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Government Policy as an Influence of Credit Accessibility on Small and Medium Enterprises in Kenya: A Case of Kisumu County, Kenya

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Abstract:
Globally, Small and Medium Enterprises (SMEs) play major role in economic growth through credit accessibility. Credit accessibility and socioeconomic growth has a strong correlation (Christen, Rosenberg and Jayadeva, 2004). Studies indicate that in both advanced economies and developing countries, SMEs contribute on average 60%, about three-quarters of total formal employment in the informal sector (Ayyagari et al, 2007). Therefore, SMEs have become important contributor to the Kenyan economy towards vision 2030.The sector contributes to the national objective of creating employment opportunities, training SMEs operators, generating income and providing a source of livelihood for the majority of low-income households in the country (Republic of Kenya, 1989, 1992,1994), accounting for 12 - 14% of GDP. With about 70% of such enterprises located in rural areas, the sector has a high potential for contributing to rural development. Credit accessibility will result in employment creation, human socio-development and growth to Small and Medium Enterprises (Helms 2006). Everyday around the world, an average of 20,000 SMEs socioeconomic lives grows and are saved from extreme poverty because of the credit accessibility they get from MFIs. Most SMEs with credit accessibility have strong growth and able to mitigate development challenges; (Sachs 2005).
In Kenya, credit accessibility has to a larger extent helped in the growth of the socioeconomic rural community (Betty, 2006), currently through innovative approaches, many commercial banks and other microfinance institutions targets the SMEs vide group lending's, progressive lending, regular repayment schedules, and collateral substitutes with a view to growing SMEs ventures.

Keywords: *Credit accessibility*

1. Study Problem

The problem of the study focuses on the following main question:
With the massive presence of over sixty six MFIs and over twenty commercial banksin Kisumu, many SMEs were still not registered members of these MFIs service providers, the few registered SMEs were gradually declining in seeking credit, e.g.; only 12% of SMEs operating in Kisumu East sub-county had accessed credit in the year 2015, the poor performance of SMEs growth as indicated by the county's slow economic index of 2.8% (CGK 2015) and Kisumu's high poverty level (47.8%) Does Government policy have an influence of credit accessibility on growth of Small and Medium Enterprises in Kisumu County?

1.1. Document Analysis

1.1.1. Poverty Level in Kisumu with Surrounding Counties

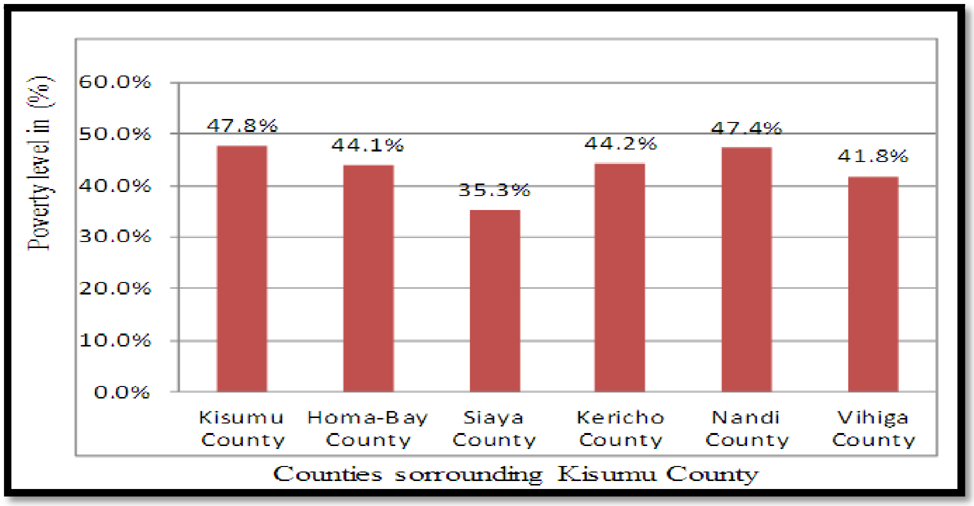

Figure 1: Poverty Level in Kisumu with Surrounding Counties
Source: Kenya Integrated Household Budget Survey (KIHBS-2011)

1.2. Objectives of the Study

To establish the level at which Government policy influences the growth of Small and Medium Enterprises in Kisumu County.

1.3. Significance of the Study

The significance of this study may benefit a number of stakeholders; Ministry of Finance as policy implementing agency in making relevant assessment policies that safeguard influence of credit accessibility on growth of small and medium enterprises in Kisumu County. The information may also assist the Government in supervising the agency concerned on implementation of Microfinance Act 2006 CAP 493D to its effective results. It may provide potential creditors with full information regarding MFIs and their services, future research students pursuing similar studies on credit accessibility. It may further create awareness among SMEs on the ability to manage credits and also help the Ministry of Cooperative who is responsible for the registration of MFIs in Kenya, by clearly creating awareness to the public for ease of credit accessibility and growth of SMEs.

