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FACTORS INFLUENCING LOANING OF SMALL BUSINESS ENTERPRISE. A SURVEY OF BONCHARI SUB COUNTY, KISII COUNTY, KENYA

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Abstract

The purpose of the study was to therefore evaluate the factors affecting loaning of small businesses. The objectives of this study were to find out how interest rate fluctuations affect loaning of small businesses, to establish the extent to which financial literacy affect loaning of SMEs and to determine how collateral security affect loaning of small businesses. The study therefore recommends that: For commercial banks, with due regard to the ever-increasing desire to have credit empowerment for SMEs in Kenya, there is need to invest in proper credit access strategies so as to meet these expectations. This should be done in a manner in which all the stakeholders are happy. This therefore calls for embracing proper credit access strategies which are acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable.

Keywords: Financial literacy, Loaning, Small Business Enterprise

INTRODUCTION

Bolton Committee (1971) defined Small and Medium Enterprises (SMEs) as an enterprise that has a relatively small share (in terms of sales turnover, number of employees, ownerships and assets) of their market place, those that are managed by owners or part owners in a personalized way and not through the medium of formalized management structure and are independent in the sense of forming a large enterprise. Small and medium-sized enterprises (SMEs) play a very significant role in the economy of any country, both developing and developed nations as well as to the individuals. SMEs provide employment and improve the living standards of individuals-both the employers and employees. They are a major source of entrepreneurial skills and innovations.

In Kenya 18% of the GDP and 80% of the workforce population are employed in SMEs, sector according to Kithae (2012). SMEs are seen to provide apparently, goods and services at a reasonable price, employment and incomes to a large number of individuals (Kauffmann, 2006). Several research, have been conducted to establish the relationship between economic growth and business development (Sauser, 2005; Monk, 2000; Harris and Gibson, 2006). However, very few studies have been carried out in factors affecting credit accessibility among SMEs in Kenya. Like elsewhere in the Africa and the world in general, SMEs access to finance and costs of finance appears in surveys and analysis as one of the leading hurdles to realizing growth and operational efficiency. Since capital needs of these enterprises can be satisfied by use of internally generated funds and through debt. The source of fund from internal activities is subject to profit made by the firms in its operation. A close look into profit made by these enterprises seems to have greater variability in profit, which forms part of the many challenges that SMEs face.

Monteiro, (2013) observed that smaller enterprises generally have limited access to non- bank lenders due to lack of creditworthiness in their information which is usually unpublished hence they are challenged by finance. The main concern of this study is the external credit facilities available to SMEs. According to Manasseh (2004) external financing or credit facilities is kind of finance provided by person(s) other than the actual owner of the company who are the company creditors. Manasseh further added that credit can be in any of the following forms; overdrafts, trade creditors, lease financing, debentures, loans, overdrafts among others. All these external sources depend on the enterprises creditworthiness.

Internationally, in developing countries like Vietnam, (Minh, 2012) found that firm characteristics are not the main factor to influence SME financing, but if a business has higher financial leverage the higher the probability of obtaining bank loans. According to Minh the level of information in the possession of the SMEs, owners contributes to whether to borrow credit based on past audited data of the company. Elsewhere in the Malaysia investigation on factor influencing access to loan showed that presence of collateral plays a significant role in assessing repayability of the loan, especially in primary borrowing and it gives a higher chance for loan approval (Haron, Said, Jayaraman, & Ismail, 2013). Elsewhere study in Ghana revealed that lack of collateral, high cost borrowing, and absence of audited financial statement makes it difficult to access a bank loan, (Ackah & Vuvor, 2011). SMEs still face several limitations to credit access in Kenya. According

to Ogiji and Ejembi (2007), there is still less knowledge on financial management by SME managers and or owners despite the huge importance that this has on sound decision making.

Statement of the Problem

Statistics show that out of five businesses started, three fail within the first two years of startup, (Government of Kenya, 2007). Kithae (2012) argues that although the SMEs create 80% of Kenya's employment, the subsector contributes only a dismal 18% to the GDP of the country hence there is need to do more towards the support and enhancement of SMEs capacity to access credit.

