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EFFECT OF FINANCIAL INSTITUTIONS' DEVELOPMENT ON ACCESSIBILITY OF CREDIT BY SMALL AND MICRO ENTERPRISES IN MOMBASA COUNTY, KENYA

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ABSTRACT

The study sought to examine the effect of financial institutions' development on the accessibility of credit by SMEs in Kenya with specific reference to Mombasa County. The following specific objectives guided the study: to determine the effect of commercial banks' development on accessibility of credit by SMEs in Mombasa County and to establish the effect of microfinance institutions' development on accessibility of credit by SMEs in Mombasa County. Applying descriptive research design, the study targeted 230 SMEs operating in Mombasa Central Business District. The analyst utilized a stratified random sampling strategy where a random sample from each stratum proportionate to the population proportion was used to come up with 83 respondents. The study used a questionnaire to collect data. A pilot study was conducted using a random sample of 10 participants. Multiple regression model was specifically used to analyze the study-specific objectives and results summarized using frequency distribution tables, mean scores and standard deviations with the help of statistical package for social science (SPSS) and presented by graphs and pie charts. The results concluded that there was a positive relationship between accessibility of credit by SMEs and commercial banks' development. The study also concluded that there was a moderate positive correlation between microfinance institutions development and accessibility of credit by SMEs. The study recommends that senior management at banks should embrace openness and disclose all the required credit information to SMEs. The study recommends Micro Finance institutions should provide long-term financial services to SMEs and consider both men and women entrepreneurs.

Keywords; *Commercial Banks' Development, Micro Finance Institutions' Development, Accessibility of Credit*

INTRODUCTION

The International financial system has been increasingly supporting the economic growth in all economic groups of countries by offering a range of opportunities to push development paces (Bygrave, 2014). The establishment of developed financial institutions is a growth-driving engine of both developed and developing countries through development-oriented projects and funding tools. Developed financial institutions in a modern economy hinge on an efficient financial sector that pools domestic savings and mobilizes foreign capital for productive investments (Lintner, 2015). A developed financial system plays a fundamental role in emerging markets and developing economies (King & Wood Mallesons, 2013).

Development Finance Institutions (DFIs) for example provide a broad range of financial services in developing countries, such as loans or guarantees to investors and entrepreneurs, equity participation in firms or investment funds and financing for public infrastructure projects (Dickinson, 2015). The global economy needs enterprise development support from different sources of financing in diverse geographic areas to bridge the expanding gap in small and micro-enterprise development status of countries. Initially, the Bretton Woods institutions paved the pathway of SME development finance by investing in and supporting the developing societies to keep pace with developed counterparts (Muganda, 2014). Nowadays the largest contribution to enterprise development financing is made by national DFIs in the form of specialized development banks, public enterprise development funds or cluster of private funds.

Emerging and developing economies regularly need financial support in maintaining SME development. In order to cope with difficulties in ensuring financial provision to socially important but economically less effective projects, governments establish their own DFIs (Davidson, 2014). Some governments use the assets of National DFIs as a guaranteeing tool for foreign investments and co-financing enterprise development with international multilateral and bilateral DFIs (Scott, 2014). Whereas access to credit improves economic activities, most SMEs are financially excluded due to the lending terms and conditions by commercial banks and other formal institutions, and this act as a major obstacle to SMEs development (Lewis, 2013). The practice of financial rationing by financial institutions using

Interest rates has hindered most SMEs from accessing credit as only high-income large-scale borrowers who expect higher returns can bear the high cost of borrowing (Stiglitz and Weiss, 2013). Lack of access to credit is indicated as a key problem for SMEs worldwide. In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan.

Access to credit refers to the possibility that individuals or enterprises can access financial services, including credit, deposit, payment, insurance, and other risk management services (Jordan, 2013). Those who involuntarily have no or only limited access to financial services are referred to as the unbanked or underbanked, respectively (Beck and Honohan, 2015). According to World Bank (2014), access to credit is the absence of price and non-price barriers in the use of financial services. The limited access to credit has been attributed to factors such as lack of collateral, high-risk profile of SMEs, an oligopolistic financial sector and bias by commercial banks against the SMEs (Gallardo et al. (2014).

