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# Financial Services Accessibility And Financial Performance Of Small And Medium Enterprises In Kiambu County, Kenya

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***Abstract***
*Despite their positive contribution, the operation of Small and Medium Enterprises has been confronted by various challenges such as loan repayment default, inadequate capital as well as the persistent regulations which negatively affects their performance leading to high failure rate of one for every five startups within three years. The SMEs in Kiambu County have similar challenges though operating in a densely populated County. Consequently, their performance is negatively affected. The study purposed to examine the influence of financial accessibility on success of SMEs in Kiambu County, Kenya. The research specifically identified the effect of access to credit, access to insurance and explore the influence of entrepreneurial training on financial performance of SMEs in Kiambu County, Kenya. The research was underpinned on Credit Access Theory, Asymmetric Information Theory and Bank Lending Channel Theory. Using a causal research design, this research study targeted a population of 2750 registered SMEs in Kiambu County. Stratified random sampling approach was employed where 10% (275) respondents participated in the study. Both descriptive analysis and multiple regression analysis were adopted in data analysis. Charts and tables were utilized to present research results. The study findings indicate that access to credit has a positive and significant effect on SMEs financial performance with a p- value 0.025 < 0.05. On access to business insurance, the study found that in case of damages, SMES that have insurance will have improved performance. This is shown by a p- value 0.000. < 0.05. Entrepreneurial training has a positive and significant effect on SMES performance in Kiambu County. The study nevertheless recommends for enhanced entrepreneurial training, insurance and more credit to improve performance.*

***Keywords:*** *Financial Services Accessibility, Financial Performance, Small and Medium Enterprises.*

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## I. Introduction

**Background of the Study**

Financial accessibility to credit and collateral is important for start-up businesses. It ensures their long-term success and profitability in the market. However, as the SME landscape report (2015) shows, a major stumbling block for SMEs is the lack of funding with 33% of SME owners being limited to access funding due to restrictive policies on access to credit. Locally, Mutiria (2017) found that the main challenges encountered by SME when searching for funds to start or grow their business include high cost of loan processing, inadequate collateral, legal and other associated fees such as valuation cost are predominantly increasing, very strict loan conditions and inadequate information on SME loans. Financing through equity financing includes family contribution, own savings as well as contribution from friends and relatives. Nevertheless, financing debt from micro-finance loans, asset tagged borrowing and venture capital are common sources of finances but offer stringent loan conditions and the high levels of collateral demands that limit access to financial assistance (Gathoni, 2017). Gathoni (2017) also identified that Small SMEs are disadvantaged in accessing credit as opposed to relatively larger business units due their ability in relatively higher valued collateral in their books.

In a landscape survey, Adlick Africa (2019) found that a lot of those who own businesses like SMEs in South Africa are limited due their lack of training on how to keep records. Their employee's also lack the basic training on how to update simple records leading to a loss of critical information that would give them an edge when seeking credit. Mungai (2012) asserts that a high percentage of the Kenyan labor force lack the basic education and skills as well as requisite technical skills to improve productivity, competitiveness and innovation. In the informal sector, training is a major challenge with majority of entrepreneurs lacking business management training in record keeping and making business plans. Additionally, Gathoni (2017) also argues that the lack of financial accessibility stems from SME's failing to keep records to ensure auditing of financial statements.

Today's economic environment is increasingly becoming risky hence a small business owners lack the potential consequences of natural disasters, fires, floods, thefts, breakages, or death of business owner. In this regard, business owners would want to safeguard themselves and their clients against these potential setbacks that hinder their growth and sustainability. Chodokufa and Chiliya (2014) assert that SMEs lose assets and infrastructure yet insurers are not keen to ensure SMEs as they prefer to deal with larger organization.

**Financial Services Accessibility**

SMEs rely greatly on financial access which serves as a determining factor of their financial performance (Mue, 2021). In financial access, there are those termed as underbanked or unbanked which leads to an involuntary do not have the means to access financial services. As per the World Bank report of (2015) accessing financial credit is the nonexistence of charge and non-price barriers when using financial services.

Most SMEs in Kenya face challenges such as lack of collateral, high risk profiling measures by financial institutions, oligopolistic banking sectors as well as bias by commercial banks against small enterprises (Njoroge, 2013). There is a tendency by banks in Africa to sideline SMEs due to their difficulty in administering the loans more so in regard to screening and observing of small-scale debtors who have a high cost of handling the loans as well as a high risk of them defaulting (Kirui, 2012). This has in turn impacted negatively on the financial stability of SMEs. Consequently, the financial success of SMEs is attributed to financial accessibility.

