

**THE IMPACT OF CREDIT ACCESSIBILITY ON THE GROWTH AND
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE KENYAN
ECONOMY**

A Case of Some Selected SMEs in Ruaraka Area

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ABSTRACT

Small and medium enterprises are becoming increasingly important for the creation and development of a modern, dynamic and knowledge-based economy. This is because of their capacity to promote entrepreneurship culture and entrepreneurial skills, due to their flexibility and quick adaptability to a changing market, and to generate new jobs. SME sector is the backbone of the economy in countries with higher income, organization for Economic Cooperation and Development (OECD) reports that more than 95% of enterprises in the OECD area are SMEs. This research focused primarily on the impact of external sources of credit facilities on the growth of SMEs and their contributions to the economy. It aimed at establishing and analyzing the factors determining growth and effects of small and medium enterprises in Kenyan economy with reference to some selected SMEs in Ruaraka area. The data utilized in this research was directly obtained from entrepreneurs in various business ventures in the economy handling both farm and nonfarm activities and other services such as transport. The study explored the various effects of external sources of finance to the potential entrepreneurs seeking credit facilities from the available sources of financial institutions offering the same services and their influence on the growth of SMEs and impact on the economy. It also aims to investigate and testify if the terms and conditions imposed by lending institutions such as banks, non-bank financial institutions (NBFI), Sacco and co-operatives which include:

Organizational factors such as product quality, market share and financial stability among other like education level of the entrepreneur also focused to establish whether it's an influencing factor in the growth of SMEs. McClelland argues that, educated entrepreneurs are less constrained to credit accessibility especially bank loans due the knowledge and skills acquired translating to successful enterprise management and effective business proposal writing and presentation that easily convinces the lender and restores his confidence on the borrower. The survey study also intended to establish whether there is any relationship that exists between the experience of the entrepreneur in the market and the size of the enterprise as a factor in the growth of SMEs. Firm with a long time of existence, have a well-established financial base hence are regarded as credit worthiness by many formal and informal financial institutions. The effects of policy implication of formal and informal lending institutions will also be analyzed.