Kenya's financial system has registered significant progress over the last 10 years through strengthened regulatory framework – independent authorities with specific mandates; increase in the number of players (intermediaries); and rollout of various customized services and products (Mwaniki, 2015). Economic Recovery Strategy for Wealth and Employment Creation (2003 – 2007): - focused on the financial sector reforms to facilitate improved access to financial services and efficient intermediation of financial resources (Munene, 2013). Vision 2030: Kenya's economic blueprint (2008 – 2030) aims to transform Kenya into a middle-income country by 2030. Some of the Banking sector initiatives in Vision 2030 include: transformation towards stronger large-scale financial; credit referencing; deeper penetration of financial services; formalizing microfinance institutions (Microfinance Banks); and expanding reach of microfinance institutions (Central Bank of Kenya, 2014).

The SMEs sector experienced substantive growth from 2000-2010 increasing to 2.8 million enterprises and SMEs employment of 5.1 million persons, accounting for 74.2 percent of the total employment in 2010 (Kenya National Bureau of Statistics, 2013). In Kenya, SMEs are spread widely across the country, with two thirds of them located in rural areas (Ministry of Industrialization, MoI, 2013). A significant number of SMEs engage in commerce with 74

percent and 66 percent in urban and rural areas respectively (International Labor Organization, ILO, 2014). Others are involved in agriculture, tourism, manufacturing, telecommunications and other services (ILO, 2014). In Africa, the failure rate of SMEs is 70% to 80% out of every 100 companies due to lack of skills and access to finance among other reasons (Brian and Ligthelm, 2016). It is typical of SMEs in Africa to be lacking in business skills, record of accomplishment and collateral to meet the existing lending criteria of risk averse banks (World Bank, 2014). The Unequal access to finance by SMEs and large enterprises has undermined the role of SMEs in the economic development of most African countries like Kenya.

Statement of the Problem

Accessing credit is considered to be an important factor in increasing the development of SMEs. It is thought that credit augment income levels, increases employment and thereby alleviate poverty. It is believed that access to credit enable poor people to overcome their liquidity constraints and undertake some investments. However, the lack of access to credit to start or expand small scale enterprises has often plagued this sector of the economy. Banks remain highly liquid and reluctant to expand credit other than to most credit-worthy borrowers which in most cases excludes the SMEs (Mwangangi, 2014). However, even though the role of banks and other financial institutions is clear in the small business arena, lending to SMEs remains a laborious and daunting activity as many factors influence the sustainability of these ventures and their loan repayment behaviour (Hwarire, 2014). The critical problem most SMEs face is credit access and statistics show that credit access by SMEs has been a tragedy which has been an unsolved issue faced by the majority SMEs (Nawai & Shariff, 2013).

Credit constraints in Kenya have led to some SMEs collapse, some selling off their assets and some being acquired by others. Lack of access to financial services is one of the main problem facing SMEs in Mombasa County. Due to the level of risk involved in lending money to SMEs, interest rates for loans from banks are high, and most financial institutions are reluctant to offer loans to SMEs (Muyomba 2015). Various studies have been carried out in Kenya on effect of financial institutions' development and accessibility of credit by SMEs.

However, the studies fail to provide a strong link between financial institutions' development and accessibility of credit by SMEs in Mombasa County.

Studies have been done in regard to financial institutions' development and accessibility of credit. Nyarko (2018) studied the role of informal financial sector in capital mobilization in Ghana and revealed that MFIs had contributed to capital mobilization. However, the above study was on the role of informal financial sector in capital mobilization and left out the formal financial sector. Mohamed (2017) carried out a study on the relationship between credit accessibility and growth of small and micro enterprises in Langata constituency Kenya and concluded that SMEs in this area were able to access to credit which in real sense led to promotion of their business growth. However, the above study was on the relationship between credit accessibility and growth of SMEs.