The findings shall therefore assist the current and future managers of SMEs in understanding the policy required for good governance and fair competition.

1.4. Study Hypotheses

The major study hypothesis for this research was;

- H_0 There is no significant relationship between the influence of Government policy and growth of Small and Medium Enterprises in Kisumu County.
- H_1There is significant relationship between the influence of Government policy and growth of Small and Medium Enterprises in Kisumu County.

1.5. Previous Studies

In Frankfurt Germany, a study conducted by Charlotte Wagner (2013) on Growth and Crises in Microfinance, the study aimed at finding the input of national policy in the growth and crises of Microfinance, The study revealed loans borrowed did not follow national policy guidelines, creditors did not go through formal process of verification as required by the constituted banking Act, creditors hoped between MFIs to evade tax, MFIs failed to verify all loan applications and run risk of losing loan to credit unworthy applicant. The study recommended a strict control of verifying the credit seekers by banks and MFIs before loans are released, and the survey data was analyzed to determine multiple loans borrowed by SMEs.

In Australia, a study carried by Anuja (2010) on the Impact of Microfinance credit and the Capabilities of Participants, the study aimed at finding the influence of credit accessibility on loan seekers, the study revealed that, SMEs growth and management of MFI depended on the legal status and governing policy for both borrowers and MFIs. Study findings concluded that, success of SMEs growth and development of participants directly relied on total adherence to Government policy and MFIs skilled management.

In the United Arab Emirates, Dubai, a study carried out by Mimouni (2012) on financial access and socioeconomic empowerments on MFIs performance. The study aimed at observingthe drive behind seeking credits, the study revealed that, access to credit appeared to have a negative impact on MFIs' performance, results contradicted the generally accepted assumption that commercial banks and MFIs operate in different market segments and not direct competitors. Findings were; credit accessibility to SMEs was a direct equivalence to SMEs growth.

A study carried out by Hashad (2014) in Egypt on repayment determinant for MFIs, the objectives was the impact of governing policy on credit accessibility. Regression model was used and mixed methodology approach used in the study to establish governing policy enforcement and compliance by both MFIs and SMEs as per Microfinance Act, qualitative analysis through in-depth interviews with 12 MFIs, qualitative Interviews and direct observation from the study revealed that adherence to Government policy on MFIs credits was 25% and was realized in the urban, while rural areas which many MFIs operations remained dormant. Results from the study indicated that MFIs license procedure and authority to operate in some areas were not valid and such characterized failure to adhere to the Microfinance Act.

In Ghana, a study carried out by Enyaah (2011) on analysis of the effects of Government policy on stock market returns: empirical evidence of Ghana stock exchange. The study aimed at establishing their relationship with stock prices and possibly uses them to predict the likely changes in stock prices as a result of changes in these macroeconomic variables. The study established that government policy controlled long-run interest rate and exchange rate. It was also determined that in the short-run, effects of Interest rate and exchange rate volatility on Ghana Stock Exchange are nearly imaginary.

In Tanzania, a study conducted by Ganka (2010) on Financial Sustainability of Rural MFIs, the study aimed at SMEs growth operating in the rural areas, the study findings revealed that, Government policy was meant to provide a fair playing ground, poverty alleviation and economic empowerment to SMEs, were taken care of as detailed in the constituted Microfinance Act in the Government policy. The study recommended a serious focus and strict adherence to policy implementation by the rural MFIs for equality and equity services to SMEs inboth rural and urban in Tanzanian.

In Machakos County, Kenya, a study was carried out by Mbithe (2010) on the credit accessibility on SMEs growth. Multiple regression analysis was used to determine relative on the growth of SMEs economic growth. The study established that accessibility of credit contributed positively to SMEs growth. Analysis intended to investigate variables that mostly contributed to huge annual turnover. The study findings showed that there was good correlation between MFIs credit managers with the growth of SMEs thereby increasing annual growth. The study recommended adherence to policy by both MFIs and SMEs.

In Kiambu, Kenya, Okibo and Makanga (2014) carried out a case study on the effect of economic empowerment on credit borrowed by SMEs, a case of Pamoja Women Development Program (PAWDEP) located in Kiambu Sub-county. The study used descriptive survey design; study sample was 20% from sample frame of a population of 55 selected from 9 staff and 46 clients from PAWDEP. The study employed stratified sampling technique. Both qualitative and quantitative data analysis methods were used. The study revealed that PAWDEP was found to be legally constituted and followed the rule of law as per Microfinance Act 2006, CAP 493, the study recommended that; adherence to policy contribute to great economic growth by simply obtaining all required legal documents for operations like; License documentations, business permit and other valid and legal documentations.

