmogorov-Smirnov significance value of $p=.236>0.05$. Since the p-values were greater than the significance level (0.05), this implies that the data were normally distributed. This is in line with Freeman (2020) who argue that when the sig value is less than the 0.05 threshold data is normally distributed

4.8.2 Linearity Assumptions Test

The study plotted a Q-Q plot to assess whether a dataset follows a particular distribution, such as the normal distribution. If the points cluster closely around the diagonal line, it suggests a good fit to the expected distribution and supports the assumption of linearity. However, if the points deviate significantly from the diagonal line, it indicates non-linearity or departures from the expected distribution. The result of the normality test is indicated in Figures 2, Figure 3, Figure 4 and Figure 5.

Figure 2

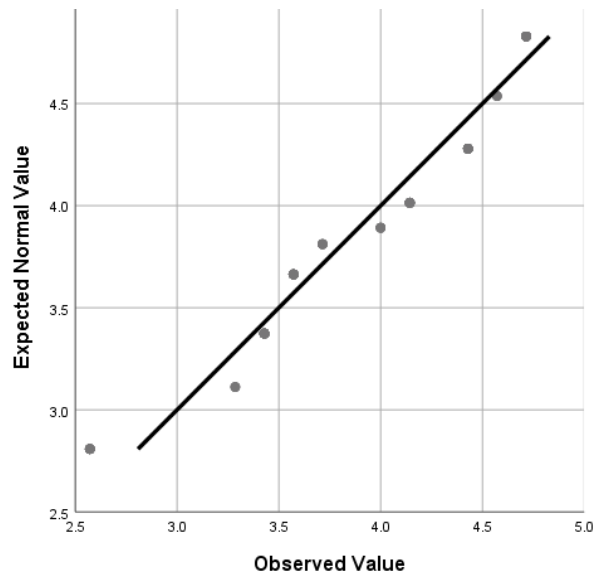
Normal Q-Q Plot of Costing Practice



From the findings the dots formed an almost perfectly straight line which suggests that the observed data closely follows the expected distribution, indicating linearity.

Figure 3

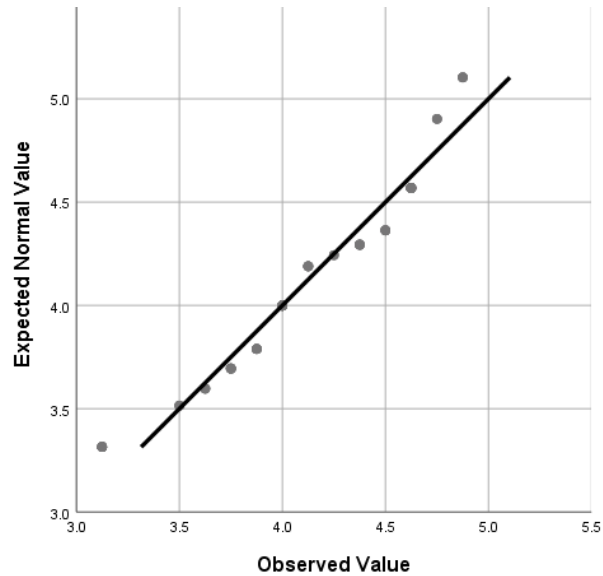
Normal Q-Q Plot of Budgeting Practice



From the findings the dots formed an almost perfectly straight line which suggests that the observed data closely follows the expected distribution, indicating linearity.

Figure 4

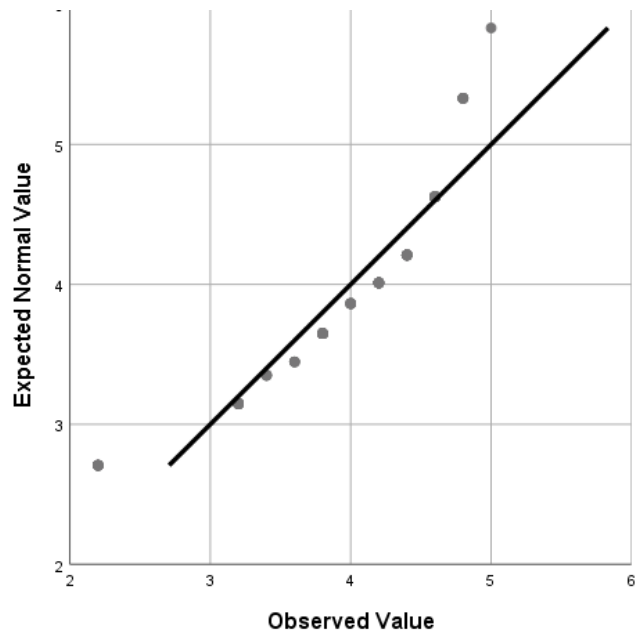
Normal Q-Q Plot of Recording Practice



From the findings the dots formed an almost perfectly straight line which suggests that the observed data closely follows the expected distribution, indicating linearity.

Figure 5

Normal Q-Q Plot of Access to Financial Credit



From the findings, the dots formed an almost perfectly straight line which suggests that the observed data closely follows the expected distribution, indicating linearity.

4.8.3 Multicollinearity Test

The study conducted a multicollinearity assumption test to determine whether the variables are correlated. Multicollinearity occurs when two or more independent variables are highly correlated with each other. When multicollinearity is present in a regression model, it can be difficult to determine the unique contribution of each independent variable to the outcomes. The study result is presented in Table 18.

Table 18

Multicollinearity Assumption Test Results

Variables	Tolerance	VIF
Costing Practice	.162	6.172
Budgeting Practice	.363	2.755
Recording Practice	.889	1.125
Access to Financial Credit	.592	1.689

From the finding the tolerance and variance inflation factor value for costing practice (tolerance=0.162 and VIF=6.172), for budgeting practice (tolerance=0.363 and VIF=2.755), for recording practice (tolerance=0.889 and VIF=1.125) and for access to financial credit (tolerance=0.592 and VIF=1.689). The study results imply that all tolerance values for the five variables under study were all above 0.10 and VIF values all less than 10, this implies that the data used had no Multicollinearity. This is in line with Fox, (2020) who argued that for the research to be accepted the Tolerance for all independent variables should be more than 0.1 and the variance inflation factor (VIF) is recommended to be below 10.