**Financial Performance of SMEs**

Obwogi (2016) is of the opinion that performance, as a financial dimensions of SMEs is pivotal to the success of the enterprise. According to the resource limitations commonly associated with SMEs, its dimension on its quality and time are important in keeping wastes minimal while promoting the levels of productivity. Moreover, monetary units serve as the measure of SME's financial performance. Profitability, sales volume, ratio analysis, increase in market share are some of the common parameters used in measuring performance in financial aspects of an entity. Ratios serve as an expression of amounts in terms of another (Chandra, 2008). This is attributed to the ability of ratios to get rid of the effect of size. In this regard, firms with different sizes can be compared. Similarly, the SMEs in Kenya often have similar shortcomings that is poor performance in financial aspects (Kithae, Maganjo & Kavinda, 2013).

**Small and Medium Enterprises in Kiambu County, Kenya**

Small and Medium Enterpriss have contributed immensely to the advancement and employment opportunities in Kiambu County. However, despite the identified contribution of SMEs to the County, some of its major barriers facing them in financial sustainability and performance emanate from inadequate access to credit facilities (Kamunge, Njeru & Tirimba, 2014). There are 2,750 licensed SMEs in Kiambu County (Kiambu County, 2021).

There are various types of SMEs in Kenya and as Mutira (2017) posits that Kiambu County has different types of SMEs majorly the informal or the Jua Kali as referred to locally and the formal sector. Most of the SMEs in the area include service-oriented businesses including Boda Boda riders, Mpesa and local banks agents, cyber cafes, salons, kinyozi's, consultancy and cleaning services. The other type of SMEs in the County according to the (KNBS Report, 2016) is manufacturing SMEs where the individuals purchase materials and use them to make new products are common in the County where furniture and utensils are made from raw materials. Merchandising SMEs are also found in the county where people buy and sell secondhand clothes, second hand-made items like carpets, baskets, ornaments, household goods and household furniture. Some of the SMEs are venturing into online platforms where goods and items are sold through social media platforms (KNBS Report, 2016). Agriculture as Nakhaima (2017) asserts is a major type of SME in the County with chicken, rabbit and fish farming complementing production of vegetables, maize, tea and coffee.

**Statement of the Problem**

The performance of entities in the financial sector is an area that has attracted researchers and academicians from across the globe. SMEs have continually diversified their products and services as a strategy to enable them to thrive (Nakhaima, 2017). SMEs operate in the different sections of the economy of Kenya where they provide significant employment, government revenue, income and also drastic reduction in poverty (Cheruiyot, 2020). The SME sector encompasses 98% of enterprises nationwide, engaging over 4.6 million workers, constituting 30% of the workforce. Moreover, it contributes around 18% to the Gross Domestic Product (GDP) of Kenya. Kiambu County with the second largest population share from Nairobi City County has SMES that serve the urban and rural population which makes it a viable county for this study. Furthermore, SMEs in are vital for employment to both women and youths in Kiambu County.

The need to promote financial performance in the SMEs within the Kenya economy has been echoed by many scholars (Cheruiyot, 2020; Omondi & Jagongo, 2018; Ismail & Atheru, 2017) all point out that the need to boost the success of SMEs within the Kenyan economy. The poor performance of SMEs has been linked to low sales, profitability and slow growth rate (Omondi & Jagongo, 2018; Ismail & Atheru, 2017). This has been linked to the lack of financial accessibility of these SMEs. This therefore provides the basis for the current study.

Similarly, majority of the SMEs across the Country find the current system deficient in terms of convenience and cost. Banks are also of the opinion that SMEs which have no prior history doing transactions due to their perception of the risk involved in paying loans are an unnecessary uncertainty (Mutiria, 2017). Moreover, there is a high probability that these SMEs do not have any collateral to offer in order to get formal credit. The other issue that arises is the lack of skills by some of the SME managers to run a successful enterprise. For instance, there is a likelihood that thy lack skills in record keeping, inventory, business plans as well as proper skills to maintain income statement which makes it difficult for the banks to evaluate and determine their credibility.

Limited studies have linked financial services access to financial performance. Despite all these efforts SMEs still have difficulties obtaining finance and other financial services. This case is not different from that of the SMEs in Kiambu County, Kenya (Cheruiyot, 2020). The majority of previous studies on financial accessibility and financial achievement of SMEs were targeting other nations. Therefore, the results gleaned from such studies cannot be generalized for Kenya. In light of this context, the current study aimed to ascertain the effect of financial accessibility on financial success of SMEs in Kiambu County, Kenya.

**Objectives of the Study**

The general objective of this research was to determine the impact of financial services accessibility on financial performance of SMEs in Kiambu County, Kenya.