In view of the above indicated, the researcher notes that there exists a gap in the focus of effect of financial institutions' development on accessibility of credit, thus the study sought to fill the gap by focusing on the effect of financial institutions' development on the accessibility of credit by small and micro enterprises in Mombasa County, Kenya.

Research Hypothesis

- **H_{01}**: There is no significant effect of commercial banks' development on accessibility of credit by Small and Micro Enterprises in Mombasa County.
- **H_{02}**: There is no significant effect of micro finance institutions' development on accessibility of credit by Small and Micro Enterprises in Mombasa County.

Theoretical Framework

Financial Inclusion Theory

Financial inclusion refers to the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost, in a fair and transparent manner, by mainstream institutional players (Chakrabarty, 2013). An inclusive financial sector that provides access to credit for all bankable people and firms, to insurance for all insurable people and firms, to savings and payment services for everyone (United

Nations, 2014). Inclusive finance does not require that everyone who is eligible use each of the services, but they should be able to choose them if desired. Kempson (2013) report that financial exclusion is most prevalent amongst those on low incomes. Unemployed people living on social security payments from the state are therefore especially vulnerable, as are low-income households from ethnic minority communities who may also have relatively low levels of engagement with the financial services industry.

World Bank (2015) has classified financial access barriers into four main categories; physical barriers, lack of documentation barriers, affordability barriers and lack of appropriate products and services. For geographic access, branches have been the traditional bank outlet, hence geographic distance to the nearest branch, or the destiny of branches relative to the population can provide a first crude indication of geographic access or lack of physical barriers to access (Beck and Martinez (2013).

Minimalist Approach

Under this approach, only credit access is the means to success of SMEs. Minimalists base their approach on the premise that there is a single missing piece for enterprise to grow, usually considered to be lack of affordable and accessible short-term credit (Lidgerwood, 2014). Minimalist approaches normally offer only financial intermediation such as savings, credit, insurance, credit card and payment systems. Credit provision is restricted to those who can secure it with tangible collateral, commercial banks and non-bank financial institution use this approach (Ellis, 2014).

The approach operates on the principle that credit is the most important constraint to entrepreneurs. Microcredit is most often extended without traditional collateral. According to this theory, physical collateral is a requirement for borrowing which lockout many SMEs from accessing credit (Meredith, 2013). The group-based approach can use either newly formed groups or already existing ones. Group-based approach is also referred to as joint liability. Members make a weekly contribution to a joint account in the name of the group, which acts both as a savings account for each member and a loan guarantee fund (Scott, 2014). Members can only receive a second and bigger loan after the first loan is repaid. The

responsibility for loan administration by the group provides per pressure, which keeps up repayment. Minimalist approach is based on the premise that access to affordable, accessible short-term credit is a single “missing piece” for economic growth among the low- income businesses. Minimalist program advocates often are aware that SMEs may need other development and social services, but they have assumed that other agencies will provide those services, because provision of such services is not their core business (Gallardo, 2014).

Conceptual Framework

The independent variables of this study were Development of Financial Institutions (commercial banks and MFIs) while the dependent variable was accessibility of credit by SMEs.