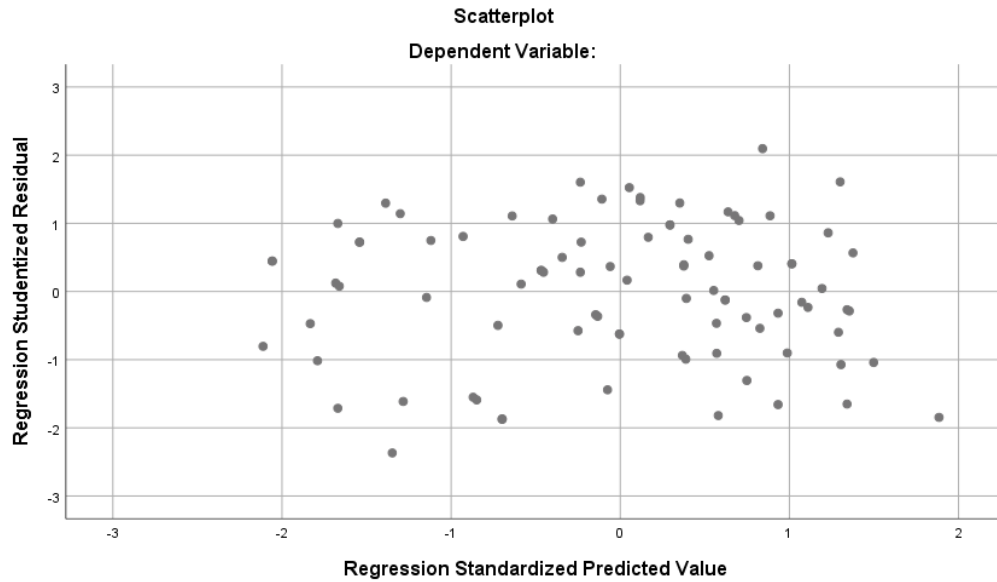
4.8.4 Homoscedasticity

Homoscedasticity is a statistical concept that refers to the assumption of constant variance in the errors (or residuals) of a regression. The researcher sought to determine

homoscedasticity using scatterplot diagram. The findings are indicated by the Scatter plot Figure 6 below.

Figure 6

Homoscedasticity



From the findings the spots are diffused and do not form a clear specific pattern therefore the regression model does not have homoscedasticity problem. This is in line with Freedman (2020) who argued that the spread and dispersion of residuals across different values of predictors identify violations of homoscedasticity.

4.9 Correlation Analysis

The researcher undertook correlation analysis to establish the nature and strength of the relationships between the independent and the dependent variables of the study.

4.9.1 Correlation between Costing Practice on Access to Financial Credit among SMEs

Table 19

Correlation between Costing Practice on Access to Financial Credit among SMEs.

		Costing Practice
Access to Financial Credit	Pearson Correlation	.641 [*]
	Sig. (2-tailed)	.000
	N	70

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

The study conducted a correlation analysis between costing practices on SMEs access to financial credit in Kisumu City CBD. From the results in Table 4.14, the study established that there existed a positive and significant relationship between costing practice and access to financial credit among SMEs in Kisumu City CBD ($r = 0.641$, $P = 0.000$). Therefore, the findings implied that costing practice affects access to financial credit among SMEs in Kisumu City CBD. The study findings were in line with those of Adigbole, Arinola, and Adebayo (2022) who revealed that costing practices play a crucial role in determining the accessibility of financial credit for Small and Medium Enterprises (SMEs). Accurate and reliable costing practices lead to precise financial statements, reflecting the true costs of operations and profitability. This reliability builds lenders' confidence in the financial health of an SME, as transparent and well-documented costing practices allow for a clear assessment of the enterprise's financial status, thereby reducing perceived risks. Moreover, Ditkaew (2022) also revealed that effective budgeting and forecasting were other significant benefits of proper costing. Detailed and realistic budgets and financial forecasts are often required by lenders to evaluate an SME's future viability and its ability to repay loans. Good costing practices

also enhance cash flow management, ensuring that the SME can meet its financial obligations, including loan repayments.

4.9.2 Correlation between Budgeting Practices on Access to Financial Credit among SMEs

Table 20

Correlation between Budgeting Practices on Access to Financial Credit among SMEs

		Budgeting Practices
Access to Financial Credit	Pearson Correlation	.619*
	Sig. (2-tailed)	.023
	N	70

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

In addition, the study conducted a correlation analysis between budgeting practices on SMEs access to financial credit in Kisumu City CBD. The coefficient of Correlation ($r=0.619$ and $P=0.023$) illustrated in Table 4.15 shows that there is a strong positive and significant relationship between budgeting practices and access to financial credit among SMEs in Kisumu City CBD. The findings implied that budgeting practices enhances SMEs access to financial credit in Kisumu City CBD. The study findings agreed with the findings of Qi (2021) which revealed that effective budgeting practices enable SMEs to create realistic and detailed financial plans and forecasts. Lenders often require these documents to assess an SME's future viability and repayment ability. A well-structured budget demonstrates that the SME has a clear plan for managing income and expenses, which reassures lenders about the business's ability to generate sufficient cash flow to meet its obligations. Good budgeting practices reflect an SME's commitment to fiscal responsibility and discipline. By adhering to a budget, SMEs show they can control expenses, avoid unnecessary expenditures, and allocate resources efficiently. This fiscal

prudence is a positive signal to lenders, indicating that the SME is capable of managing its finances effectively, which reduces the perceived risk of lending.

4.9.3 Correlation between Recordings Practices on Access to Financial Credit among SMEs

Table 21

Correlation between Recording Practices on Access to Financial Credit among SMEs

		Recording Practices
Access to Financial Credit	Pearson Correlation	.597*
	Sig. (2-tailed)	.018
	N	70

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

The study further sought to establish the nature of the relationship between recording practices on SMEs access to financial credit in Kisumu City CBD as shown in Table 19. The correlation coefficient ($r=0.597$, $P=0.018$) indicates that there exists a positive and significant relationship between recording practices and access to financial credit among SMEs in Kisumu City CBD. This implied that recording practices enhances SMEs access to financial credit in Kisumu City CBD. The study findings were in line with the findings of Onaolapo and Rahamon (2022) which showed a significant positive association between accounting record keeping and small business performance. Recording practices, encompassing how an SME tracks, maintains, and reports its financial data, played a pivotal role in influencing access to financial credit. Effective recording practices build a strong foundation for financial transparency, accuracy, and credibility, which are crucial for securing credit from lenders. Accurate recording of financial transactions ensures that an SME's financial statements reflect its true financial health. This transparency is essential for lenders as it allows them to trust the data

presented. SMEs that maintain meticulous records are seen as more reliable, which can significantly increase the likelihood of obtaining financial credit. Accurate records also help prevent discrepancies and errors that could raise red flags for potential lenders.

4.10 Regression Analysis

Table 22

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823 ^a	.678	.656	.64723

a. Predictors: (Constant), Costing Practice, Budgeting Practice and Recording Practice

b. Dependent Variable: SMEs Access to Financial Credit

The study conducted a regression analysis to find out the strength of the relationship between independent and dependent variables as shown in Table 20. The findings showed that the financial credit in Kisumu City CBD is 67.8% as explained by the independent variables under this study while 32.2% is the variation due to other factors which have not been covered in this study.

Table 23

ANOVA of the Regression Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.571	3	4.190	46.555	.000 ^b
	Residual	5.970	66	.090		
	Total	18.541	69			

a. Predictors: (Constant), Costing Practice, Budgeting Practice and Recording Practice

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.571	3	4.190	46.555	.000 ^b
	Residual	5.970	66	.090		
	Total	18.541	69			

a. Predictors: (Constant), Costing Practice, Budgeting Practice and Recording Practice

b. Dependent Variable: SMEs Access to Financial Credit

In the ANOVA table above, the *F* statistic = 46.555 as illustrated in Table 21. Since the *f* calculated is greater than *f* statistic, it infers that the model is statistically significant. Therefore, there is strong evidence that the regression results are statistically significant and the variation in the results is insignificant that cannot result to much difference in case of a change in the study units (population) and therefore the model was ideal to be adopted in the study.