2. Theoretical Framework

This study was guided by Microfinance theory of change (Mohammed Yunus 1995), with backup supports and suggestions from other theorist with similar concepts; Social capital and Development theory (Robert Putnam 1993) and theory of Group lending (Besley and Coate (1995)).

2.1. Microfinance Theory of Change

This study was guided by Yunus (1995) Microfinance theory of change, it explains concept of changing one's poor life to better through three simple key steps; a poor person goes to a microfinance provider for credit accessibility to start or expand SMEs operations which yields enough net revenue to repay the credit with interest and still have sufficient profit to increase household income enough to raise the SMEs growth.

Credit accessibility is believed to have natural tendency of growth. Rudd (2011) Microfinance theory of change intended to increase profitability of SMEs and promote types of technological innovations that would stimulate growth in their communities Yaron and McDonald (2002).

Morduch (2000) states; credit accessibility is the first step of growth for SMEs. Second; investing the credit money in a viable SMEs creates ownership responsibility, and Third; Managing the business to yield major return on the investment establishes the profit that gives interest to pay-back the loan, hence SMEs growth.

Theory of Group lending as proposed by Besley and Coate (1995), backs Microfinance Theory of change by exploring regulations on marketing strategies of loans borrowed by individuals or group SMEs with members guaranteeing member colleagues of growth to every member of the group. Theory of group lending promotes individual SMEs growth through group of SMEs communal support through SMEs out rich platform thereby creating credit accessibility to the growth of SMEs.

3. Methodology of the Study

3.1. Research Design

The study applied mixed method approach especially descriptive and inferential research design. According to Cooper and Schindler (2000), descriptive and inferential research focuses on why questions. In answering the `why' questions, the study was involved in developing causal explanations. Causal explanations argue that phenomenon Y (growth of SMEs) is affected by variable X (government policy) this design was chosen because it applies closely to the research objectives of the study hence practical in testing the research hypothesis. Descriptive and inferential research design also aimed to gain a better understanding about a problem and to seek new insights and to assess phenomena in a new light (Saunders et al 2008). This study utilized both approaches as the research hypothesis calls for real-life contextual understandings that a quantitative model alone cannot capture (Meissner 2010). Social norms, cultural influence, the borrowers' lives and experiences are some measures that give insight into the repayment problems but can only be captured through a quantitative approach.

3.2. Study Variables

The study focused at Government Policy as an influence of Credit Accessibility on Small and Medium Enterprises in Kenya: A case of Kisumu County, and therefore the study consisted of the following variables:

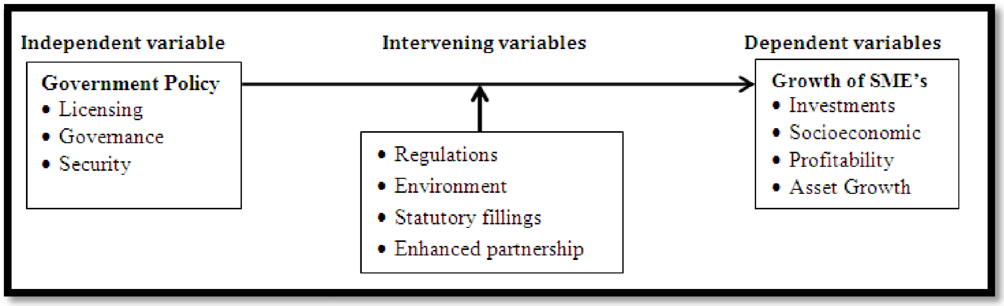

Figure 2

- Dependent variable: 'growth of small and medium enterprises' included the improved and measurable growth and practice of investments and Socioeconomic developments, each of which was the end result indicators that directly indicated Government policy through identified variables playing a leading role in influencing the credit accessibility by small and medium enterprises.
- Independent variables showed Government policy; providing adherence to Microfinance Act 2006 (CAP 493D) and regulations, Licensing policies, Internal and external governance guide, market security as supervised by Central Bank of Kenya (CBK) through commercial banks influences the credits accessibility by small and medium enterprises. All these were measured vide the improved investments, social and economic developments, improved profit margin made by enterprises, asset growth registered by the growing business and increased sales volume due to secured market from any external economic interferences.
- Intervening variables could also be recognized through; environmental business friendly, easy to practice policy regulations, easy integrated taxation system for filling tax, alongside enhanced public-private partnership in community development agendas has made the above independent variables be viably cognizant.

4. Statistical Tools Used

Statistical tools used in qualitative data was principles of thematic analysis as stated by Braun and Clarke (2006), it's a method of identifying and analyzing themes within a data set, while quantitative statistical tools were; Percentages, frequency counts, means and tables.