Majority of the businesses in Bonchari Sub County can be classified under the SME category based on the sizes of their annual turnovers and average number of employees (Government of Kenya, 2012). The factors identified as hindering SME growth include capital access, cost of capital, collateral requirements for credit, information access, and capital management. Lack of financial literacy especially as to where to obtain and how to utilize financial services reduce entrepreneur s' ability to borrow. Availability of savings facilities and easy access to credit from financial facilities has been found to accelerate households' abilities to borrow (Ellis *et al*, 2010). Access to credit by SMEs' in Bonchari has not received extensive research. Therefore, the study seeks to find out the factors affecting loaning of small businesses in Bonchari Sub County; which is a county that has seen a robust influx of both banks and SMEs and so portends an interesting interaction between the two.

Research Hypotheses

H_{01}: Interest rate fluctuations do not have significant influence on loaning of small businesses in Bonchari Sub County

H_{02}: Financial Literacy does not have a significant influence on loaning of small businesses in Bonchari Sub County

H_{03}: Collateral security does not have significant influence on loaning of small businesses in Bonchari Sub County

LITERATURE REVIEW

Theoretical review

This section sheds light on the theoretical framework supported by different authors' views on interest rates and the various theories of factors influencing loaning of small businesses.

Liquidity Preference Theory

The liquidity preference approach views interest rates from the supply and demand of the stock of money in the financial system. The concept was first developed by Keynes (1936) where he stated that the demand for money is expressed as a function of level of income and interest rate. MD=(Y, r) where: MD =money demanded: Y =Level of income r = interest rate. This framework holds that

the interest rate is determined by the interaction of supply and demand of money stock. According to Keynes (1936) money is demanded mainly for the following motives; transaction, precautionary and speculative motive. He further stated that investors will always prefer short term securities to long term securities. To encourage them hold long term bonds, long term securities should yield higher interests than short term bonds. Therefore, the yield curve will always be upward sloping. It is based on the observation that, all else being equal, people prefer to hold on to cash (liquidity) and that they will demand a premium for investing in non-liquid assets such as bonds, stocks, and real estate. The theory suggests that the premium demanded for parting with cash increases as the term for getting the cash back increases (Howels and Bain, 2007).

Financial Inclusion Theory

This theory observes that there is a process of ensuring access to appropriate financial services and products needed by all sections of the society including the vulnerable groups such as weaker sections and low income groups, at an affordable cost, in a fair and transparent manner, by mainstream financial services providers (Chakrabarty, 2011). An inclusive financial sector that provides access to credit for all bankable people and firms, insurance for all insurable people and firms, savings and payment services for everyone (United Nations, 2006). Inclusive finance does not necessarily require that everyone who is eligible use each of the services, but they should be able to choose them if desired.

Kempson *et al*., (2014) report that financial exclusion is most prevalent amongst people on low incomes. Unemployed people living on social security payments provided by the state are more vulnerable and also low income households from minority communities who may have relatively low levels of interactions with the financial services industry. Evidence from Family Resources Survey 2002-2005 supported Kempson *et al.*, (2004) report that uptake of financial products and services are lowest amongst African-Caribbean, Black, Pakistani and Bangladeshi households in UK. However, for some members of these groups religious beliefs play a partial role for this apparent exclusion. World Bank (2008) classified financial access barriers into four main categories; lack of documentation barriers, physical barriers, lack of appropriate products and services affordability barriers. Branches have been the traditional bank outlet for geographic access therefore geographic distance to the nearest branch relative to the population can provide an indication of lack of physical barriers to access (Beck, dermirguc-Kunt & Martinez, 2007).

Imperfect Information Theory

Information imperfection occurs when one party to a transaction has more and timely information than another party. This imbalance can cause one party to enter into a transaction or make costly decisions. According to Lofgren *et al* (2002) information asymmetry is a common feature of any market interactions for example the seller of a good often knows more about its quality than the prospective buyer while a borrower knows more than the lender about his creditworthiness. Among the pioneers of this theory was George Akerlof (Lofgren *et al*, 2002) who demonstrated how imperfect information can produce adverse selection in the markets. He argued that when a lender or a buyer has imperfect information, a borrower with weak repayment

prospects or a seller of low quality cars may crowd out everyone else from their side of the market thereby hindering mutually advantageous transactions.

Robinson (2011) observed that this theory assumes that Banks can't effectively differentiate between high risk and low risk loan applicants. The theory further argues that mainstream financial institutions are unable to compete successfully with informal lenders because such lenders have access to better information about credit applicants than formal institutions have. The theory suggests that it would be difficult for banks to operate profitability in developing countries credit markets and to attain extensive outreach. Based on this theory, it would therefore be difficult for economists, policy makers, bankers, donors, financial analysts, donors and government decision makers to advocate for entrance of commercial banks into micro credit markets.