Table 24

Regression Coefficients

Model	Unstandardized		Standardized	t	Sig.	
	Coefficients		Coefficients			
	B	Std. Error	Beta			
(Constant)	2.057	.359		5.730	.000	
1	Costing Practice	.332	.138	.395	2.401	.019
	Budgeting Practice	.196	.137	.201	1.425	.016
	Recording Practice	.589	.126	.835	4.682	.000

a. Dependent Variable: SMEs Access to Financial Credit

The study also conducted a regression analysis to establish the regression coefficients connecting the independent and dependent variables as illustrated by the equation illustrated below:

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

Whereby Y represents access to financial credit in Kisumu City CBD, X_1 represents costing practice, X_2 represents budgeting practice, and X_3 represents recording practice. β_0 represents Constant which defines the value of SMEs access to financial credit in Kisumu City CBD without the inclusion of predictor variables. From the results in Table 4.17 the given equation was answered by the values of Unstandardized Coefficients (B) and all of them were statistically significant since their p values (Sig. <0.05) were less than 0.05. The results indicated that all the predictor variables in the study have a positive relationship with access to financial credit in Kisumu City CBD. Thus,

$$Y = 2.057 + 0.332 \text{ Costing Practice} + 0.196 \text{ Budgeting Practice} + 0.589 \text{ Recording Practice}$$

The value of SMEs access to financial credit in Kisumu City CBD without the effects of the predictor variables is 2.057. This explains that, at any given time, SMEs access to financial credit in Kisumu City CBD becomes 2.057 holding other factors constant at 0. The results also illustrated that, a unit change in costing practices would result to 0.332 times change in SMEs access to financial credit in Kisumu City CBD, a unit increase in budgeting practices would result to 0.196 times increase in SMEs access to financial credit in Kisumu City CBD, a unit increase in recording practices would result to 0.589 times Kisumu City CBD.

4.11 Hypothesis Testing

The study sought to test the hypothesis that: H_{01} : Costing practice has no statistically significant effect on small and medium-sized enterprises access to credit in Kisumu City CBD. From the findings the p-value was 0.019 which was less the 0.05 significant level. Therefore, based on the rule of significance, the study rejects the null hypothesis (H_{01})

and concluded that costing practice had a statistically significant effect on access to financial credit among SMEs access in Kisumu City CB. The findings agreed with Ditkaew (2022) who revealed that effective budgeting and forecasting were other significant benefits of proper costing. Detailed and realistic budgets and financial forecasts are often required by lenders to evaluate an SME's future viability and its ability to repay loans. Good costing practices also enhance cash flow management, ensuring that the SME can meet its financial obligations, including loan repayments.

The study sought to test the hypothesis that: H_{02} : Budgeting practice has no statistically significant effect on SMEs access to credit in Kisumu City CBD. From the findings the p-value was 0.016 which was less the 0.05 significant level. Therefore, based on the rule of significance, the study rejects the null hypothesis (H_{02}) and concluded that budgeting practice had a statistically significant effect on access to financial credit among SMEs access in Kisumu City CBD. The study findings agreed with the findings of Qi (2021) which revealed that effective budgeting practices enable SMEs to create realistic and detailed financial plans and forecasts. Lenders often require these documents to assess an SME's future viability and repayment ability. A well-structured budget demonstrates that the SME has a clear plan for managing income and expenses, which reassures lenders about the business's ability to generate sufficient cash flow to meet its obligations

The study sought to test the hypothesis that: H_{03} : Recording practice has no statistically significant effect on SMEs access to credit in Kisumu City CBD. From the findings the p-value was 0.000 which was less the 0.05 significant level. Therefore, based on the rule of significance, the study rejects the null hypothesis (H_{03}) and concluded that recording practice had a statistically significant effect on access to financial credit among SMEs access in Kisumu City CBD. The study findings were in line with the findings of Onaolapo and Rahamon (2022) which showed that effective recording practices build a

strong foundation for financial transparency, accuracy, and credibility, which are crucial for securing credit from lenders. Accurate recording of financial transactions ensures that an SME's financial statements reflect its true financial health.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

The study sought to determine the summary of key major findings. The summary was categorized in terms of specific objectives.

5.1.1 Costing Practice on SMEs Access to Financial Credit

Concerning the effect of costing practice on access to financial credit among SMEs in Kisumu City CBD the study revealed that there existed a strong positive and significant relationship between costing practice and access to financial credit among SMEs in Kisumu City CBD ($r = .641, P=0.000$). The study findings also revealed that managing operational costs helps the SMEs reduce expenses and increase profits. The study further revealed that managing operational costs helps SMEs to remain competitive in the market. On the same note, the finding revealed that managing overhead cost ensures that the SMEs have enough cash flow. Moreover, the findings revealed that managing overhead costs helps SMEs to improve their pricing strategy and ensure profitability. In addition, the findings revealed that fixed costs are essential for SMEs operations, such as rent, salaries, and utilities.

5.1.2 Budgeting Practice on SMEs Access to Financial Credit

Concerning the effect of budgeting practice on access to financial credit among SMEs in Kisumu City CBD the study revealed that there was a strong positive and significant relationship between budgeting practices and access to financial credit among SMEs in Kisumu City CBD ($r=0.619$ and $P=0.023$). The findings further revealed that cash budgeting practice help SMEs avoid cash flow problems and maintain a healthy financial position. The study also revealed that cash budgeting practice also helps SMEs plan and

control their financial activities. In addition, the findings revealed that capital budgeting practice helps SMEs maximize their return on investment. On the same note, the findings revealed that that capital budgeting practice helps SMEs in long-term planning by considering cash flow and costs associated. The findings agreed with Ditkaew (2022) who revealed that effective budgeting and forecasting were other significant benefits of proper costing. Detailed and realistic budgets and financial forecasts are often required by lenders to evaluate an SME's future viability and its ability to repay loans. Good costing practices also enhance cash flow management, ensuring that the SME can meet its financial obligations, including loan repayments.

5.1.3 Recording Practice on SMEs Access to Financial Credit

Regarding the effect of recording practices on access to financial credit among SMEs in Kisumu City CBD, the study concluded that there existed a strong, positive and significant relationship between recording practices and access to financial credit among SMEs in Kisumu City CBD ($r=0.597$, $P=0.018$). The findings also revealed that personal relationship with the financier enhanced credit availability. On the same note, the findings revealed that duration of the relationship with the financier determined whether they can access credit. The findings also revealed that access to financial institution has improved credit accessibility to most of the small and medium entrepreneurs and this has led to business growth. The findings also revealed that most of entrepreneurs, through financial institutions have realized an effective way to integrate access to financial services. The study findings agreed with the findings of Qi (2021) which revealed that effective budgeting practices enable SMEs to create realistic and detailed financial plans and forecasts. Lenders often require these documents to assess an SME's future viability and repayment ability. The study findings were in line with the findings of Onaolapo and Rahamon (2022) which showed that effective recording practices build a strong

foundation for financial transparency, accuracy, and credibility, which are crucial for securing credit from lenders. Accurate recording of financial transactions ensures that an SME's financial statements reflected its true financial health

5.2 Conclusions

Based on the findings, the study made the following conclusion. The conclusion were also based on specific objectives.