4.1. Descriptive Statistics Analysis

Level at which Government policy influences the growth of SMEs was presented in a Likert scale of 5 from the questionnaire for descriptive statistical variables;

Responses were summarized and presented in Table 2, which showed frequency counts and percentages of strongly agree, agree, undecided, disagree and strongly disagree as below;

Level at Which Government Policy Influences the Growth of Smes	**Strongly Agree**		**Agree**		**Undecided**		**Disagree**		**Strongly Disagree**	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Government policy plays leading role in credits accessibility of by SMEs.	58	33.5	62	35.8	26	15.1	18	10.4	9	5.2
Many SMEs barred from accessing credits due to lack of legal license	38	21.9	46	26.6	48	27.8	26	15.0	15	8.7
Growth of SMEs through credit reflects MFIs adherence to government policy.	31	17.9	80	46.2	24	13.9	24	13.9	14	8.1
SMEs success in seeking credits depends on the many number of years SMEs has held a business account with the bank or MFIs;	54	31.3	64	36.9	29	16.8	19	10.9	7	4.1

Level at Which Government Policy Influences the Growth of Smes	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Government policy have little control over mobile microcredits	42	24.3	57	32.9	25	14.5	24	13.8	25	14.5
Credit accessibility by SMEs has shifted from MFIs to mobile microcredit due to personalized credit control and banking insecurities	74	42.8	62	35.8	17	9.8	11	6.4	9	5.2
SMEs growth is secured if managers of MFIs understands the regional financial need before offering any finance service	64	36.9	61	35.3	21	12.2	12	6.9	15	8.7
Government policy on credits only regulates institutional legal entities and not mobile microcredit players.	57	32.9	62	35.8	24	13.9	19	10.9	11	6.5
Government policy cares more on MFIs growth while SMEs weaker financial needs are not catered for, hence inaccessibility of credits	39	22.5	46	26.6	48	27.8	26	15.0	14	8.1

Table 1: Government Policy
Source: Survey Data (2016)

Government policy playing a leading role in credit accessibility by SMEs was acknowledged by 33.5% strongly agreeing, 35.8% agreeing, 15.1% undecided, 10.4% disagreeing and only 5.2% strongly disagreeing. This therefore means that, majority of the respondents 69.3% agreed that government policy play a leading role in credit accessibility by SMEs, and only minority 15.6% disagreed with the statement while 15.1% were undecided whether government policy played a leading role or not.

Results from the interview schedule also revealed that majority of informants feel that government policy plays a leading role in credit accessibility through collaterals which later promotes the growth of SMEs. One of the Credit Managers from Kisumu East sub-county had this to say in response;

CM_{1east}: “All our (MFIs) customers, including SMEs are protected by the Government Policy details in Microfinance Act 2006, CAP 493D which details the protection provision for all credit seekers, they also enjoy the credit security risks vide their collaterals, they are free to seek any loan as long as they meet the MFIs loan qualifying requirements”

Annually published documents by CBK-2014 on MFIs growth and expansion, the statistics showed that Government policy plays an influencing role in regulating commercial banks’ rate for the sole purpose of easy credit accessibility by all credit seekers, this regulating policy influenced investment opportunities for more commercial banks (Appendix M) and MFIs (Appendix L) expanding in Kisumu County that socioeconomically empowered the locals.

Researcher therefore confirmed the role played by government policy in credit accessibility to most SMEs operating in Kisumu County as one of the fundamental inputs in the accessibility of credits. This was evidenced by majority of respondents and many informants alongside published document gathered from government agencies.

The above findings seem to concur with the study by Charlotte Wagner (2013) who found out that, accessibility of credits by SMEs and loan seekers is only possible with workable national policy executed by the responsible government agency.

Many SMEs were barred from accessing credits because they lacked legal license, 21.9% strongly agreed, 26.6% agreed, 27.8% were undecided, 15% disagreed while only 8.7% strongly disagreed. The above statistics meant that; averagely 48.5% agreed, and 23.7 disagreed, while 27.8% were undecided on whether or not many SMEs were barred from accessing credits due to lack of legal license.

Interview schedule revealed that, Majority of urban MFIs, Credit Managers expressed the view that, obtaining license for operations was one of the most challenging documents to get due to tight requirements as enshrined in the Microfinance Act 2012. One of the participants pointed out that, “Loose adjudication of the licensing procedure is costing the Government a lot of revenue loses, since most MFIs operate without license” similar views were shared by majority of informants. SMEs operator from Nyakach sub-county said;

$Operator_{1nkc}$: “I wanted Bank to lend me business loan, but they instead ask me to bring first business license and bank statement, which I didn’t have, and don’t even know how to obtain them, where could I start? That’s why I am having very few stocks in my business; Government should introduce a simple and less costly system of obtaining these legal documents because they are mandatory for accessing credit!”