Conceptual Framework

The conceptual framework shows the variables that influences performance of financial assets of banks.

Independent variables **Dependent variables**

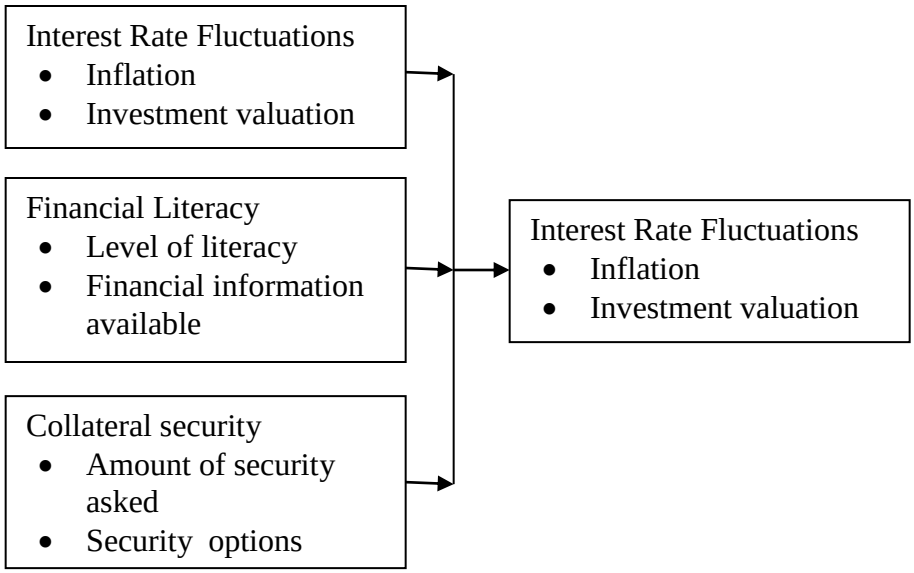

Figure 1: Conceptual framework

Empirical Literature

Although it is difficult to prove the direction of the relationship between interest rates and profitability, interest rates instability generally has an effect with performance financial assets of commercial banks. High interest rates will lead to increased commercial banks interest income but also lead to low demand for the loans and hence crowding out the increased interest income. Without interest rates stability, domestic and foreign investors will stay away and resources will be diverted elsewhere. In fact, econometric evidence of investment behavior indicates that in addition to conventional factors (past growth of economic activity, real interest rates, and private sector

credit), private investment is significantly and negatively influenced by uncertainty and macroeconomic instability (Sayedi, 2013). In addition to low (and sometimes even negative) growth rates, other aspects of macroeconomic instability can place a heavy burden on the commercial banks leading to reduced profitability (Gilchris, 2013).

Interest rate volatility has negative impact on the financial performance of commercial banks posing challenge to commercial banks managers in their core function of credit management and profitability (Baum, Mustafa, and Neslihan, 2009). The volatility on interest rates is blamed on poor macroeconomic policies which include excessive government spending, high inflation, and overvalued exchange rates. Distortional macroeconomic policies are at times intentional since politicians believe that high interest, inflation and overvalued exchange rates are good for economic performance. In fact, when formulating macro-economic variables, the effect of the policies on commercial banks performance is usually not a consideration (Williamson, 1990).

Interest rates in Kenya have been fluctuating over the last few years with the effect of fluctuations remaining unknown (Otuori, 2013). The latest interest rates volatility was the motivation behind this study as there was little information about effect of some on commercial banks' financial performance in Kenya. In addition, there is insufficient empirical evidence that commercial banks financial performance is hindered by interest rates volatility and poor macroeconomic variables at large. In addition, commercial banks' profitability for most of the Sub-Sahara African countries has been about 2 percent over the last 10 years which is higher than that of commercial banks in developed countries (Al-Tamimi and Hassan, 2010).

Kalya (2013) studied how supply side factors by commercial banks in Kenya related to lending to SMEs. This study used both secondary and primary data from commercial banks and applied the descriptive research design in 44 commercial banks. Secondary data came from the Central Bank of Kenya on the interest charged between 2004 and 2013 as well as from the questionnaires distributed. Regression and correlation analysis was used to analyze this data. The study found that there existed an inverse significant relationship between the bank's lending and interest rate. Gangata and Matavire (2013) studied the challenges facing MSEs with access to finance from financial institution and establish that the main reason why most MSEs are turned down on their request to access funding for the financial institution if failing to meet the set lending requirement, most importantly being the provision of collateral security.