From the findings, the study concluded that effective management of operational and overhead costs were vital for SMEs to reduce expenses, increase profits, and remain competitive in the market. The study also concluded that managing overhead costs ensures sufficient cash flow for SMEs to meet their financial obligations and invest in growth opportunities. The study further concluded that proper management of fixed costs, such as rent and salaries, helps SMEs make informed decisions regarding investments and operational expenses. The study sought to test first hypothesis which stated that costing practice has no statistical significant on small and medium-sized enterprises access to credit in Kisumu City CBD. From the findings the p-value was 0.019 which was less the 0.05 significant level therefore the study rejected the null hypothesis and concluded that costing practice had a statistical significant effect on access to financial credit among SMEs access in Kisumu City CBD.

From the findings, the study concluded that cash budgeting practices help SMEs avoid cash flow problems and maintain a healthy financial position by planning and controlling financial activities effectively. Moreover, capital budgeting practices enable SMEs to maximize return on investment and facilitate long-term planning by considering cash flow and associated costs. The study also concluded that recurrent budgeting practices provide SMEs with a benchmark to plan regular expenses and evaluate financial

performance over time. The study sought to test the second hypothesis which state that budgeting practice has no statistical significant on SMEs access to credit in Kisumu City CBD. From the findings the p-value was 0.016 which was less the 0.05 significant level therefore the study rejected the null hypothesis and concluded that budgeting practice has a statistical significant effect on access to financial credit among SMEs access in Kisumu City CBD.

The study concluded that establishing personal relationships with financiers enhances credit availability for SMEs and fosters trust and confidence in financial institutions. The study also concluded that the duration of the relationship with financiers influences credit accessibility, highlighting the importance of long-term partnerships. The study further concluded that access to financial institutions has improved credit accessibility for most entrepreneurs, leading to business growth and effective integration of financial services. The study sought to test the third hypothesis which stated that recording practice has no statistical significant on SMEs access to credit in Kisumu City CBD. From the findings the p-value was 0.000 which was less the 0.05 significant level therefore, based on the rule of significance, the study rejects the null hypothesis and concluded that recording practice has a statistical significant effect on access to financial credit among SMEs access in Kisumu City CBD.

5.3 Recommendations

In light of the findings, the study made the following recommendations:

5.3.1 Policy Recommendations

To support SMEs in Kisumu City CBD, several policy measures should be considered. Firstly, it is crucial to enhance financial literacy programs specifically tailored for small and medium enterprises. Government and financial institutions should collaborate to

develop and implement educational initiatives that emphasize the significance of effective costing, budgeting, and recording practices. These programs equip SME owners with the knowledge necessary to improve their financial management and access to credit.

Additionally, policymakers should consider introducing incentives for SMEs that demonstrate robust accounting practices. Providing tax breaks or financial subsidies could encourage more businesses to adopt sound costing, budgeting, and recording methods. Such incentives would not only promote better financial management but also facilitate easier access to financial credit.

Moreover, facilitating access to financial training should be a priority. The government should work with financial institutions to offer targeted training sessions and workshops for SMEs. These training programs would help bridge the knowledge gap and enable business owners to manage their finances more effectively, thereby improving their ability to secure credit.

To enhance access to financial credit, SMEs should implement robust accounting systems that integrate effective costing, budgeting, and recording practices. Adopting advanced accounting software and tools can streamline financial management and provide clearer insights into the business's financial health, making it easier to attract credit.

Regular financial reviews and audits are also essential. SMEs should establish routines for conducting periodic financial assessments to ensure the accuracy of their costing, budgeting, and recording practices. Consistent reviews not only help maintain financial health but also build credibility with potential lenders.

Strengthening relationships with financial institutions is another key strategy. SMEs should focus on establishing and maintaining strong connections with banks and other lenders. By demonstrating sound accounting practices and maintaining transparent financial records, businesses can enhance trust and increase their chances of securing financial credit.

5.3.2 Recommendations for Further Research

For a deeper understanding of how accounting practices impact access to financial credit, further research is needed. Future studies should investigate the effects of specific costing, budgeting, and recording practices on various types of financial credit and loan products. This detailed analysis could provide valuable insights into how different accounting practices influence access to different forms of credit.

In addition, expanding the scope of research to other regions of Kenya would be beneficial. Comparative studies could help develop a more comprehensive understanding of how accounting practices affect access to financial credit across diverse geographical areas. Such research could identify regional variations and inform more targeted interventions.

Academic institutions should also focus on developing case studies that showcase successful implementation of accounting practices among SMEs. These case studies can serve as practical examples for both academic purposes and real-world application, helping to illustrate the benefits of effective financial management.

The researcher recommends that further study should be conducted to assess credit access by large firms and as well a comparative study on credit access by SMEs and large firms in Kenya.

REFERENCES

- Ackah, J., & Vuvor, S. (2020). Barriers to credit access for SMEs in Ghana. *Journal of African Business and Finance*, 37(1), 89-105.
- Ademola, O. (2021). The significance of record-keeping for corporate management. *Journal of Business and Management Research*, 10(2), 112-120.
- Adigbole, A. A., Arinola, A. A., & Adebayo, A. O. (2022). Strategic cost management approaches and organizational performance: Evidence from Nigerian manufacturing firms. *International Journal of Business and Management*, 13(4), 56-67.
- Agoglia, C. (2021). Budgeting practices in modern organizations. *Journal of Financial Planning and Control*, 34(2), 145-162.
- Altamuro, J., & Weber, J. (2005). Revenue recognition theory: Principles and implications for financial reporting. *Journal of Accounting Research*, 43(2), 191-210.
- Asaduzzaman, M. (2021). The role of accounting practices in enhancing credit access for SMEs. *Journal of Finance and Business Development*, 33(5), 210-223.
- Ayers, B. C., & Jiang, J. (2020). Ensuring accurate revenue recognition: A guide for businesses. *Accounting Horizons*, 27(4), 629-644.
- Balagobei, S. (2020). The role of accounting practices in achieving organizational objectives. *International Journal of Accounting and Financial Management*, 27(4), 223-239.
- Ball, R. (2020). The challenges of transparency: Criticism of the full disclosure theory. *Journal of Financial Reporting Standards*, 18(3), 122-138.
- Basu, S., & Waymire, G. (2006). Accounting discretion, corporate transparency, and full disclosure. *Accounting Review*, 81(2), 383-418.
- Bergnam, H. (2020). Revenue recognition and expense matching in accrual accounting. *Journal of Financial Accounting Standards*, 38(4), 225-240.
- Biddle, G., & Hilary, G. (2012). The full disclosure theory and its implications for financial reporting. *Journal of Accounting Research*, 45(4), 567-590.
- Blanco, M., & Garcia, L. (2020). Footnotes and disclosures: Analyzing full disclosure theory under GAAP and IFRS. *Journal of International Accounting Standards*, 22(1), 89-105.
- Collins, D. W., & Lys, T. Z. (2020). Principles of revenue recognition and the control principle. *The Accounting Review*, 89(3), 1017-1046.
- Cooper, D. R., & Schindler, P. S. (2003). *Business research methods*. 8th ed. McGraw-Hill.
- COSO. (2021). Internal control systems and their role in financial integrity. *Journal of Risk Management and Control*, 41(2), 178-190.
- Debnath, A. (2021). The influence of costing on performance improvement in Bangladeshi manufacturing enterprises. *Journal of Business Studies*, 10(1), 45-59.