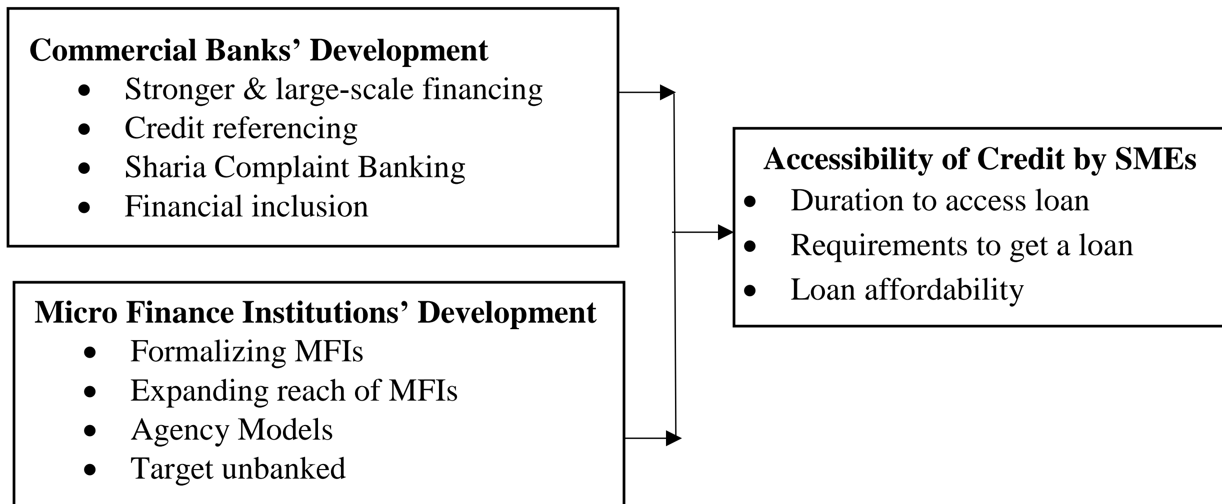

Figure 1: Conceptual framework

Empirical Review

Majumdar (2015) conducted a descriptive survey, which sought to assess the impact of investment banking on enterprise development. The study found out that the informal financial market might become insufficient as the small and micro enterprises grow to medium enterprises. The study also found that a credit gap results where those who may not access credit from the informal credit market may still not be considered for loans from the formal financial sectors.

Macharia (2015) studied the effects of access to finance on micro and small enterprises investment growth in Ongata Rongai Township. The study found that in financing of the micro and small business, family and friends played a big role in helping the business owners boost their operations with an average of 40% of the finances coming from them, an average of 24% came from financial institutions while on average 30% of the finances were from business savings. The study also found that the main hindrance of SMEs in getting access to formal financial services due to lack of credit services awareness, lack of collateral, banks vetting procedures, requirements of a guarantor, cost of loans and the employment as a security issue are some of the obstacles hindering utilization of the available credit facilities.

Mohamed (2017) carried out a study on the relationship between credit accessibility and growth of small and micro enterprises in Langata constituency Kenya. Descriptive design was employed in this research. Quantitative data collected was analyzed by use of descriptive statistics. Test of the relationship between independent and dependent variables was done through use of regression statistics. Based on the findings of this research it can be concluded that SMEs in this area were able to access to credit which in real sense led to promotion of their business growth. This growth was found to be caused by three factors namely number of lending institutions, entrepreneurial literacy and owner's education level. Accessibility to credit cannot lead to business growth without the presence of lending institutions.

Ogoi (2017) focused on strategies for accessing credit by small and medium enterprises: a case study of Kakamega, Kenya. The study adopted a qualitative research method and used the multiple case study design method. Face-to-face semi-structured interviews and company documentation in the form of cash flows and profit and loss statements were the data collection instruments. It was concluded that lack of collateral assets was a major constraint on the access to credit to improve company profitability and growth. Long processing time, high interest rates and unwilling guarantors were the most contributing factors that limited access to credit to improve company profitability and growth. Lack of information on where to obtain credit and the collateral requirements, interest and repayment rates was another obstacle to accessing credit to improve company profitability and growth.

METHODOLOGY

This study used a descriptive research design. The target population for this study was the 230 SMEs operating in Mombasa Central Business District. The analyst utilized a stratified random sampling strategy. Slovene's formula was applied to calculate the number of samples and came up with a sample of 70 SMEs adjusted to 83 to cater for nonresponses. Both qualitative and quantitative data were used for the study. The study used a questionnaire as the key instrument for primary data collection. To ensure consistency of the research instrument, a pilot study was conducted using a random sample of 10 participants from the following SMEs in Mombasa CBD. Qualitative data was analyzed through content analysis. Descriptive statistics were used to summarize the quantitative data. Inferential statistics were used to test statistical hypotheses.