## II. Research Methodology

**Theoretical Review**

**Credit Theory of money**

Credit theory of money was proposed by Alfred Mithchel Innes in 1913. Also known as liability theory of money, the theory is about relationship between credit and money. .Mithchel recognizes that money and credit/debt are one and the same thing when viewed from different perspectives. This theory is a also inclined to credit theory where a sale and purchase of a commodity for credit. These theories acknowledge that the value of money is not contingent upon the worth of metals, but rather on the entitlement to which a creditor is entitled to 'payment'. These theories to some extent are also linked to the notion of information asymmetry which represents the major motive for inadequacies or malfunction of the financial market in countries that are still under development. In granting loans to financial mediators, monetary establishments are not just concerned on the interest received but also on the risks associated with such loans. As such pecuniary bodies usually screen and observe borrowers as they also gather private information and treat it (Kashyap, et al, 1993). Nevertheless, the current plethora of evidence does not imply that the relationship between the banks and organizations is good. Information asymmetries affect banking institutions as the interest rates is not clear in the credit market. Finally, non-walrassian equilibrium comes up as agents who are not satisfied with the services fringe on the services (Pinaki, 1998).

Credit Theory of money is applicable in the current study due to its interesting argument on the adoption of credit rationing which serves as equilibrium rationing as the financial market adapts to the needs of the public. Here, the banks ration credit for a while due to the prevailing demand for loans and information available. Credit rationing comes about if a lending organisation applies similar rates across all borrowers (Stiglitz & Weiss,1981). However, this is not the case in practice as banks usually classify borrowers based on their repayment behavior. The prepositions of Credit Access Theory support the variables access to credit and access to insurance.

**Resource Based Theory**

This theory first came into light through Penrose (1959). It posits that strategic resources of firms are the cornerstone to achieve the competitive advantage and better performance in comparison to other competing in the same sector (Barney, 1991 2001). Kraaijenbrink *et al,* (2010) aver that the premise of the theory is founded on the assumption that firms who gain competitive advantage in a given field do so when they have specific resources which are unique to them. Peteraf (1993) asserts that the competitive advantage that firms enjoy comes by as a result of their possession of internal resources that others competing in the same industry lack.

Dotson and Allenby (2010) assert that the overall achievement of small firms on the financial front focusing on resource-based theory, conclude that unique resources offer such firms a competitive edge over their competitors. Williams and Nauman, (2011) points out that there has been less attention given to external resources and its influence on the overall achievement of firms. In response, Julien and Ramangalahy (2013) investigated the impact of competence of SMEs' export performance and found that internal competencies play a key role in explaining business performance. Further, competitiveness was found to be impacted by information sources and export competencies. This supports the need to invest in entrepreneurial training as a variable in this study.

**Financial Inclusion theory**

This theory asserts that the ability to get financial products and amenities as required by all persons in any given society including weaker members with low income groups, at rates that are deemed affordable, fair and the process should be done in transparent manner by the key financial institutions. The theory was first coined by Shumpter (1911) in his theory of economic development which demonstrated that financial inclusivity boosts economic growth, a fact that has been supported by Goldsmith (1969), McKinnon and Shaw (1973). To be inclusive simply implies ability to have a complete engagement in a financial transaction with minimal difficulty in information sharing. This is meant to overcome the challenges caused in market friction thus limiting the less privileged (Otiato, 2016). The approach does not expect or require everyone who is eligible for their services to utilize them, but they should if they desire to do so.

The current study used this theory to determine how financial institutions selected those who qualified for credit and the criterion applied to lock out those with low incomes with minimal engagement in the financial service industry. This is based on the World Bank (2004a) classification of financial access barriers as physical barriers, in terms of location, lack of proper documents required by the banks, difficulties with affordability and lack of appropriate products and services. It was also used to determine how insurers accept or deny SME's insurance covers for their businesses and their customers. The theory also helped in examining how training managers on record keeping and business plans can influence the access of SMEs to credit and insurance. The study also examined if the location of the business and its proximity to financial institutions and its branches influence owner's access to credit services.

**Minimalistic Approach**

Under the minimalistic approach, access to credit is granted per the mean success of SMEs. The approach is fronted on the proposition that the solitary 'missing piece' for enterprises to growth is the lack of inexpensive and reachable short-term credit (Ledgewood, 1999). According to the theory, financial intermediation assists in mobilizing savings, making payment as well as advancement of other credit services. In regards to credit provision, the service is restricted to the institutions or firms and people that can secure the loans with tangible collateral. In this respect, the method functions on the norm that credit is the pivotal limitation to SMEs and micro credit is accorded to those with traditional collateral. In regard to insurance, the same principle applies where the insurer seeks businesses with a higher premium leaving out the vulnerable and less financially abled SME's (Helms, 2006).