- Ditkaew, P. (2022). Cost management quality and its impact on internal control efficiency and decision-making reliability in Thai industries. *Asian Journal of Business and Management*, 6(2), 134-150.
- Dorfler, V., & Stierand, M. (2020). Pilot studies in management research: What they are and why they matter. *Journal of Management Research*, 20(3), 195-212.
- Fridh, A., & Borgenas, P. (2021). Target costing in Swedish manufacturing firms: An analysis of practices and trends. *Journal of Manufacturing Technology Management*, 30(8), 1023-1035.
- Galindo, A., & Schiantarelli, F. (2021). Credit constraints and SME growth in developed and developing economies. *International Journal of Economic Development*, 45(4), 322-338.
- Gichuki, J. (2020). Cost Management and Financial Performance of Manufacturing Enterprises on the Nairobi Stock Exchange. *African Journal of Accounting, Auditing and Finance*, 9(3), 215-230.
- Haber, J. (2004). Development of the accrual accounting theory: A historical perspective. *Accounting Theory and Practice Journal*, 19(2), 145-162.
- Horngren, C. T., Sundem, G. L., & Stratton, W. O. (2021). The importance of maintaining proper books of accounts. *Principles of Financial Accounting*, 18th ed. New York: Pearson Education.
- Ittner, C. D., & Larcker, D. F. (2022). Cash basis accounting in SMEs: A global perspective. *Journal of Accounting Research and Practice*, 33(5), 451-470.
- Jankowicz, A. D. (2005). *Business research projects*. 4th ed. Cengage Learning.
- Jayaraman, T., & Ismail, M. (2022). Collateral availability and loan access for SMEs in Malaysia. *Asia-Pacific Journal of Business Finance*, 31(7), 214-230.
- Jones, M. J., & Ratnatunga, J. (2020). Revenue recognition and financial statement fraud: The manipulation of reported earnings. *International Journal of Accounting & Information Management*, 22(4), 376-390.
- Joppe, M. (2000). *The Research Process*. Ontario: Toronto.
- Kamilah, S. (2020). Outsourcing accounting services in Nigerian SMEs. *International Journal of Business and Financial Services*, 22(4), 302-315.
- Kamua, M. (2021). The effect of recording on financial performance of SMEs in Nairobi County CBD. *International Journal of Economics and Business Research*, 7(5), 325-338.
- Karanja, J. (2022). Family-owned enterprises and financial constraints in Kenya. *East African Business Review*, 29(4), 102-115.
- Kenya Economic Report. (2021). Challenges of credit access for SMEs in Kenya. Kenya Institute for Public Policy Research and Analysis (KIPPRA) *Journal*, 41(2), 65-78.
- Kiesler, S., & Sproull, L. (2020). Manual bookkeeping methods in SMEs: The case of Jordan. *Journal of Small Business Management*, 35(3), 215-228.
- Kinyugo, C. (2022). Cost proficiency and financial performance of companies listed on the Nairobi Stock Exchange. *Journal of Financial Studies*, 16(2), 112-126.

- Kisumu County Integrated Development Plan. (2023). Access to finance for SMEs in Kisumu City: A review of microfinance institutions and loan facilities. *Kisumu County Government Publications*, 18(1), 90-105.
- Maalim, M., & Gikandi, J. (2021). The impact of costing practices on credit access for SMEs in Kisumu City. *Journal of Accounting and Financial Management*, 42(3), 180-195.
- Makau, M., Wawire, N., & Ofafa, G. (2020). The adoption of accounting software by SMEs in Kenya: Challenges and benefits. *Journal of African Business and Financial Management*, 28(4), 312-329.
- Maksoud, A. (2021). Methods and techniques in accounting: A modern approach. *Journal of Business and Accounting Research*, 45(1), 92-110.
- Martina, P., & McCann, J. (2021). Credit access in the agricultural sector: Input costs and financial challenges. *Journal of Agricultural Economics and Finance*, 50(3), 137-150.
- Mbuva, P., & Wachira, J. (2021). The effect of access to finance on financial performance of processing SMEs in Kitui County, Kenya. *Journal of Small Business Management and Economics*, 32(3), 215-230.
- Meigs, W. B. (2022). Accounting practices for SMEs: Ensuring financial transparency. *Journal of Business Accounting and Auditing*, 50(2), 332-345.
- Minh, T. (2020). The role of financial information in SME loan decisions in Vietnam. *Vietnam Journal of Finance and Management*, 18(2), 75-92.
- Mohamed, A. H., & Kerosi, A. J. (2022). The influence of financial controls on organizational performance: A case study of Dara-Salaam Bank, Hargeisa Somaliland. *International Journal of Financial Research*, 9(3), 45-58.
- Mugambi, J. (2021). Accounting practices in the informal sector: Challenges for SMEs in Kenya. *Journal of Development Finance and Economics*, 34(2), 142-156.
- Mugenda, O. M., & Mugenda, A. G. (2003). Research methods: Quantitative and qualitative approaches. Nairobi: Acts Press.
- Munoz, P. (2020). Entrepreneurial ventures and market stalls: A study of SMEs in developing economies. *International Journal of Business Management*, 34(2), 175-188.
- Mwewa, P. (2021). The role of SMEs in the Kenyan economy. *Kenya Journal of Economic Development*, 27(1), 88-99.
- Mwongera, K. (2020). The influence of collateral and literacy on SME loan access in Kenya. *Journal of Finance and Small Business Management*, 24(5), 165-178.
- Nafisatu, K. (2020). Budgeting practice and fiscal control: Impact on firm performance in the East African Portland cement industry. *Journal of Business Management and Economic Research*, 5(2), 101-115.
- Nakagawa, H. (2022). Efficiency in business operations through accounting practices. *Small Business Management Review*, 12(3), 215-228.
- Nassiuma, D. K. (2000). Survey sampling: Theory and methods. Kenya Institute of Education.