Researcher observed that, many SMEs traded with illegal MFIs that were not registered by CBK through Commercial banks, some unsuspecting SMEs for the past 10 years trusted the services of these MFIs and only came to lose their savings when they (MFIs) closed down without notice indefinitely, and only confirming the illegal operations and non-existence of those MFIs upon filing petition with the law court. As MFIs lay blame on some SMEs not able to seek and get credit due to lack of license, it was the view of most SMEs participants that; majority of rural MFIs operate illegally without license. Investments and socioeconomic developments as a sign of SMEs growth from credit accessibility were never observed in such business environment. The above findings were in agreement with the study carried out by Anuja (2010) who explored on the factors deterring loan seekers from obtaining credits due to lack of legal documentations.

Growth of SMEs through credit is a reflection of MFIs adherence to government policy; strongly agree 17.9%, agree 46.2%, undecided 13.9%, disagree 13.9%, strongly disagree was 8.1% the above statistics indicated that majority of respondents 64.1% agreed and 22% disagreeing, while 13.9% were undecided on whether or not growth of SMEs through credit was a direct reflection of MFIs adherence to government policy; meaning that majority of respondents agreed that MFIs adherence to government policy through credit was a guaranteed for SMEs growth. Many participants cited good MFIs leadership and governance as core drive to many SMEs seeking credits.

Interview schedule mostly from rural setting revealed that, most of SMEs growth didn't reflect MFIs' adherence to government policy since SMEs from the rural setup have been operating without business permit hence had never applied for a loan, operators financing relies on merry-go-round and table banking, while most SMEs from urban setting were dependent on MFIs loans that were governed by government policy.

Kisumu North sub-county operator said; Operator$_{1north}$: I think that government policy has only boosted the SMEs and MFIs in towns through easy access to enterprise or youth fund, but neglected us in the rural SMEs.

Annual credit report by Kikomeo (voluntary savings association owned by SMEs from Kibuye and Kondele markets)

4. Document Analysis

4.1. Kikomeo Summary for Loan Borrowing Record Annually

Years	Registered Members Per Year	Cumulative Members Annually	Non Loan Seekers	Smes with Active Loans From Mfis	Smes Seeking Loan (%)
2008	72	72	3	69	31.94
2009	21	93	29	64	29.63
2010	15	108	52	57	26.39
2011	33	141	90	51	23.61
2012	46	187	142	45	20.83
2013	16	203	171	32	14.81
2014	00	203	172	31	14.35
2015	13	216	188	28	12.96
Total	**216**	**Mean % of credit seeking 174.52/8 years**			**21.82**

Table 2: Government Policy
Source; Kikomeo Credit Seeking Report, Annually

Above document analysis revealed 8 years since inception between years 2008 to 2015, registered members had risen to 216 while SMEs operators who actively applied for loans in the final year were 28 only. This was as a result of emerging easy and self-regulated mobile loans with easy payback plan at affordable rate.

Above findings revealed that, SMEs growth was perceived on a twin approach depending on the operators' and MFIs locations and mode of operations, that is; town SME operators were exposed to more formal credit accessible opportunities than rural operators. That is; many numbers of MFIs within the same town attracting business competition that prompts a competitive rate, reaching out to SMEs within the same town and offering business supports like; inducting operators on the benefits of savings and seeking credits, and training on how to manage loans amongst many other call-to-treat businesses approach to get more clients. Findings were in agreement with the study by Mimouni (2012) on self-financing for socioeconomic empowerments that were observed to be the drive behind SMEs growth.

SMEs success in seeking credits depends on the many number of years SMEs has held a business account with the bank or MFIs; strongly agree 31.3 %, agree 36.9%, undecided 16.8%, disagree 10.9% and strongly disagree 4.1%, this meant that; majority of respondents 68.2% agreed and 15% disagreed, while 16% were undecided on whether or not success in seeking credits depended on the number of years of holding an account with MFIs. Majority of respondents linked the SME success to trusted business relationship and not long-term account with MFIs.

Interview schedule similarly revealed that, many respondents agreed that most of SME seeking credit from MFIs must had opened an account with the MFIs, and many years of savings with the MFIs may prompt higher chance of getting loans, but not mandatory. SMEs with long business relations with MFIs stand high chances of accessing credits with ease.

One operator from Kisumu East sub-county during interview said; "My daily banking of sales and regular withdrawals during business procurement and when paying bills made my business to be recognized by my Bank who later processed my loan so fast and with ease". Operator1east:

Many participants cited good MFIs leadership and governance would drive to credit accessibility by many SMEs. There was a general reaction as to the influence of governance on practical approach to entice SMEs to credit accessibility without necessarily having long period of business account with MFIs, this was observed as chairman of Juakali group from Kibuye remarked that; "MFIs management focus more on their own economic gain at the expense of SMEs savings, that's why operators are reluctant to open an account with them (MFIs) and as a result, very few SMEs reached out for credits to enhance their growth."

