ABSTRACT

Small and medium enterprises (SMEs) sector has continued to play an important role in the economy both globally and regionally. The Kenyan government has therefore encouraged the commercial banks to provide credit facilities to this important sector of economy. However, reports have indicated that there is low accessibility of credit facilities among the SMEs from the commercial banks. This study therefore sought to determine the effect of small and medium enterprises challenges on access to commercial bank credit in Seme Sub-County Kenya. The specific objectives were; to examine the effect of SMEs cost of credit on access to commercial bank credit in Seme Sub-County Kenya, to establish the effect of SMEs regulation on access to commercial bank credit in Seme Sub-County Kenya and to establish the effect of SMEs information availability on access to commercial bank credit in Seme Sub-County Kenya. The research was anchored on the credit rationing theory and market failure theory. The study employed descriptive research design and was conducted in Seme Sub-County for the period 2010 to 2016 where most of the groups were registered and a population size of 300 SMEs this is according to the ministry of gender and social services in Seme Sub-County and data collected using the probability sampling technique. A sample size of 59 respondents was drawn from owners of the small and medium enterprises by probability sampling technique. Primary data was collected by administering Questionnaires to the 59 SME owners in the study area. Reliability of the instrument was computed by using Cronbach reliability test and a reliability coefficient of 0.7754 was obtained, while validity was ensured by submitting the instrument for expert judgment by the lecturers in the department. Quantitative data was analyzed using descriptive statistics (frequency, percentages, mean and standard deviation). Pearson correlation analysis was also employed in testing the relationship of small and medium enterprises challenges and accessibility to commercial bank credit in Seme Sub-County Kenya. Data was presented using bar charts and frequency distributing tables and percentages. The study found that there was a considerable negative significant (n=51, r = -0.663, p<0.05) correlation between cost of credit facilities and accessibility of the credit facilities by the SMEs. It was also found that there was a weak positive significant (n=51, r = 0.367, p<0.05) correlation between SMEs regulations and accessibility of credit facilities from the commercial banks. The study also found that there was a plausible positive significant (n=51, r = 0.713, p<0.05) correlation between SMEs information availability and accessibility of accessed credit facilities from the commercial banks. The study recommended that commercial banks should come up with the system whereby collateral requirements will be affordable to SME owners. Besides, the management of credit giving institutions should consider lowering their interest rates in order to match the reality of life to SME owners as a way of encouraging credit accessibilities since the study found that high interest rate charged discourage credit accessibility among the SMEs. The credit giving institutions should come up with programs of educating, enlightening and informing the SME owners on how they can go about obtaining credit facilities, financial record keeping and basic business skills. These will counter problems of information that make SMEs risky for credit giving institutions. Further research should be done on financial management challenges facing the SMEs for expansion and growth, effects of training of SME owners on financial performance of the SMEs and effects of accessibilities of credit facilities on financial performance of the SMEs.