- Njeru, J. (2021). Lending products for SMEs in Kenya: Matching objectives with financial solutions. *East African Business Review*, 27(3), 180-195.
- Njiru, M. (2021). The Effect of Costing Practices on Access to Credit among Commercial Dairy SMEs in Kiambu County. *Journal of Entrepreneurship and Business Innovation*, 9(1), 78-90.
- Nobes, C., & Parker, R. (2020). Accrual accounting and the challenges of financial reporting. *International Accounting Standards Review*, 29(3), 310-325.
- Onaolapo, A. A., & Rahamon, S. A. (2022). Influence of record-keeping on the success of small and medium-sized businesses: A quantitative and qualitative analysis. *Journal of Accounting and Finance*, 8(1), 45-60.
- Onduso, J. (2021). The effect of budgeting practices on the financial performance of Nairobi County industrial enterprises. *Journal of Finance and Accounting*, 7(4), 201-214.
- Orodho, J. A. (2005). Elements of education and social science research methods. Maseno University.
- Osinde, B. (2021). The growth of SMEs in Kenya between 2013 and 2020: Trends and challenges. *Kenya Economic Review*, 34(4), 209-222.
- Osoro, K., & Muturi, W. (2020). The importance of credit access for sole proprietors and corporations. *Journal of Business and Finance Research*, 15(6), 294-310.
- Pavtar, O. (2021). Financial recording practices and credit access for SMEs: A case study of Kisumu City. *Journal of Small Business and Financial Reporting*, 41(4), 210-225.
- Penman, S. (2020). Criticisms of accrual accounting and its impact on short-term financial reporting. *Journal of Accounting and Economics*, 44(2), 155-170.
- Prakash, S., & Sinha, R. (2020). Recording financial transactions: A systematic approach. *Journal of Accounting and Finance*, 29(6), 311-327.
- Qi, L. (2021). The impact of budgeting practice on performance in Chinese SMEs. *Asian Journal of Business and Management*, 7(1), 23-38.
- Reed, D. (2021). Record-keeping as the backbone of corporate compliance programs. *Corporate Governance Review*, 15(3), 78-85.
- Ryan, J. (2020). Overload of information: Full disclosure's potential drawbacks in financial reporting. *Journal of Corporate Finance and Reporting*, 19(2), 47-62.
- Sandro, P. (2020). The principles of accrual basis accounting. *Financial Reporting Standards Quarterly*, 15(1), 100-112.
- Sawyer, L. B. (2021). Internal auditing and its impact on organizational efficiency. *Audit and Assurance Journal*, 37(7), 120-135.
- Schuler, K. (2020). Accrual accounting: A comparison with cash basis accounting. *Journal of Accounting Research and Education*, 27(5), 185-200.
- Steinbart, P. J. (2022). The role of independent audits in enhancing financial reporting. *Global Accounting and Auditing Journal*, 29(6), 97-110.
- Stice, E. K., & Stice, J. D. (2020). The complexities of revenue recognition: Navigating ASC 606 and IFRS 15. *Journal of Accountancy*, 222(2), 34-41.

- Tobias, R. (2020). Complexities and challenges in accrual basis accounting. *Journal of Accounting and Financial Reporting*, 34(3), 215-230.
- Tribó, J., & Thomas, R. (2020). Transparency in financial reporting: The role of full disclosure. *International Journal of Financial Ethics*, 20(3), 205-222.
- Tsakumis, G. T., & Doupnik, T. S. (2020). Costing practices and management decision making. *International Journal of Cost Accounting and Management*, 36(5), 503-519.
- Ubon, M., & Chukwuemeka, C. (2022). Informal and formal finance for SMEs in Nigeria's Niger Delta. *African Journal of Financial Studies*, 29(9), 145-162.
- Uyar, A. (2020). Manual bookkeeping methods in Nigerian SMEs: Challenges and solutions. *African Journal of Business and Management Studies*, 40(1), 189-204.
- Wach, P., & Tarus, A. (2021). Accounting practices and their impact on financial performance of SMEs in Musanze District, Rwanda. *Journal of African Business and Accounting Practices*, 46(2), 162-175.
- World Bank. (2021). Global business performance and SME financing challenges. World Bank Group. *Business Development Reports*, 54(3), 301-320.
- Yeung, D. (2020). Realizing revenue: When to recognize revenue and the importance of performance obligations. *Financial Accounting Journal*, 20(1), 75-92.
- Zeff, S. A. (2020). The evolution of revenue recognition standards and their implications for financial reporting. *Accounting and Business Research*, 43(3), 265-284.
- Zotorvie, E. (2021). Budgeting practices and financial planning for SME credit access. *Journal of Business and Economic Planning*, 45(5), 202-218.

APPENDICIES

Appendix I: Letter of Introduction

I am a Kabarak University Master of Business Administration in accounting student working on a research project titled "Effect of accounting practices on access to financial credit by small and medium enterprises in Kisumu City Central Business District." I'm conducting the research as part of my degree requirements. You have been chosen to participate in this study, and I respectfully request that you assist with data sharing by responding to the accompanying questionnaire. Your information will be used solely for academic reasons and held in the utmost confidentiality. You may obtain a soft copy of this questionnaire via email or physical drop; your cooperation will be highly appreciated.

Yours faithfully,

Awino Elkana Owilli

Appendix II: Instrument for Data Collection

I am a Master of Business Administration student at Kabarak University. I have designed the following questionnaire based on the above topic. I kindly request you answer all the questions to the best of your knowledge. All information collected via this questionnaire is confidential and will only be used for the purpose of this research.

Instructions: Indicate with a tick (√) or mark (X) in the space(s) provided.

Section A: General Information

1. What is your age group?

18-25 years []

26-30 years []

31-35 years []

36-45 years []

46-55 years []

Above 55 years []

2. How many years has your business been in operation?

1 month – 5 years []

6- 10 years []

11- 15 years []

16 – 20 years []

More than 20 years []

3. What form of business do you operate?

Sole trader []

Partnership []

Private limited company []

4. How many employees do you have in your firm?

None []

Less than 10 []

11-20 []

21-30 []

31-40 []

41-50 []

Above 50 employees []

5. Estimate how much start-up capital did you invest in Kenya shillings?

50,000-100,000 []

101,000-150,000 []

151,000-200,000 []

201,000-250,000 []

Above 250,000 []

6. On average, what is the range of the enterprise's total sales per year? (Tick appropriately)

Below KSH 500,000 []

Between KSH 501,000 and KSH 2,000,000 []

Above KSH 2,000,001 but not more than KSH 5,000,000 []

Above Ksh 5, 000, 000

7. What is/ are your source(s) of financing? (Tick where appropriate)

Savings []

Sacco Loan or loans from other financial institutions []

Borrowings from friends/ relatives []

Section B: Costing practice

8. Indicate your level of agreement with the following aspects of costing practice on access to financial credit by small and medium enterprises in Kisumu City. Using a scale of 5-1, where 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree.