The above findings seem to agree with the study carried by Hashad (2014) in Egypt citing that the success of SMEs may not be directly linked to long-term business account holding with MFIs and for their growth and expansion, Hashad suggests; the impact of governing policies on credit accessibility as the major determinant of success and growth of SMEs.

Government policy had little control over mobile microcredits; strongly agree 24.3%, agree 32.9%, undecided 14.5%, disagree 13.8% and strongly disagree 14.5%, the above findings revealed that, majority of respondents 57.2% therefore agreed that, government policy had little control over mobile loaning's because of the convenience and personalized management of mobile loans at comfy of users, most of the 28.3% of respondents who disagreed were mostly retirees who were above 60 years of age, their interest in digital use in accessing loans was very low, and were indulge in merry-go-round and table banking. 14.5% of respondents were undecided on whether the government policy have little or more control over mobile microcredits, since most of these operators were employees whose duty was limited to daily sales and not financing, nor banking or procurement, most of these respondents were school leavers.

Interview schedule revealed that, Government policy was silent on mobile microcredits, and due to freedom, confidentiality and convenience associated with mobile transaction as opposed to strict policy rules, lots of paper work and requirement of not less than two guarantors in MFIs loaning's, many informants felt any mobile credits was easy off the hook of government policy and demands.

With regard to government policy silence on mobile microcredits, government had little control on mobile loaning's, this attracts market insecurity within loaning system, that is; some loan seekers through mobile fleeing with unpaid loans. One MFIs credit manager from Muhoroni, said that; "money market within credit or loaning floor in the MFIs industry was saturated due to lack of foreseeable security for current mobile market players." This is the reason as to why many MFIs would silently offer mobile loans under-cover in the mobile stream away from monitoring authority to avoid or reduce tax charges. This finding was in consistence with the study carried out by Ganka (2010) on financing options toward SMEs by factors of convenience and enticements.

Credit accessibility had shifted from MFIs to mobile microcredit; strongly agree 42.8%, agree 35.8%, undecided 9.8%, disagree 6.9%, strongly disagree 5.2%, the data revealed that majority of respondents 78.6% agreed that credit accessibility had shifted from MFIs to mobile-loans because of the easy approach the mobile loan offers are planned and presented to seekers, most of 11.6% of respondents who disagreed, were either still facilitating loaning's from MFIs or were die-hard believers of the protected credit from MFIs, otherwise 9.8% were undecided, and couldn't comment.

Interview schedule proved that, massive informants opted for personalized credit control from mobile loaning over MFIs credit tedious paper procedures and insecurity. Majority of informants cited the easy application procedure from the mobile handset that doesn't require personal details like age, sex and reason for seeking the loan unlike the MFIs many requirements. An operator from Kisumu East sub-county during interview had this to say;

Operator$_{1east}$: "Any time I need to boost my kiosk, I only request loan from 'Mshwari', which takes a maximum of two minutes to process, and I repay back at 7.5% as interest, very easy and convenient indeed."

Researcher observed that, majority of participants shifted their interest and trust in business credit from MFIs to mobile loaning's because of the many benefits and risk free associated to mobile credits. This analysis is generally in agreement with the quantitative data, since, initially before mobile credit accessibility was measured by growth of SMEs and further proxied by government policy. The above findings seem to be in agreement with a study carried out by Mbithe (2010) on the factors shifting the interest of seeking credits from MFIs to mobile credit services for the growth of SMEs.

SMEs growth is secured if managers of MFIs understand the regional financial need before offering any financing service; strongly agree 36.9%, agree 35.3%, undecided 12.2%, disagree 6.9% and strongly disagree 8.7%. Study therefore indicated that, majority of respondents 72.2% agreed that the growth of SMEs is securely sustained if managers of MFIs initially understand the regional financing need, while 15.6% disagreed with the statement, citing the growth of SMEs is wholly on the management of SMEs, 12.2% of respondents were undecided.

Interview schedule similarly revealed that, majority of SMEs' growth was dependent on MFIs understanding of financial need of SMEs from every region before offering credits services. This was confirmed by SMEs operators acknowledging the impact of presence of MFIs officials on the ground with a view to establishing the actual need of residence within the region where SMEs do operate that was carried out by MFIs officers present in various regions, an owner of a chain of SMEs from Muhoroni sub-county cited that faster growth was realized in terms of employment opportunities created by expansions of more SMEs.

CM1mhn: "Our field personnel have performed tremendous work of establishing financial need of SMEs operating in Muhoroni."