Kira and He (2012) examined the impact of a firms' characteristics on accessing finance by SMEs in Tanzania. Primary data were collected using 163 questionnaires which were distributed in the coastal zone of Tanzania. The availability of collateral security coefficient indicated a significant relationship with access to finance. Mulandi (2013) studied the factor affecting credit access for Biogas sub sector in Kenya. Primary data were collected from 48 firms by random sampling technique and secondary data was also getting from the published report on Biogas industry. Among the determinant of access to credit studied were age, size, capital investment, financial records, information access and risk preference. Capital investment (security) was measured using an amount that respondents were asked to indicate the worthiness. The results of the study showed

that all the aforementioned (independent) variables were statistically significantly positively correlated with the level of access to credit.

RESEARCH METHODOLOGY

Research Design

The research study employed the descriptive Survey Design. This type of research presents facts concerning the nature and status of a situation, as it exists at the time of the study (Creswell, 1994). The study targeted all the 263 small business enterprises in Bonchari Sub County, Kisii County business records according to Ministry of Trade and Commerce – Kisii County (2015). Also, the 10 employees of KCB commercial bank.

Reliability of the Research Instruments

To establish reliability of research instruments, a pretest to test the reliability of instruments was done using a pilot study in neighboring division sampling 35 small enterprises (5% of target population) and then the Cronbach's coefficient alpha model was used to finish the test. The results stood at .711 which is a mark of high reliability.

RESULTS AND DISCUSSIONS

Period of Business Operation

The small and medium enterprises respondents were further required to indicate the period their businesses had been in operation. The findings are as shown in Table 1.

Table 1: Period of Business Operation

Period	Frequency	Percentage
1-5 years	42	47.9
6-10 years	35	33.3
Over 10 years	28	18.8
Total	171	100.0

From the results, 47.9% of them indicated that their businesses had been in operation for a period of between 1-5 years, 33.3% of them a period of between 6-10 years and the remaining 18.8% of them had been in business for a period of over 10 years. This reveals that a significant number of SMEs had been in business for long enough to access credit. Further, it lends credence to the reports by World Bank (2015) that most SMEs were in operation within 1 to 5 years and that most failed within that period.

Type of Business

Respondents were further required to indicate the type of their business ranging from trading, manufacturing and service. The findings are as shown in Table 2.

Table 2: Type of Business

Business Type	Frequency	Percentage
Trading	34	31.3
Manufacturing	29	20.8
Service	42	47.9
Total	171	100.0

The results show that 47.9% of them were in the service industry, 31.3% in the trading industry and the remaining 20.8% of them from the manufacturing industry. This implies that the small enterprises performed a cross section of businesses and were all in need for loans to help in the operations of the business.

Access of Loan

Respondents were further required to indicate whether they had obtained loans before. The findings are as shown in table 3.

Table 3: Access of Loan

Loan	Frequency	Percentage
Yes	101	83.3
No	70	16.7
Total	171	100.0

The results from table 3 shows that 83.3% of them indicated that they had obtained loans and the remaining 16.7% of them indicated otherwise. Boldbaatar (2006) had mentioned that most SMEs mainly survived on their own savings but also on bank loans and this result indicates that as majority had accessed loans they would give reliable and credible data on how interest rate affected their businesses.

Frequency of Accessing Loan after Startup Phase

Respondents were further required to indicate the frequency of obtaining loans after startup phase. The findings are as shown in table 4.

Table 4: Frequency of Accessing Loan after Startup Phase

Frequency of Access	Frequency	Percentage
Once	36	20.8
Twice	48	50.0
Thrice	32	14.6
Four times	27	6.3
Five times	28	8.3
Total	171	100.0

From table 5, 50% of them indicated that they had obtained loans twice after startup phase. They were followed by those who obtained the loans once at 20.8%. Those who had obtained the loans thrice were represented by 14.6%. Another 8.3% of them had obtained the loans five times and the remaining 6.3% of them had obtained the loans four times. The findings therefore reveal that there is low demand for credit among the SMEs and this could be attributed to high interest rates or stiff loaning requirements which is a factor that was agreed to by both Al-Tamimi, and Hassan, (2010) and Crawley (2007) who argued that most SMEs were unable to access credit and was thus a major reason for their failure.