RESULTS

Commercial Banks' Development

Results indicated that the respondents agreed that commercial banks had complicated application procedures and restrictions on credit as represented by the mean of 4.12 while the variation in responses was high as the standard deviation was more than 1 at 1.14. This goes to mean that it is harder for SMEs in the study area to access funds from formal financial institutions. The results are similar to a study conducted by Stierwald (2015), which found that commercial banks especially do not approve of just any guarantor presented and they have to scrutinize them.

It was noted that there was an agreement with most of the respondents being of the view that there was inadequate information from banks in the form of prescribed minimum loan amounts as represented by the mean of 3.70 while the variation in responses was low as the standard deviation was less than 1 at 0.89. This could mean that the relationship between developed financial institutions like commercial banks and enterprise development determines access to credit. This goes to imply that those organizations with close relationships are seen to have more access to credit. The findings are supported by Udell

(2013) who contend that relationship with a single bank may reduce risk, and hence the cost of credit, meaning that interest rate may be reduced.

There was an agreement regarding the opinion that most SME owners feared going for credit from commercial banks due to the many hidden charges as represented by the mean of 3.80 while the variation in responses was low as the standard deviation was less than 1 at 0.86. This goes to show that most SME owners in the study believe that there are many hidden charges in the loans offered by commercial banks. The same findings were in line with Udell (2013) who found that other financing costs were a deterrent to access to credit.

Additionally, there was an agreement that most SME owners lack adequate financial information and literacy to evaluate the cost of credit and the various financial products offered by banks as represented by the mean of 4.13 while the variation in responses was high as the standard deviation was more than 1 at 1.11. This could mean that most SMEs in the study area are not able to get loans from banks or access them at very high interest rates. This is in line with another study conducted by Okech (2014) which found a positive correlation between accesses to credit, institution management and the growth of the micro enterprises.

Most of the respondents were in agreement of the view that high interest rates discourage many SMEs from approaching commercial banks for credit facilities as represented by the mean of 4.07 while the variation in responses was high as the standard deviation was more than 1 at 1.12. This goes to mean that it is harder for SMEs in the study area to access funds from the formal financial institutions. The results are similar to a study conducted by Cracknel (2014) which found that accessibility and low application costs are the key advantages of informal credit, while these are often perceived to be disadvantages of the formal financial institutions.

Further, there was an agreement that there was bias by banks when evaluating SMEs for bank loans as compared to large corporates as they are perceived to be riskier as represented by the mean of 3.99 while the variation in responses was high as the standard deviation was more than 1 at 1.03. This means that access to credit from both formal and informal channels

requires a certain amount of collateral. At times, the security required is unaffordable. This becomes a constraint to SMEs most of who may not have title deeds to capital assets to present as security against the loans. The findings are similar to a study done by Otieno (2015) which found that credit rationing is significantly higher in the formal financial markets as compared to the informal and semiformal financial sectors in Kenya. Otieno states that the concern with the loan repayment among formal lenders determines the amount of credit a borrower gets while in the informal financial sector, the main determinant is their limited resource base.

Table 1: Commercial Banks' Development

Statement	Mean	Std Dev
Complicated application procedures and restrictions on credit.	4.12	1.14
Inadequate information from banks in the form of prescribed minimum loan amounts.	3.70	0.89
Most of SMEs fear going for credit from commercial banks based on the many hidden charges.	3.80	0.86
Most SME owners lack adequate financial information and literacy to evaluate the cost of credit and the various financial products offered by Banks.	4.13	1.11
High interest rates discourage many SMEs from approaching commercial banks for credit facilities.	4.07	1.12
There is bias by Banks when evaluating SMEs for Bank loans as compared to large corporates as they are perceived to be riskier.	3.99	1.03

Micro Finance Institutions Development

It was agreed that micro finance institutions are reluctant to provide long-term finance to SMEs as represented by the mean of 3.55 while the variation in responses was low as the standard deviation was less than 1 at 0.89. This goes to mean that credit from microfinance

programs helps fund self-employment activities in the study area that most often supplement income for borrowers. However, a study done by Buckley (2014) found that there was little evidence to suggest any significant and sustained impact of access to credit on micro entrepreneurs graduating to higher or more sophisticated operations, increased income flow or level of employment.