The above pre-visitations that were dove by MFIs managers was found to be very helpful in-terms of Asset acquisition and growth of those SMEs.

This finding was found to be in agreement with Oladayo (2014) who carried a study on factors leading to the growth of SMEs as a confirmation that MFIs in the targeted area, had done re-visitation to understanding the financing need of the residence.

Question on government policy only regulating institutions and not mobile players was accepted; strongly agree 32.9%, agree 35.8%, undecided 13.9%, disagree 10.9%, strongly disagree 6.5%. This meant that, majority of respondents 68.7% agreed that government policy was strictly felt in MFIs operations, while the rapidly emerging mobile players were excluded. Only 17.4% disagreed while 13.9% were undecided on whether or not government policy regulated mobile credit services as MFIs.

It was also observed during interview that, many informants who agreed that, government policy only regulated MFIs and not mobile micro players were MFIs whose operations were legal and paid regular taxes, their profits and losses were regularly published for the public and shareholders. Some MFI managers argued that, in order to pay regular running cost, taxation, administration bills and risk cost associated with credits, they had to maintain certain percentage of interest rate on every credit offer, while mobile credits running cost was almost nil with only minimum risk associated with the loans. They cited this, as unfair competition since most SMEs and other customers would always be swayed to seek credit from the less costly in-terms of interest rate.

Central Bank of Kenya (2014) report on competitive interest rates charged by various credit offers did not include mobile interest rate charge (Appendix E) this therefore confirmed the exclusion of mobile credit players from government policy regulations.

The findings were found to be similar with the study by Okibo and Makanga (2014) on the effects of national policy regulating only a section of credit givers, that is MFIs and excluding mobile credits providers.

The effect of government policy seen to be regulating one side of the credit providers created an unfair market playing field, this was indicated by majority of SMEs informants opting for mobile credits over MFIs offer due to cost involved and payback fluctuating interest rate.

Respondents were asked on whether or not Government policy cares for MFIs sustainability over SMEs weaker growth on financial needs are not catered for; strongly agree 22.5% agree 26.6%, undecided 27.8%, disagree 15%, strongly disagree 8.1%. This information revealed that nearly half of respondents 49.1% agree that Government policy only cared for growth of MFIs and not SMEs, and only 23.1% disagreed, meanwhile 27.8% of respondents were undecided on whether or not government policy cared for the sustainability of MFIs operations over the SMEs weaker growth.

Interview schedule revealed that, town MFIs grew steadily but with limited profit margin due to controlled competition within policy. Many SMEs informants had the opinion that, government policy was limited to only controlling the youth enterprises and women fund from the bank. Some argued about the long queues, long procedure during application and the hidden high interest rate that would only be realized during payback period. One operator from Kisumu North sub-county said: Operator$_{1north}$: "I think that government policy has really boosted the sector in terms of easy access to youth enterprise fund, the challenge is, the silent interest rate charged during payback."

Researcher further observed that, SMEs with valid business permit and licenses enjoyed the rights to operate freely anywhere within Kisumu county and credit accessibility from legally instituted MFIs was made easy by simply presenting all legal business documents as loan security backup as per government policy and banking Act.

It was further revealed that, most SMEs operating in the rural areas were not legally registered, and didn't have any knowledge about Government policy governing operations of SMEs and because of that, their quest for credit accessibility was limited. Meanwhile, the SMEs which are legally registered and file their monthly tax return with Kenya Revenue Authority (KRA) had an easy time in accessing credit from any MFIs or bank since legal documents like; PIN certificate, business permit, license amongst others were readily available.

Most Credit Managers of MFIs within town setup seems to be informed and updated with legal requirements to promote credit accessibility; they focus more on developing and improving the economic status of SMEs by offering unsecured loans, as long as SMEs present all legal documents confirming their validity in lines of operations. Almost all credit managers rated the government policy as better

It can be deduced that, government policy plays a very important role in the growth of SMEs, since many of the informants tend to agree that Government policy has an influence on the growth of SMEs, this was evidenced through socioeconomic developments and investments experienced as a result of SMEs growth. The annual financial reports of Kibuye Juakali Association (KJA) also presented tangible facts that majority of Small and Medium Enterprises (SMEs) access loans and credits following the influence of regulation of government policy.

4.2. Testing Hypotheses

Based on the objectives of this study, the hypotheses of the study were tested at 5% level of significance, and a multiple linear regression model was used to investigate these hypotheses; as follows;

- H_{o1}: There is no significant relationship between the influences of Government Policy and growth of SMEs in Kisumu County.

In this study, Government policy was proxied by business licensing, governance and security, which had a significant and negative effect on investments, areas' socioeconomic developments and increase in SMEs assets and expansion of branches.

