

Kenya has one of the most developed financial institutions. However, the provision of financial services especially credits to micro and small enterprises remains a major problem among micro- entrepreneurs. There is a need therefore, to address these inequalities in the provision of credit to this sector while at the same time pursuing the goal of an equitable, efficient sustainable micro sector. Group based leading models have normally been implemented in rural areas of developing countries especially in micro finance institutions to enhance credit access by agents with no collateral and to gather information on the borrower. This study seeks to address the impact of this and other collateral substitutes on MSEs access to credit and on savings mobilization in Embu District. A survey of institutions offering micro-credit service using collateral substitutes to cover their loans in Embu District was carried out. A sample of twelve institutions offering micro-credit services was proportionately selected from a population of twenty institutions offering micro- credit services. Semi structured questionnaires were administered to one credit manager from each selected institution through drop and pick later method. The results collected were summarized using frequency tables and graphs. They were analyzed using percentage. Further correlation analysis was done to determine the magnitude and direction of relationship between the independent variables and dependent variable.