Further findings most of the participants were in agreement of the view that businesses that do not generate profits have challenges accessing credit as represented by the mean of 4.00 while the variation in responses was low as the standard deviation was less than 1 at 0.98. This could mean that SMEs with more income are likely to have more access to credit. This is amplified by another study conducted by Shaw (2015) which found that access to credit from both formal and informal channels requires a certain amount of annual turnover and collateral.

Additionally, it was agreed that MFIs prefer women to men when issuing credit as represented by the mean of 4.04 while the variation in responses was high as the standard deviation was more than 1 at 1.02. This could mean that women entrepreneurs have good financial relations with MFIs. A study done in Uganda by Matovu (2014) on microfinance and poverty alleviation found that majority of women clients of Uganda Women Finance Trust had registered increased incomes from their microenterprises.

Finally, there was a strong agreement that most of the participants were of the view that applying a loan as a group is easy because one can get co-guarantors as represented by the mean of 4.23 while the variation in responses was high as the standard deviation was more than 1 at 1.17. This goes to mean that SMEs in the study area have formed groups and are embracing a saving culture. A study done by Nyabuga (2013) concluded that lending terms imposed by the formal financial sector (emphasizing collateral security) ration a large number of SMEs out of the credit market leaving only a few who can afford the required collateral. On the other hand, SMEs do not get what they want from the informal sector due to the limited resource base creating a credit gap in the rural markets in Kenya.

Table 2: Micro Finance Institutions Development

Statement	Mean	Std Dev
Micro finance institutions are reluctant to provide long-term finance to SME's	3.55	0.89
Businesses that do not generate profits have challenges accessing credit.	4.00	0.98
MFIs prefer women to men when issuing credit.	4.04	1.02
Applying a loan as a group is easy because I can get co guarantors.	4.23	1.17

Accessibility of Credit by SMEs

It was agreed that access of capital from financial institutions is a dominant problem affecting business performance as represented by the mean of 4.13 while the variation in responses was high as the standard deviation was more than 1 at 1.12. Macharia (2015 indicated that the main hindrance of SMEs in getting access to formal financial services due to lack of credit services awareness, lack of collateral, banks vetting procedures, requirements of a guarantor, cost of loans and the employment as a security issue are some of the obstacles hindering utilization of the available credit facilities.

The respondents were neutral that you access all kinds of credit you normally request from financial institutions for your business as represented by the mean of 3.33 while the variation in responses was low as the standard deviation was less than 1 at 0.62. Mohamed (2017) concluded that SMEs were able to access to credit which in real sense led to promotion of their business growth. This growth was found to be caused by three factors namely number of lending institutions, entrepreneurial literacy and owner's education level. The respondents were in agreement that financial constraint and loan size are sometimes a major obstacle of your firm's profitability as represented by the mean of 3.94 while the variation in responses was low as the standard deviation was less than 1 at 0.97. Ogoi (2017) concluded that lack of collateral assets was a major constraint on the access to credit to improve company profitability and growth. Lack of information on where to obtain credit and the collateral requirements, interest and repayment rates was another obstacle to accessing credit to improve company profitability and growth.

It was agreed that most of the respondents were of the view that collateral requirement is compulsory for loan accessibility for their firm as represented by the mean of 4.10 while the variation in responses was high as the standard deviation was more than 1 at 1.08. This goes to mean that SMEs in the study area lack tangible assets to acquire loans from formal institutions. A study done by Nyabuga (2013) concluded that lending terms imposed by the formal financial sector emphasizing collateral security ration a large number of SMEs out of the credit market leaving only a few who can afford the required collateral.