Costing	5	4	3	2	1
Managing operational costs helps the SMEs reduce expenses and increase profits.					
Managing operational costs helps SMEs to remain competitive in the market.					
Managing overhead cost ensures that the SMEs has enough cash flow					
Managing overhead costs helps SMEs to improve their pricing strategy and ensure profitability.					
Fixed costs are essential for SMEs operations, such as rent, salaries, and utilities.					
Fixed costs help SMEs to make informed decisions on the type of investment to make					

9. Briefly describe how cost accounting affects access to financial credit in your organization

.....

.....

.....

Section C: Budgeting Practices

10. Indicate your level of agreement with the following aspects of budgeting practice and access to financial credit among SMEs by using a scale of 5-1, where 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree.

Budgeting practice	5	4	3	2	1
Cash budgeting practice help SMEs avoid cash flow problems and maintain a healthy financial position					
Cash budgeting practice also helps SMEs plan and control their financial activities					
Capital budgeting practice helps SMEs maximize their return on investment					
Capital budgeting practice helps SMEs in long-term planning by considering cash flow and costs associated.					
Recurrent budgeting practice helps SMEs plan their regular expenses and allocate resources accordingly					
Recurrent budgeting practice provides a benchmark for SMEs to evaluate their financial performance over time					

Briefly describe how budgeting practice affects access to financial credit in your organization

.....

.....

.....

Section D: Recording practice

11. What is your level of agreement with the following statements relating to account recording on access to financial credit. Use a scale of 5-1, where 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree.

Recording practice	5	4	3	2	1
Timely invoicing ensures payment for the products or services provided is received.					
Invoices provide a record of sales transactions, which can be used for accounting and tax purposes					
Trial balance helps SMEs to prepare for the income statements					
Trial balance helps the SMEs to identify areas where they need to invest or cut cost					
Daily recording ensures that all financial transactions are accurately recorded in the accounting system					
Daily recording of financial transactions helps SMEs to manage their cash flow more effectively					

12. Which type of financial record does your business keep?

.....

13. Briefly describe how recording affects access to financial credit in your organization

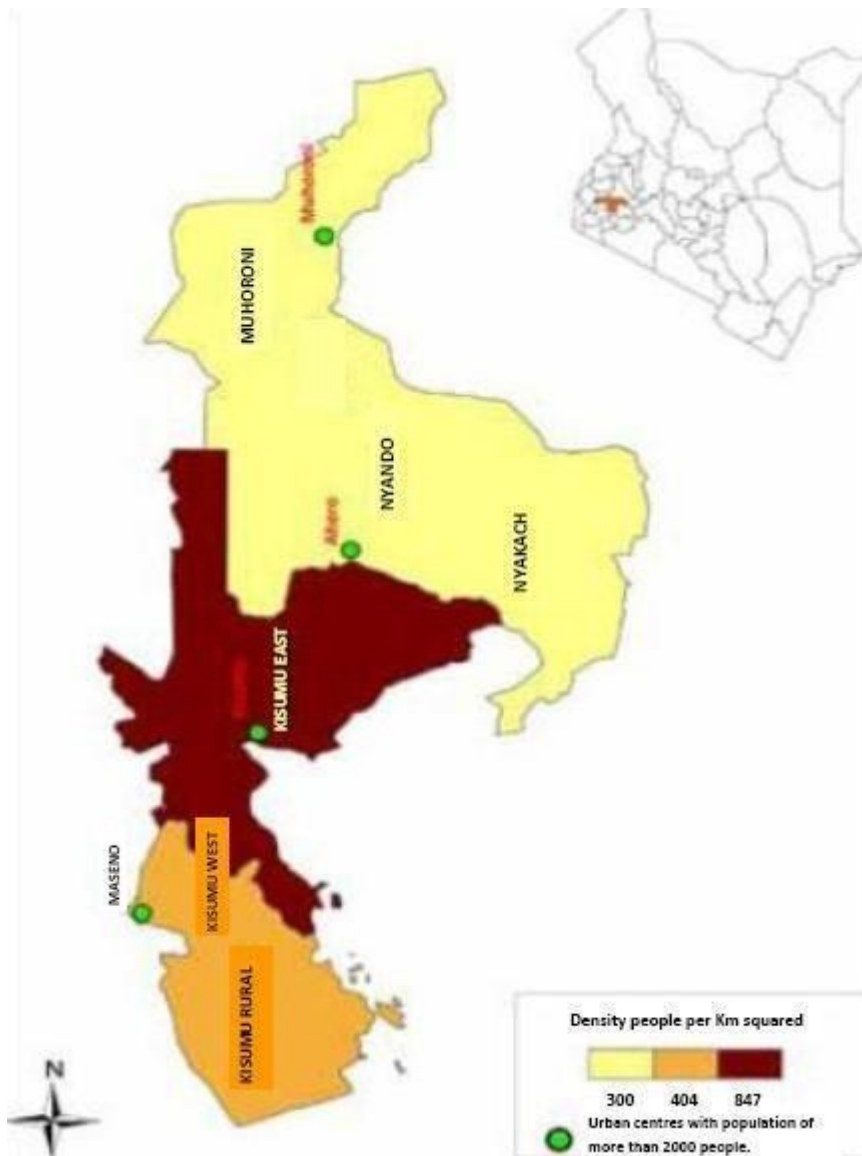
.....

Section E: Credit Access

14. In your opinion indicate your level of agreement with the statements below relating to access to financial credit by SMEs. Use a scale of 5-1, where 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree.

	5	4	3	2	1
The credit worthiness of our business has grown over the years					
Majority of lenders are more willing to lend to our business					
The business is able to access more credit facilities					
There has been a gradual increase in credit score over the years					
There has been a gradual increase in the value of collateral used to access financial credit					

Appendix III: Map of Kisumu County



Appendix VI: List of SMES

Three Sixty-Five Events Ltd
Escon Leather Enterprises
Sanabora Production Ltd
Palm Prints Ltd
Zeeban Hotel
Lakeside Wholesalers
Bessy Bugo Jewellery And Accessories
Nene Hardware
Timberworks Ltd
Joapet Enterprises
Anchor Clinic
Maridadi Clinic
Destination – Youth Polytechnic
Midiff College
Jonah College
Uhuru Trading Co.
Newstyle Shop
Champion Clu
Kisumo Enterprise
African Travellers
Breeders Enterprises
EPD Ltd
Habib Sacco
Product Development And Design.
Kisumu Tannel
Dogbones Ltd
Alpharama Ltd
Midnight Pharmacy
Tech International
Ompa (Kenya) Limited
Zingo Investments Ltd
Mas Trading Company
Aziz Traders Ltd
Abdulwadood Ltd
Kisumu Sacco Ltd
Sigalagala Ltd
E.A Restaurant
Nelly's Authentiques
Amar Wholesalers
D Jamnadas & Son
Dunga Wholesalers Ltd
Pel Forex Bureau Ltd

