FACTORS AFFECTING ACCESSIBILITY TO CREDIT FINANCE
BY MICRO-ENTERPRISES
A CASE STUDY OF KERICHO TOWN

KIPKURUI VINCENT

RESEARCH PROJECT SUBMITTED IN PARTIAL
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DECLARATION

This research project is my own original work and has never been submitted for an award in any other university.

30/05/2014

Kipkurui Vincent

L123/30832/2012

This research project has been presented with my approval as the student’s supervisor.

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Dr. Anthony Mungai

Lecturer, Department of Extra Mural, studies

University of Nairobi
ABSTRACT

The purpose of this study was to investigate the factors affecting accessibility to credit finance by micro-enterprises in Kericho Town. Three research objectives were formulated to guide the study. Research objective one sought to find out if the interests charged affect the accessibility of credit, objective two sought to determine how repayment by borrowers affect the accessibility of credit while research objective three sought to establish whether the demand for collaterals affect the accessibility of credit finance by micro-enterprises in Kericho Town. The study employed a descriptive survey design. The target population consisted of 60 small scale business persons in Kericho Town. The sample comprised of 30 small scale persons.

On the effects of interests’ rate to the accessibility of credit by micro-enterprises, findings on showed the study found out that majority of respondents banks charged different enterprises different lending rates for similar loan sizes and term. The respondents indicated that duration of payment determine the interest rate. The study further indicated that respondents strongly agreed that lending rates to small scale business are very high findings. On the effects of repayment by borrowers and accessibility of credit by micro-enterprises, indicated that interest rates affect the repayment ability of borrowers, majority of respondents indicated that they pay their loans at the right time sometimes. The study further found out that small scale enterprises failed to pay the loan on time due to high interest rate and due to short duration of payment. findings On the effects of demand for collaterals and accessibility of credit by micro-enterprises, majority of respondents agreed that demand for collateral fail to promote small sale activities. Based on the findings it was concluded that banks charged different enterprises different lending rates for similar loan sizes and term. The duration of payment determined the interest rate charged to small enterprises. The study further concluded that lending rates to small scale business were very high and high lending rates results to cases of loan default.

The study further concluded that demand for collateral fail to promote small sale activities, and small scale business persons lack perfect information flows of capital in their institutions. The study lastly concluded that entrepreneurs take funds from Institutions organizations at a high cost and lack of collaterals for Small Enterprises prevents them from engaging in productive enterprises. Based on the findings the study recommended that transaction costs to be evaluated for small scale enterprises to reduces the interest rate and the additional cost of capital and the interest rate