The respondents were in agreement that financial institutions consider SMEs small and therefore denying credit as represented by the mean of 4.14 while the variation in responses was high as the standard deviation was more than 1 at 1.07. Kauffmann (2014) observes that small businesses in Africa can rarely meet the conditions set by financial institutions, which see SMEs as a risk because of poor guarantees and lack of information about their ability to repay loans. Most companies are small because the private sector is new and because of legal and financial obstacles to capital accumulation.

The respondents were in agreement that firm's size is an important influencer in accessing loans for your firms' profitability as represented by the mean of 4.06 while the variation in responses was high as the standard deviation was more than 1 at 1.09. Myers (2014) observed that many firms stay small and informal and use simple technology that does not require great use of national infrastructure. According to Myers, the smallness of firms protects them from legal proceedings (since they have few assets to seize upon bankruptcy) so they can be more flexible in uncertain business conditions.

The respondents were in agreement that ability of firms to access finance is associated with the size of the firm as represented by the mean of 4.06 while the variation in responses was high as the standard deviation was more than 1 at 1.12. Access to finance is widely perceived as an essential factor for firms, and especially SMEs to maintain their daily business operation as well as to achieve long-term investment opportunities and development targets (Mokogi, 2014). The respondents were in agreement that lack of collateral is an important issue in granting loans by financial institutions as represented by the mean of 4.23 while the variation in responses was high as the standard deviation was more than 1 at 1.17. Macharia

(2015) found that the main hindrance of SMEs in getting access to formal financial services due to lack of credit services awareness, lack of collateral, banks vetting procedures, requirements of a guarantor, cost of loans and the employment as a security issue are some of the obstacles hindering utilization of the available credit facilities.

Table 3: Response on Accessibility of Credit by SMEs

Statement	Mean	Std Dev
Access of capital from financial institutions is a dominant problem affecting your business performance	4.13	1.12
You access all kinds of credit you normally request from financial institutions for your business	3.33	0.62
Financial constraint and loan size are sometimes a major obstacle of your firm's profitability	3.94	0.97
Collateral requirement is compulsory for loan accessibility for your firm	4.10	1.08
Financial institutions consider SMEs small and therefore denying credit	4.14	1.07
Firm's size is an important influencer in accessing loans for your firms' profitability	4.06	1.09
Ability of firms to access finance is associated with the size of the firm	4.06	1.12
Lack of collateral is an important issue in granting loans by financial institutions	4.23	1.17

Correlation Analysis

The results showed a positive correlation between accessibility of credit by SMEs and commercial banks' development with a correlation factor of 0.695. This positive relationship was found to be statistically significant as the p value was 0.000 which was less than 0.05. This is supported by a study conducted by Adera (2014) which found that in small and micro enterprises industry, informal financial sources are more popular among commercial banks due to the ease in access and the availability of more information.

The study also found a moderate positive correlation between microfinance institutions development and accessibility of credit by SMEs as shown by a correlation coefficient of 0. 458. The significant value was 0.000 which was less than 0.05. Morduch (2014) found that semi-formal finance, which includes microfinance, had a positive impact on poverty reduction. However, even in the best of circumstances, credit from microfinance programs helps fund self-employment activities that most often supplement income for borrowers rather than drive fundamental shifts unemployment patterns (Andah, 2014).

Table 4: Correlations Analysis

		Accessibility of Credit by SMEs	Commercial Banks' Development	Micro Finance Institutions Development
Accessibility of Credit by SMEs	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	69		
Commercial Banks' Development	Pearson Correlation	0.695**	1	
	Sig. (2-tailed)	.000		
	N	69	69	
Micro Finance Institutions Development	Pearson Correlation	.458**	0.104	1
	Sig. (2-tailed)	.000	0.397	
	N	69	69	69

** Correlation is significant at the 0.01 level (2-tailed)

Beta Coefficients

It was noted when all the independent variables are held to a constant zero, accessibility of credit by SMEs would be 0.391. From the regression model obtained, a unit change in commercial banks' development while holding other factors constant would positively enhance accessibility of credit by SMEs by a factor of 0.489. These findings concur with study findings by Adera (2014) which found that in small and micro enterprises industry, informal financial sources are more popular among commercial banks due to the ease in access and the availability of more information.