Loan Amount Applied

Respondents were further required to indicate the loan amounts they had applied for. The findings are as shown in table 5.

Table 5: Loan amount applied

Loan applied	Frequency	Percentage
1-50,000	22	4.2
50,000-100,000	33	20.8
100,000-200,000	42	41.7
200,000-500,000	26	12.5

500,000-1,000,000	20	2.1
1,000,000 and above	29	18.8
Total	171	100.0

From the table, it is evident that 41.7% of them indicated that they had applied for amounts between Khs. 100,000- 200,000. 20.8% of them had applied for amount between Kshs.50, 000-100,000. Another 18.8% of them had applied for amounts over Kshs. 1,000,000. However, majority of them categorically indicated that the amounts they had applied for were not the amount they received. This shows that the small enterprises had applied and received substantial loans that would consequently accrue substantial interest rates.

Interest Rates

Respondents were further required to indicate the loan amounts approved. The findings are as shown in table 6.

Table 6: Interest Rates

Interest Rate (%)	**Frequency**	**Percentage**
12	3	6.3
14	5	10.4
16	4	8.3
18	11	22.9
21	18	37.5
24	7	14.6
Total	48	100.0

The results show that majority (37.5%) of the respondents categorically indicated that they were charged interest rates of 21%. They were followed by those charged 18% represented at 22.9%. Those charged 24% were represented at 14.6%. 10.4% of the respondents indicated that they were charged interest rates of 14%. Only 6.3% of the respondents and 8.3% of the respondents indicated that they were charged interest rates of 12% and 16% respectively. This implies that the respondents were charged high interest rates. Many small enterprises borrow money at short-term rates for example. When the interest rate spread is large, this can be a source of significant profit

for banks, since they collect interest at high rates but only pay low short-term rates. As the spread shrinks or even becomes negative, this source of profit disappears for the businesses (Crane, 2010).

Inferential Statistics

Correlation Analysis

As part of the analysis, Pearson's Correlation Analysis was done on the Independent Variables and the dependent variables. Summative scales were used to run both regression and correlation. The results is as seen on table 7.

Table 7: Correlation Analysis

		Loaning to SMEs	Financial Literacy	Collateral Security	Interest rate fluctuations
Loaning to SMEs	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	181			
Financial Literacy	Pearson Correlation	.635**	1		
	Sig. (2-tailed)	.000			
	N	181	181		
Collateral Security	Pearson Correlation	.558**	.400**	1	
	Sig. (2-tailed)	.000	.000		
	N	181	181	181	
Interest rate fluctuations	Pearson Correlation	.701**	.258**	.527**	1
	Sig. (2-tailed)	.000	.005	.000	
	N	181	181	181	181

Pearson correlation analysis was conducted to examine the relationship between the variables. The measures were constructed using summated scales from both the independent and dependent variables. As cited in Wong and Hiew (2005), the correlation coefficient value *(r*) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8, to avoid multicollinearity. Since the highest correlation coefficient is 0.701 which is less than 0.8, there is no multicollinearity problem in this research (Table 4.8).

All the independent variables had a positive correlation with the dependent variable with interest rate fluctuations having the highest correlation of ($r=0.701$, $p< 0.01$) followed by financial literacy with a correlation of ($r=0.635$ $p< 0.01$) while collateral security had the least correlation of($r= 0.558$ $p< 0.01$). This indicates that all the variables are statistically significant at the 99%

confidence interval level 2-tailed. This shows that all the variables under consideration have a positive relationship with the dependent variable.

Regression Analysis Results

As part of the analysis, Regression Analysis was done. The results is as seen on tables 8, 9 and 10.

Table 8: Model Summary[b]

Model	R	R Square	Adjusted R Square	Sts. Error of the Estimate
1	.872[a]	.838	.831	.176

a. Predictors: (Constant), interest rate fluctuations, financial literacy, collateral security

b. Dependent Variable: Loaning to small enterprises

From table 8, it is clear that the R value was .872 showing a positive direction of the results. R is the correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (Wong & Hiew, 2005). The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships. Thus, the R value at .872 shows a stronger relationship between observed and predicted values in a positive direction. The coefficient of determination R^2 value was 0.831. This shows that 83.1 per cent of the variance in dependent variable (Loaning to small enterprises) was explained and predicted by independent variables (interest rate fluctuations, financial literacy, collateral security)

Table 9: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	232.743	4	43.096	104.391	.000[a]
	Residual	12.878	227	.664		
	Total	244.511	231			

a. Predictors: (Constant), interest rate fluctuations, financial literacy, collateral security

b. Dependent Variable: Loaning to small enterprises

The F-statistics produced (F = 104.391.) was significant at 5 per cent level (Sig. F< 0.05), thus confirming the fitness of the model and therefore, there is statistically significant relationship

between interest rate fluctuations, financial literacy, collateral security, and Loaning to small enterprises.

