

Although there are very many formal institutions providing Micro-Finance services in Kenya, the number of people they are reaching is relatively small. Access to financial services has been identified as a major problem facing Micro and Small Enterprises (MSEs) doing business in Kenya. This has contributed greatly to their lack of development and growth. This study was motivated by the persistent inaccessibility of financial services experienced by MSEs, despite various recommendations and interventions aimed at arresting the problem.

Micro Finance Institutions (MFIs) have for a long time been viewed as a solution to the huge disconnect between demand and supply for financial services by MSEs. This is seen from the fact that Commercial Banks shy away from the informal sector in favour of the corporate sector where lending risks are considered low.

Literature review reveals that no research has been carried out from the Microtraders' perspective as to why there is low spread of micro-finance services among the SME sector. The study sought to find out from the micro entrepreneurs at Kibera retail market why they do not seek credit from MFIs and the obstacles they encounter while seeking this credit.

This was a descriptive study where data was collected from the field using questionnaires from a sample of 102 traders that were in six strata. The sample was selected by the stratified random technique from a population of 256 traders at Kibera Retail Market in Nairobi. Micro-finance field Credit officers from the seven main MFIs operating in the area under study were also interviewed.

The data were analyzed by use of Descriptive statistics. Research findings indicate that traders face a number of obstacles while trying to obtain credit from MFIs. Chief among them are the lending conditions, and lack of proper information on MFI services. The study recommended that MFIs should advertise their services, recruit and train competent credit officers; consider individual lending, use a bottom .up approach of doing business and adopt a community based approach to Microfinance to reduce cases of default on loan repayment.