In addition, the results indicated that a unit change in micro-finance institutions development while holding the other factors constant would positively change accessibility of credit by

SMEs by a factor of 0.637. These findings concur with by Morduch (2014) who found that semi-formal finance, which includes microfinance, had positive impact on poverty reduction.

Table 5: Beta Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.391	0.382		1.026	0.31
Commercial Banks' Development	0.489	0.13	0.421	3.762	0.021
Micro Finance Institutions Development	0.637	0.126	0.227	5.056	0.007

The significant value for commercial banks' development coefficient table was 0.021 which was less than 0.05. Since the P-value of 0.021 was less than 0.05, the null hypothesis which stated that there is no significant effect of commercial banks' development on accessibility of credit by small and micro enterprises in Mombasa County was therefore rejected. The implication is that there exists a significant positive relationship between commercial banks' development and accessibility of credit by small and micro enterprises in Mombasa County.

The significant value for micro finance institutions' development coefficient table is 0.007 which was less than 0.05. Since the P-value of 0.007 was less than 0.05 the null hypothesis which stated that there is no significant effect of micro finance institutions' development on accessibility of credit by small and micro enterprises in Mombasa County was therefore rejected. The implication is that there exists a significant positive relationship between micro finance institutions' development and accessibility of credit by small and micro enterprises in Mombasa County.

Model Summary

R which is the correlation coefficient showed that there existed a strong positive relationship between the independent variables and accessibility of credit by SMEs as indicated by the correlation coefficient of 0.804. The R-squared, also called the coefficient of determination is the percent of the variance in the dependent variable explained uniquely or jointly by the independent variables. The model had a coefficient of determination (R^2) of 0.646 and which

implied that 64.6% of the variations on credit accessibility by SMEs in Kenya were explained by commercial banks' development and micro finance institutions' development.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804a	.646	.625	.37410

Analysis of Variance

The study further tested the significance of the model by use of ANOVA technique. From the ANOVA statistics, the study established the regression model had a significance level of 0.000% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (18.981> 3.136), an indication that commercial banks' development and micro finance institutions' development had a significant effect on credit accessibility by SMEs in Kenya. The significance value was less than 0.05 indicating that the model was significant.

Table 7: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.152	2	2.576	18.981	.000b
Residual	8.957	66	0.136		
Total	14.109	68			

Critical value = 3.136

Conclusions

The results concluded that there was a positive relationship between accessibility of credit by SMEs and commercial banks' development. However, it was concluded that commercial banks had complicated application procedures and restrictions on credit and that most SME owners feared going for credit from commercial banks due to the many hidden charges. Further there were high interest rates in commercial banks that discourage many SMEs from approaching commercial banks for credit facilities.

The study concluded that there was a moderate positive correlation between microfinance institutions' development and accessibility of credit by SMEs. However, microfinance institutions were reluctant to provide long-term finance to SMEs and they preferred women to men when issuing credit. The lending terms imposed by the microfinance institutions emphasizing collateral security ration a large number of SMEs out of the credit market leaving only a few who can afford the required collateral.

Recommendations

The results reported that there is inadequate information from Banks in the form of prescribed minimum loan amounts and that it is only the organizations with close relationships with banks that have more access to credit. Therefore, the study recommends senior management to embrace all openness and to disclose all the required credit information to SMEs.

The study identified a gap on expanding the reach of MFIs. The study recommends Micro Finance institutions provide long-term financial services to SMEs and consider both men and women entrepreneurs.

Areas for Further Research

The study targeted all 230 SMEs operating in Mombasa Central Business District, which was quite difficult to collect credible data due to limitations of time and financial resources. The study recommends a case study to examine the effect of financial institutions' development on accessibility of credit by Small and Micro Enterprises in Mombasa County.

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