The finding of this study, based on the first objective is that Licensing under Government policy has a significant and negative effect on SMEs growth through issuance of business permit and investments. In table 4.5, the regression coefficient is equals -0.1818 and is significant at the 5% level when the dependent variable is measured by GSME. This result implies that for 1 unit increase in licensing in the operations of SMEs is measured by investment levels, socioeconomic developments, increased assets of SMEs shall decrease by 0.1818 respectively.

Governance of both MFIs and SMEs have a negative significant at 5% level with coefficient of -.1381292, when the dependent variable is measured by growth of accessibility to credit, the coefficient of the estimate shows that every one unit increases in credit loss.

In this study, Security of the SMEs was measured by increased asset growth and opening of more branches, this can be explained by the fact that if the numbers of non-performing loans or credit are high, there shall be poor performing loans, low growth on SMEs operations.

This result is in consistence with the empirical evidence of Athanasollou et al. (2008) who observed that the non-performing loans/credit is negatively and significantly related to MFIs profitability.

4.3. Correlation Matrix

The correlations between the explanatory variables and the independent variables is depicted as shown in Table 3

		Government Policy	Interest Rate	Marketing Strategies	Management Approach
Government policy (GP_1)	Pearson Correlation Sig. (2-tailed) N	1 253	.088 .258 253	.044 .576 253	.085 .274 253

Table 3: Correlations Matrix of Dependent and Independent Variable (GP_1)
Source: Research Data (2017)
Note: Correlation Is Significant at the 0.05 Level (2-Tailed)

Table above depicts the correlations between the explanatory variables and the dependent variable. It is observed that at 95% is the level of confidence, since 1% in Government policy leads to 0.88% change in Interest rate, 0.44% change in Marketing strategies, and 0.085% change in Management approach.

The Government Policy (GP_1) is significantly correlated to interest rate (IR_2) when coefficient r = 0.258, to marketing strategies (MS_3) when coefficient r = 0.576, and to management approach (MA_4) when coefficient r = 0.274.
The above statistics is positively and significantly correlated to influence the credit accessibility on growth of small and medium enterprises (SMEs).

5. Summary of Major Findings

The overall objective of this study was to explore Influence of credit accessibility on growth of small and medium enterprises in Kenya, given the pivotal role played by MFIs in supporting the growth of SMEs and that Credit accessibility has been a challenge to SMEs for their growth, the study set out to examine the influence of credit accessibility on growth of SMEs. The study used a sample of 20 credit managers from MFIs, and 240 SME operators for a 20-year period between 1995 and 2015; the specific study was conducted in six administrative Sub-counties namely; Kisumu East, Kisumu West, Kisumu North, Muhoroni, Nyakach and Nyando sub-counties within County Government of Kisumu.

To achieve this objective a Pearson correlation matrix was obtained to determine the influence of credit accessibility on growth of SMEs. Government policy had a significant and negative effect on SMEs growth, the regression coefficient was equals -0.1818 and had a negative significant at the 5% level when the dependent variable was measured by GSME. This result was in consistence with the empirical evidence of Athanasollou et al. (2008) who observed that the non- performing loans or credit is negatively and significantly related to MFIs profitability.

Government policy played a leading role in credit accessibility, this was evidenced by majority of SMEs acknowledging that the growth of SMEs was as a result of MFIs adhering to good internal governance; mobile loaning was found to be on the increase, thereby overtaking MFIs credit offers due to faster speed of loan processing, low interest and above all the convenience of accessing loans from individual on mobile at the comfort of loan seekers at any moment, `its impact was felt as one of the corridors leading to credit accessibility which influenced growth of SMEs; following the principles of thematic analysis (Braun and Clarke 2006), Qualitative data analysis revealed that, Government policy had an influence on the growth of SMEs through the determination on terms of which SMEs operators take loan. These were revealed vide the annual financial reports like "KIKOMEO" the above findings therefore confirms that majority of credit and loan seekers seem to depend on government policy. It also concurs with the study by Anuja (2010) who found out that growth of SMEs directly relies on total adherence to government policy.

5.1. Recommendations

Based on conclusions of the study, it recommends the following:
Stringent approaches of improving credit accessibility and reducing loan faulting's that result in accumulating of loans overdue and penalties for not paying on time and hence non-performance loans and high net charge-offs should be adopted by individual MFIs to keep credit loss provision at low levels. Thus, this study recommends that:
Credit Rating Bureaus (CRB) that always scare away SMEs from seeking credits due to penalty applicable for any default during loan repayment should be limited only to borrower and lender as entities who signed the credit agreement; this will stop inflating the principal amount to double. Moreover, in assessing credit risk exposure for SMEs credits and their portfolios under stressful business conditions, there should be consideration of potential future changes in similar economic conditions in contribution to SMEs growth reflected in national (GDP) growth rate and inflation.

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