The study used this theory to determine how social inclusion can help create an environmental that increases access to sustainable financial services that grants new or existing services at lower prices for the vulnerable groups in the society (Avorti, & Wereko 2016). This was applicable to both the insurance and the ease of getting credit for SMEs that are operational in the County of Kiambu. It was also used to examine the contribution of the minimalist micro-financing services on the overall financial performance of the MSE's and the alternative credit financing they get when they fail to meet the threshold set by minimalist institutions in the provision of insurance and credit services. Lastly, the approach was useful in determining whether collaborative empowerment of the low-income groups to utilize financial services affected their access to credit and insurance services.

**Empirical Review**

**Access to Credit and Financial Performance**

Wakaba (2014) undertook a research study which aimed to explore the correlation between microfinance credit and the financial outcomes of SMEs in Kiambu County, Kenya. The analysis of research data was done utilizing regression approach. The study results showed that access to micro credit significantly and positively impacts on the success of SMEs in Kiambu County. However, the study did not consider the effect of access to insurance and cost of finance on the achievement of SMEs. To resolve this research gap, the present study investigated the impact of insurance and the cost of financing on the efficiency of SMEs in Kiambu County, Kenya.

Madole (2013) did a research that purposed to ascertain the influence of access to loans on financial achievement of SMEs in Tanzania. Utilizing a multiple regression approach, the study's results suggests that access to loans has a favorable and considerable impact on the financial success of SMES in Tanzania. However, the research was solely on the success of SMEs in the context of Tanzania unlike this research which was based on SMEs in Kenya, with focus on Kiambu County.

Nyangoma (2012) carried out a study on accessibility of SMEs to credit services in Uganda and the effect of this access to their financial success. The analysis of data was performed utilizing multivariate analysis. The study's results suggested that having access to financing had a favorable and statistically significant impact on how small businesses perform financially. The study further showed that provision of favorable terms for accessing credit leads to an increased financial achievement by SMEs measurable in regards sales volumes and cost-effectiveness. Contrary, the restricted access to credit is detrimental to the profitability and financial survival SMEs.

**Access to Insurance and Financial Performance**

Matsoso and Olumide (2014) investigated the financial success measures of SMEs in Cape Town South Africa. A positive paradigm is utilized with questionnaires employed to collect data from SME managers. The results suggests that productivity and profitability are key measures of financial performance of SMEs. It also noted that the SMEs, despite their high regards to measures of financial success have no skills to measure their performance. The research concentrated on the financial success in SME's in South Africa as opposed to this study done in Kenya.

Nyangoma (2012) did an empirical analysis which aimed to ascertain the effect access to insurance from financial institutions influences their performance in the context of Uganda. The analysis of data was done utilizing multivariate analysis where the research findings revealed that access to insurance has a favorable and substantial connection to the success of SMEs in Uganda. Notably, the research touched on the SMEs operating in Uganda, as the conclusions and findings from this particular study cannot be extended to the SMEs in Kenya due to the different financial and economic characteristics of various countries.

Babajide (2012) researched cost of credit and financial overall achievement of SMEs in Nigeria. Interest on loans was employed as the proxy for cost of finance. In the study, the researcher used multiple regression scrutiny where the findings gained from the study showed that access to insurance significantly affects the performance of SMEs in Nigeria. Similarly, the study was based on SMEs in Nigeria, owing to the disparities in global economic situations, such findings and conclusions cannot be applied in Kenyan context. In addition, the study used interest rate as proxy for cost of credit while ignoring vital aspects such as application fee.

**Entrepreneurial Training and Financial Performance**

Sebikari (2014) studied small business owners in Uganda to determine how they perform. The researcher adopted a multiple regression analysis model. The conclusions from the research show that entrepreneurial training has a significantly positive consequence on entrepreneurial performance. Nevertheless, the location of the study was specifically in Uganda, in tackling the contextual gap, study put forth was focused on Kenya, specifically, Kiambu County.

Kithae et al., (2013) studied the influence of entrepreneurship training on the overall achievement of MSEs. In the case targeting Embu Municipality, the research variables included in the study were business record keeping and financial management has a positive outcome on the achievement of MSEs in Embu Municipality. The study's results suggest that entrepreneurial training influences the success of MSEs. Nevertheless, the study was aligned to MSEs in Embu County, the present study will be grounded on Kiambu County, Kenya.

## III. Research Methodology

The researcher opted for a causal research design which is suitable owing to its capability to provide general characteristics of the population as well as the variable characteristics which are of interest in the current research (Cooper & Schindler, 2011).

The study focused on licensed SMEs within Kiambu town which was selected due to its status as a prominent hub for various medium enterprises. Pertinent records indicate the locality had registered 2750 SMEs (Kiambu County 2021). "

The sample of the study comprised 275 participants which is 10% of the total population (2750). To select the sample, the researcher used systematic sampling where in each street in Kiambu Town, the researcher identified SMEs and picked one out of every ten in the streets until the expected sample size was achieved.