Table 10: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.717	.341	.277	7.008	.000
	Interest rate fluctuations	.268	.064	.163	2.561	.004
	Financial Literacy	.274	.075	.314	4.373	.000
	Collateral Security	.319	.059	.342	5.109	.000

a. Dependent Variable: Loaning to small enterprises

From table 10, the t-value of constant produced (t = 7.008) was significant at .000 per cent level (Sig. F< 0.05), thus confirming the fitness of the model. Therefore, there is statistically significant relationship between interest rate fluctuations, financial literacy, collateral security, and Loaning to small enterprises. Based on the Sig values that were all <0.05, all the variables were statistically significant

Test of Normality

The Kolmogorov-Smirnov test was used to test for 'goodness of fit' between the sample distributions. The result is seen in table 11.

Table 11: Tests of Normality

Capabilities		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Loaning to small business	Interest rate fluctuations	.177	171	.200*	.964	181	.827
	Financial Literacy	.166	171	200*	.969	181	.882
	Collateral Security	.165	106	200*	.969	181	.888

a. Lilliefors Significance Correction

*This is a lower bound of the true significance

The above table presents the results from two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples), but since the study sample was 181 the Kolmogorov-Smirnov Test was used as the numerical means of assessing normality.

We can see from the above table that for the interest rate fluctuations, financial literacy, collateral security, and Loaning to small enterprises Group the dependent variable, "Loaning to small enterprises ", was normally distributed. How do we know this? If the **Sig.** value of the Kolmogorov-Smirnov Test is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution. We can reject the null hypothesis and conclude that the data comes from a normal distribution.

Summary of Hypotheses Testing Results

From: Regression Model

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Thus,

Loaning to small enterprises $=2.717+ .163 (X_1) + .314 (X_2) + .342 (X_3)$

Thus,

Table 12: Summary of Hypotheses Testing Results

Hypotheses	**Coefficient Values**	**Conclusion**
H_{01}: Interest rate fluctuations do not have significant influence on loaning of small businesses in Bonchari Sub County	$\beta_{1=}$.163 P=0.004	Rejected
H_{02}: Financial Literacy does not have a significant influence on loaning of small businesses in Bonchari Sub County	$B_{2=}$.314 P=0.000	Rejected
H_{03}: Collateral Security does not have significant influence on loaning of small businesses in Bonchari Sub County	$B_{3=}$.342 P=0.000	Rejected

CONCLUSIONS AND RECOMMENDATIONS

Based on the objectives and findings of the study, the following are the conclusions; all the variable means were above 3.0 and compared significant difference with the standard deviations, it was clear that all the variables were significant. Basically, interest rate fluctuations had a significant influence on loaning of SMEs. Based on the second hypotheses, all the variable means are above 3.0 except the indicator of academic qualification helps SMEs in making financial

decisions for their businesses which has a mean of 2.99. A low financial literacy level that led to future challenges to access loans had the highest mean of 4.90. It can therefore be concluded that lack of financial literacy had a significant negative influence on loaning of SMEs by commercial banks in Bonchari Sub county, Kisii County, Kenya. Finally, financial institutions were focusing more on potential to repay loan rather than on Collateral security in the business It can therefore be concluded that high collateral security had a significant negative influence on loaning of SMEs by commercial banks in Bonchari Sub county, Kisii County, Kenya.

Thus, based on the objectives and conclusions this study recommends; For commercial banks, with due regard to the ever-increasing desire to have credit empowerment for SMEs in Kenya, there is need to invest in proper credit access strategies so as to meet these expectations. This should be done in a manner in which all the stakeholders are happy. This therefore calls for embracing proper credit access strategies which are acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable. The management of lending institutions should ensure that they carry out a research on consumer needs so as to establish ideal interest rates to be charged. This will go a long way in helping them to know the needs of the consumers so as to be competitive in credit lending because most SMEs prefer being charged low interest rates hence will go for the lowest interest provider on credit facilities.

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