Agina Traders
Dharma Enterprises
Dipti Wholesalers
Jain Trading Ltd
Jayu Enterprises
Kaval Enterprises
Mehr Brothers Trading C
Mulchand Ravmal Shah ,
Nyanza Jaggery Wholesalers Ltd,
Pole Pole General Store
Rammal Merag Ltd
Shrihikrupa Entreprises Ltd
Veersai LtdKeeg.
Migori Community Based Orphans Hiv/Aids Centre
Uhuru Organisation International
Springs Of Life Project
Ack Kigoche Vocational Training
African Institute Of Research & Development Studies
Apida Training Center, Educational
AIC Medical Training Centre
Akado Hardware Stores
Archbishop Okoth Preparatory Center
Lihondo Wholesalers Ltd
Chwa Youth Recreation Centre
AFRICAN INSTITUTE OF CERTIFIED STUDIES
Goldmac Water Palace
Josana Motors Ltd
PAWA Youth Centre
Joan & Company Advocates,
Kaanan & Company Advocates
Karateng & Associates
Atito & Ariwo Associates
Kenafric Gas Ltd
Oilibya Petroleum Ltd
Western Institute Of Professional Studies
Kisumu Institute Of Development College
Kisumu Maritime Centre,
Marindi Supermarket
Leiko Preparatory Center
The Sophia Project
Champions of Peace

Appendix V: KUREC Approval Letter



KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001//03/03/24

Date: 13th March, 2024

ELKANA AWINO OWILI
GBM/NE/2449/09/20
Kabarak University

Dear Faith,

RE: EFFECT OF ACCOUNTING PRACTICES ON ACCESS TO FINANCIAL CREDIT BY SMALL AND MEDIUM ENTERPRISES IN KENYA. A SURVEY STUDY OF SMES IN KISUMU CENTRAL BUSINESS DISTRICT.

This is to inform you that **KUREC** has reviewed and approved your above research proposal. Your application approval number is **KUREC-030324**. The approval period is **13/03/2024 – 12/03/2025**.

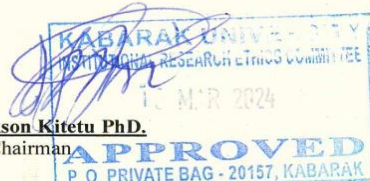
This approval is subject to compliance with the following requirements:

- i. All researchers shall obtain an introduction letter to NACOSTI from the relevant head of institutions (Institute of postgraduate, School dean or Directorate of research)
- ii. The researcher shall further obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy of the permit to **KUREC**.
- iii. Only approved documents including (informed consents, study instruments, MTA Material Transfer Agreement) will be used.
- iv. All changes including (amendments, deviations, and violations) are submitted for review and approval by **KUREC**.
- v. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **KUREC** within 72 hours of notification.
- vi. Any changes anticipated or otherwise that may increase the risk(s) or affect safety or welfare of study participants and others or affect the integrity of the research must be reported to **KUREC** within 72 hours.
- vii. Clearance for export of biological specimens must be obtained from relevant institutions and submit a copy of the permit to **KUREC**.
- viii. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- ix. Submission of an executive summary report within 90 days upon completion of the study to **KUREC**

Sincerely,

Prof. Jackson Kitetu PhD.
KUREC-Chairman

Cc Vice Chancellor
DVC-Academic & Research
Registrar-Academic & Research
Director-Research Innovation & Outreach
Institute of Post Graduate Studies






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)

Kabarak University is ISO



9001:2015 Certified

Appendix VI: NACOSTI Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 588512	Date of Issue: 08/April/2024
RESEARCH LICENSE	
	
This is to Certify that Mr. Elkana Awino Owili of Kabarak University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kisumu on the topic: EFFECT OF ACCOUNTING PRACTICES ON ACCESS TO FINANCIAL CREDIT BY SMALL AND MEDIUM ENTERPRISES IN KENYA. A SURVEY STUDY OF SMES IN KISUMU CENTRAL BUSINESS DISTRICT for the period ending : 08/April/2025.	
License No: NACOSTI/P/24/34396	
588512 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Verification QR Code	
	
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	
See overleaf for conditions	

Appendix VII: Evidence of Participation

Certificate of Participation



This is to certify that

Elkana Awino Owili

Participated in the Education Management Society of Kenya (EMS) 10th International Research Conference Held in Collaboration with the Kenya Highlands University and the Education and Social Sciences Research Association of Kenya (ESSRAK) on Thursday 3rd & Friday 4th OCTOBER, 2024. The Theme of the Conference was: *Innovating the Future: Reshaping Education and Social Sciences Research for a Transformative World*

She Presented a Paper Entitled: *EFFECT OF COSTING PRACTICE ON SMES ACCESS TO FINANCIAL CREDIT IN KISUMU CITY*

CBD


Dr. Eliud Nyakundi
Chair- EMSK


Prof. Henry Onderi
Chair- Conference Committee

Appendix VIII: List of Publication



Vol. 11, Iss.3, pp 953 – 960, November 3, 2024. www.strategicjournals.com, © Strategic Journals

EFFECT OF BUDGETING PRACTICE ON SMES ACCESS TO FINANCIAL CREDIT IN KISUMU CITY CBD

Elkana Awino Owili¹, Stella Korir² & Mongare Omare³

^{1,2,3} Kabarak University, Kenya

Accepted: October 23, 2024

DOI: <http://dx.doi.org/10.61426/sjbcm.v11i4.3131>

ABSTRACT

Credit availability is a significant component in the development of SMEs in Kenya. However, most SMEs in Kenya lack the expertise to manage their business activities due to a lack of trained staff and entrepreneurial knowledge. Therefore, the study sought to determine the effect of budgeting practice on SMEs access to financial credit in Kisumu city CBD. The study was anchored on the full disclosure theory. The study targeted 390 registered SMEs in Kisumu Town. The study adopted Nassiuma's (2000) formula to get a sample size of 86. Additionally, the study used simple stratified random sampling and purposive sampling to determine the sample size from each SME. The study collected primary data using structured and unstructured questionnaire. The pilot test was conducted in Kisii town where 9 questionnaires were distributed to 9 finance officers. The content validity of the research instruments was determined by seeking expert's opinions from research supervisors. Reliability was determined by assess the Cronbach at 0.7. From the findings the Cronbach alpha was above the acceptable threshold of 0.7. The study gathered both quantitative and qualitative data. Data was analyzed using both descriptive and inferential statistics. In descriptive statistics, percentages, frequencies, measures of central tendency (mean), and measures of dispersion were all employed. Inferential statistics was performed using Pearson's correlation coefficient and multiple regressions. The result of analyzed quantitative data was presented in form of tables and charts. The study concluded that there is a strong positive and significant relationship between budgeting practices and access to financial credit by SMEs in Kisumu City CBD. The study recommended that budgeting techniques should be utilized to achieve specific purposes and grand goal of the enterprise.

Key Words: Budgeting Practice, SMEs and Access to Financial Credit

CITATION: Owili, E. A., Korir, S., & Mongare, O. (2024). Effect of budgeting practice on SMEs access to financial credit in Kisumu City CBD. *The Strategic Journal of Business & Change Management*, 11 (4), 953 – 960. <http://dx.doi.org/10.61426/Sjbcm.v11i4.3131>