The researcher employed a multivariate regression model in this investigation. The financial performance of SMEs is determined by financial accessibility, (access to financing, insurance, and entrepreneurial training).

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Whereby:

$\mathrm{Y}$ = Financial Performance

$\mathrm{X}_1$ = Access to credit

$\mathrm{X}_2$ = Access to insurance

$\mathrm{X}_3$ = Entrepreneurship training

$\beta_0$ = Constant
$\beta_1$, $\beta_2$ and $\beta_3$ = Regression coefficients
$\varepsilon$ = Error term

## IV. Data Analysis, Presentation And Discussions

**Descriptive Statistics**

**Access to Credit and Financial Performance of SME's**

The first study's objective pursued to ascertain the effect of access to credit on financial success of SMEs in Kiambu County, Kenya.

**Table 1 Access to Credit**

| Statement | N=250 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| We are presented with various sources of credit from banks | F | 99 | 94 | 51 | 6 | 0 |
| | % | 39.6 | 37.6 | 20.4 | 2.4 | 0 |
| We seek for credit facilities from banks and other financial institutions | F | 45 | 16 | 30 | 159 | 0 |
| | % | 18 | 6.4 | 12 | 63.6 | 0 |
| Credit finance forms a key part of our financing | F | 2 | 36 | 0 | 212 | 0 |
| | % | 0.8 | 14.4 | 0 | 84.8 | 0 |
| Credit financing is easily accessed | F | 95 | 120 | 30 | 25 | 0 |
| | % | 38 | 48 | 4 | 10 | 0 |
| Collaterals are required for loans | F | 0 | 4 | 10 | 141 | 95 |
| | % | 0 | 1.6 | 4 | 56.4 | 38 |
| Access to credit is vital for the financial performance of SMEs | F | 0 | 10 | 25 | 152 | 63 |
| | % | 0 | 4 | 10 | 60.8 | 25.2 |

**Source: Research Data (2023)**

From the Table 1, it can be observed that the most of responders 99(39.6%) and 94 (37.6%) strongly disagreed and disagreed that they are presented with various sources of credit from banks while only 6 (2.4%) asserted that they have access to a variety of credit access sources from banks. These findings suggest that the most of SMEs do not have access to various credit sources from banks.

Contrary views are seen in regard to seeking for credit facilities from banks and other financial institutions where the majority of respondents 159 (63.6%) asserted that they do seek credit from banks and other financial institutions while 45(18%) strongly disagreed and 16(6.4%) disagreed that they seek credit from banks. The findings suggest that despite the SME owners not being presented with various sources of credits from banks, they continue to seek credit facilities from these and other banking institutions.

The majority of respondents 212(84.8%) reaffirmed that credit finance forms a major part of the financing while 36(14.4%) asserted that credit financing was not part of their financing. However, despite the majority of respondents claiming that credit financing is a major form of financing their businesses, the majority of the responders 95(38%) and 120(48%) strongly disagreed and disagreed that claimed that credit financing is accessed. This may be due to the collateral required by the banks as the majority 141(56.4%) agreed and 95(38%) strongly agreed that banks require collateral for loan approval.

Generally, the respondents 152(60.8%) agreed and 63(25.2%) strongly agreed that access to credit is essential for the financial performance of SMEs. However, despite its apparent importance to the success of businesses, it is evident that access to credit financing is a major obstacle to SMEs in Kiambu County.

Moreover, the responders were also requested to specify the factors that hinder their access to credit. The majority of respondents indicated that the high interest rates on the loans and the demand for collateral or security were the major factors limiting their access to credit services offered by financial institutions. The repayment terms in terms of the period for repayment was also a major reason barring the SMEs from accessing credit services for fear of repossession of property for defaulting in the payment of the loans. The other factor identified by the SME owners was the focus on the credit facilities on loaning money to large enterprises who have the security and collateral means to secure huge amounts of loans leading banks to overlook the small businesses.

**Effect of Access to Insurance on Financial Performance of SMEs**

The second research objective was to ascertain the impact of access to insurance on the financial success of SMEs in Kiambu County, Kenya.

**Table 2 Access to Insurance**

| Statement | N=250 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| We are presented with various insurance services | F | 0 | 198 | 36 | 16 | 0 |
| | % | 0 | 79.2 | 14.4 | 6.4 | 0 |
| We usually seek for insurance cover for our business | F | 54 | 105 | 4 | 72 | 15 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | % | 21.6 | 42 | 1.6 | 28.8 | 6 |
| Insurance services are easily accessible | F | 69 | 105 | 0 | 76 | 0 |
| | % | 27.6 | 42 | 0 | 30.4 | 0 |
| Insurances services are key for better performance of SMEs | F | 0 | 7 | 29 | 160 | 54 |
| | % | 0 | 2.8 | 11.6 | 64 | 21.6 |

**Source: Research Data (2023)**

The Table 2 suggests that the majority of respondents 198 (79.2%) disagreed that they are presented with various insurance services while 16 (6.4%) agreed that there are various insurance services. Similarly, the majority of respondents 54 (21.6%) and 105(42%) strongly disagreed and disagreed that they seek insurance covers for their businesses while only 72(28.8%) and 15(6%) agreed and strongly agreed that they have insurance covers for their business. These findings indicate that the lack of a variety of insurance covers available for the SME owners limit their ability to seek insurance covers for their businesses. These results suggest that in case of damages, the SMEs in Kiambu have limited options for recovery due to the lack of insurance covers to protect their investments.

Similarly, it is evident that the most of responders 69(27.6%) and 105(42%) claim that access to insurance is not easy while 76(30.4%) claims that it is easy to access insurance covers. This lack of availability of insurance services to most of the respondents may explain the earlier claims by the respondents that they have not covered their businesses.

Lastly, it can be seen that despite the evident limited access to insurance, the majority of respondents 160 (64%) and 54 (21.6%) agreed and strongly agreed respectively that insurance covers are important for the financial performance of their businesses. However, the respondent claimed that despite the importance of insurance cover to SMEs, many factors hinder their access including high premium charges and annual charges which most of the owners cannot afford. Similarly, they also claimed that the process of making claims is complex and highly bureaucratic.

**Effect of Entrepreneurial Training on Financial Performance of SMEs**

The third and last study's objective purposed to ascertain the effect of entrepreneurial training on financial success of SMEs in Kiambu County, Kenya.

**Table 3 Entrepreneurial Training**

| Statement | N=250 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| We have a business plan | N | 39 | 145 | 9 | 45 | 12 |
| | % | 15.6 | 58 | 3.6 | 18 | 4.8 |
| We set budgets annually | N | 21 | 78 | 73 | 72 | 6 |
| | % | 8.4 | 31.2 | 29.2 | 28.8 | 2.4 |
| We practice record keeping for our business | N | 52 | 105 | 49 | 42 | 2 |
| | % | 20.8 | 42 | 19.6 | 16.8 | 0.8 |
| We keep record of all transactions | N | 76 | 101 | 61 | 8 | 4 |
| | % | 30.4 | 40.4 | 24.4 | 3.2 | 1.6 |
| Entrepreneurial training is key for the financial performance of SMEs | N | 0 | 15 | 37 | 142 | 56 |
| | % | 0 | 6 | 14.8 | 56.8 | 22.4 |

**Source: Researcher (2023)**

As displayed in the Table 3, the majority of participants 145 (58%) disagreed and 39(15.6%) strongly disagreed that they have business plans while only a minority 57(22.8%) asserted that they have a business plan. Similar claims are seen in regards to annual budget setting where the most of the respondents 21(8.4%) and 78(31.2%) and 73(29.2%) strongly disagreed, disagree and did not know respectively whether they have annual budgets.

In a similar vein, it can be stated that the majority of respondents 162(62.8%) do not practice record for their businesses while only a minority 72(28.8%) agreed that they practice recordkeeping for their business. Additionally, it is evident that the vast majority of responders,76(30.4%) and 101(40.4) do not keep a record of all their transactions with only 12(4.8%) keeping a record of all their transactions.

Additionally, the participants were questioned whether the SMES are well informed of business dynamics, and they asserted that the majority of SMES were unaware. They claimed that this was due to most of the SMEs lacking entrepreneurial skills since most of them just copy business ideas from existing business and invest their money without knowing the intricacies of the business. Consequently, they felt that it was essential for the county government to provide entrepreneurial training to the SMEs to equip them with entrepreneurial skills. Generally, the respondents 142 (56.8%) and 56(22.4%) concurred that entrepreneurial training is key for the financial success of the SMEs. However, it is evident from their responses in regard to setting an annual budget, possessing a business plan and record keeping that there is a general lack of entrepreneurial training among the SME owners in Kiambu County which may be linked to their poor financial performance.

**Financial Performance of SMEs**

The dependent variable in the current study was the financial success of SMEs. To determine the financial success of these small and medium businesses, the research provided the respondents with some parameters and asked them to rank them accordingly.

**Table 4 Financial performance of SMEs**

| Statement | N=250 | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| We experience constant growth in income from our businesses | F | 109 | 109 | 8 | 24 | 0 |
| | % | 43.6 | 43.6 | 3.2 | 9.6 | 0 |
| Most businesses are fairly profitable | F | 50 | 90 | 54 | 56 | 0 |
| | % | 20 | 36 | 21.6 | 22.4 | 0 |
| We have extended branches/outlets | F | 26 | 127 | 38 | 59 | 0 |
| | % | 10.4 | 50.8 | 15.2 | 23.6 | 0 |
| There is continues growth and expansion in the business | F | 68 | 128 | 8 | 36 | 10 |
| | % | 27.2 | 51.2 | 3.2 | 14.4 | 4 |

**Source: Researcher (2023)**

As the Table 4 displays, the most of the responders 109 (43.6%) strongly agreed and disagreed respectively that they experience constant growth in their income from their business while only 24 (9.6%) agreed that their income constantly grow. Similarly, the majority of respondents 140 (56%) claimed that their business are not fairly profitable with only 56(22.4%) affirming that their profits are fair. In regards to the extension of branches or outlets, the majority of respondents 127(51.2%) and 26(104%) disagreed and strongly disagreed that they have branches and outlets with only 59(23.6%) claiming they have branches and outlets. Lastly, it can be observed that majority of businesses 68(27.2%) and 128(51.2%) strongly disagreed and disagreed respectively that there is a continuous growth and expansion in their business.

Generally, the results exhibited in the table 4.4 demonstrate that the majority of the SMEs are not performing well financially and this was also echoed by the SMEs who asserted that the SEMEs I Kiambu County are not performing financially as expected in terms of productivity and profitability. The main reason for this was mostly attributed to the lack of capital to start and expand the business as well as the lack of entrepreneurial skills necessary to identify, start and grow a business.

**Regression Analysis Results**

**Model Summary**

The model summary is exhibited in Table 5.

**Table 5 Model Summary**

| Model | R | R Squared | Adjusted R Squared | Std. Error of the stimate |
|---|---|---|---|---|
| 1 | .337[a] | .67 | .103 | 1.88660 |
| a. Predictors: (Constant), Entrepreneurial Training, Access to credit, Access to Insurance | | | | |

**Source: Research Data (2023)**

As the Table 4.5 shows, the dependent variable (Financial success) was projected by the independent variables (access to credit, access to insurance and entrepreneurial training) by 67%. Therefore, it can be assumed that 33% of the factors that affect financial success of SMEs in Kiambu County were beyond the current study's scope.

**ANOVA**

The *F*-ratio in the ANOVA table, Table 4.6 tests if the overall regression model is a good fit for the data.

**Table 6 ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 112.519 | 3 | 37.506 | 10.538 | .000[b] |
| | Residual | 875.581 | 246 | 3.559 | | |
| | Total | 988.100 | 249 | | | |
| a. Dependent Variable: Performance | | | | | | |
| b. Predictors: (Constant), Entrepreneurial, Access to credit, Access to Insurance | | | | | | |

**Source: Research Data (2023)**

The table indicates that the independent factors significantly predict the dependent variable, $F(3, 246) = 10.538$, $p < .0005$, demonstrating that the regression model adequately fits the data.

As per the Table 4.6, the researcher observed that the independent variables (access to credit, access to insurance and entrepreneurial training) had a significant influence on the dependent variable (financial success) of SMEs in Kiambu County evident in the statistically significant p value ($p=0.000<0.05$). The p value of 0.000 is less that the pre-set threshold of 95% confidence interval to help the researcher determine the significance effects of the relationship.

**Regression Coefficients**

The regression coefficients are shown in Table 7.

**Table 7 Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| | (Constant) | 5.740 | 1.791 | | 3.205 | .002 |
| | Access to credit | .044 | .085 | .632 | -.518 | .025 |
| | Access to Insurance | .393 | .073 | .350 | 5.396 | .000 |
| | Entrepreneurial Training | .064 | .054 | .177 | -1.196 | .033 |
| a. Dependent Variable: Performance | | | | | | |

**Source: Research Data (2023)**

The regression results are shown in the resulting model

$Y=5.74+0.44\ X_1+0.393\ X_2+0.064\ X_3+\varepsilon$

The regression results indicate that access to credit, access to insurance and entrepreneurial training have positive and statistically significant effect on SMEs profitability ($p \leq 0.05$) for all the independent variables. This suggests various financial inclusion measures are impacting positively on the financial success of SMEs in Kiambu County. The Table 4.7 suggests the regression coefficient p-values display statistically significant effect of financial accessibility services on the financial success of SMEs.

The constant coefficient for financial performance is 5.740. Access to credit has a coefficient 0.44 indicating that an increment of one unit in loan accessibility results in a 0.44 enhancement in the performance of SMEs in Kiambu County. Surprisingly businesses insurance though not directly related to increasing business operations has a positive effect on SMES performance. A unit increase in business insurance leads to 0.393 increase in business performance. Similarly, a unit increase in entrepreneurial training leads to 0.064 increase in SMEs performance.

**Hypotheses Test Results**

This section presents the hypotheses, and the discussion of the findings about the hypotheses.

**Access to Credit**

**$H_{O1}$: Access to credit does not have significant effect on financial performance of s SMEs in Kiambu County.**

Following the outcomes in Table 4.7 we reject the hypothesis since access to credit had a regression coefficient of 0.44 with a p-value of 0.025. The p-value represents rejection of the null hypothesis since a p-value of 0.025, indicates statistical significance ($p<0.05$). These results suggest that the ability of SMEs to access credit significantly influences their financial success. This aligns with findings from Madole (2013), who observed a positive impact of loan accessibility on SMEs' financial performance. Similarly, Wakaba (2014) concluded that access to microcredit positively affects SME performance.

Additionally, Table 4.7 reveals that all beta values were positive, indicating that an increase in each factor corresponds to an improvement in SME financial performance. Notably, access to credit demonstrates the highest beta value of 0.632, implying that a one-unit enhancement in loan access would result in a 0.632 unit advancement in SME financial performance.

**Access to Insurance**

**$H_{02}$: Access to insurance does not have significant effect on financial performance of SMEs in Kiambu County.**

The second aspect investigated by the researcher was the influence of access to insurance by the SMEs and its influence on their financial performance. The table 4.7 shows that access to insurance has a p value of $0.000<0.05$. It is therefore, evident that there is a significant association between the SME's access to insurance and their financial success. These outcomes are congruent to those by Matsoso and Olumide (2014); Lappalainen (2012); Babajide (2012) who also reported that the SMEs access to insurance had a significant impact on their productivity and profitability. It therefore, suggests that for SMEs to flourish, records profits and productivity, they should have access to insurance services.

Furthermore, the table 4.7 also shows that the beta value is positive showing that an improvement in one unit of insurance access would result in a .350 improvement in the financial success of SMES. Therefore, to enhance the performance of SMEs, stakeholders must facilitate access to insurance services.

**Entrepreneurial Training**

**$H_{O3}$ Entrepreneurial training does not have significant effect on financial performance on of SMEs in Kiambu County, Kenya.**

The other factor investigated was entrepreneurial training and its effect on the financial success of SMEs in Kiambu County. From the table 4.7, it is evident that entrepreneurial training has statistically significant effect on the financial success of SMEs at p value $0.033<0.05$. It can be inferred that the financial performance of SMEs is substantially contingent upon entrepreneurial training. The same sentiments are expressed by Kithae et al., (2013); Sebikari (2014); Hanmaikyur (2016) who also found a positive and significant association between the entrepreneurial training of SMEs owners and the financial performance of these businesses. Moreover, the table shows that an increment in one unit of entrepreneurial training would result in a 0.177 increment in the SMEs financial success which implies that if these businesses are to grow and perform better financially, efforts should be focused on training the entrepreneurs.

## V. Conclusion And Recommendations

**Conclusion**

Regarding the first objective, which aimed to assess the impact of credit accessibility on SME financial success, the study affirms that access to credit significantly affects SMEs' financial performance. Moreover, it highlights a noticeable deficit in credit accessibility for SMEs in Kiambu County.

Concerning the second objective, which investigated the influence of insurance accessibility on SME financial performance, findings indicate a widespread lack of access to insurance services among SMEs in the county. Consequently, the study concludes that access to insurance services indeed plays a significant role in SME financial performance.

Lastly, the study concludes that a pervasive absence of entrepreneurial training and skills is apparent among SME owners in Kiambu County, as evidenced by the absence of annual budgets, business plans, and proficient record-keeping practices. Therefore, it can be inferred that the deficiency in entrepreneurial training has had an adverse impact on the financial success of SMEs in Kiambu County.

**Policy Recommendations**

The findings of this study suggest several recommendations:

Financial institutions, including banks, should consider easing their eligibility criteria, particularly regarding collateral requirements, to enhance access to credit services for SME owners. This adjustment would empower individuals to initiate and expand their enterprises more effectively.

The county government and the Ministry of Youth and Gender Affairs should augment the allocation of funds for youth development and women's initiatives. This step would stimulate the growth of SMEs within the county by providing essential financial support.

Encouraging SME owners to establish savings accounts with lending institutions is also advisable. This practice would streamline future access to loans, offering a practical avenue for securing additional financial resources.

In regard to insurance services, the current study recommends that insurance companies should expand its services to provide a wide range of options for SME owners.

SME owners should seek formal training on entrepreneurial skills to facilitate improved budgeting, planning and record keeping to improve their financial performance.

Lastly, the study recommends that the county government in conjunction with financial institutions should conduct regular training amongst SME owners to facilitate entrepreneurial skills.

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