

Credit facilities cater for the financial needs of business enterprises, which lead to their growth. However, three out of five of the micro and small enterprises fail due to inaccessibility of credit facilities in rural Kenya more especially in Homabay district. It is in the view of this business failure that the study sought to investigate the challenges affecting accessibility of credit by small and micro-enterprises in rural areas with reference to the enterprises in Homa-bay town in Homa-bay district in Nyanza province. Specifically, the study sought to determine challenges from lending policies, nature of business enterprises, entrepreneurs' skills and lack government infrastructures pose as challenge in accessibility of credit to small and micro-enterprises in Homa-bay District.

The study adopted a descriptive research design targeting all 110 registered micro and small enterprises both credit and non-credit users in the town of Homa-bay. From each enterprise one respondent was targeted and from which a sample of 55 respondents was selected using systematic random sampling method. The study used questionnaires to collect primary data from the respondents, which was analysed using descriptive statistics and findings presented for effective communication to ultimate users

Data collected were analyzed using descriptive statistics and findings from the study indicated that, the lending policies adopted by financial institutions in the town hampers the credit accessibility. For instance most of the respondents said that financial adopted strict client selections and appraisal, harsh loan recoveries from defaulters, rationed the credit to MSEs and strict control on investment made. However, most of the MSEs themselves are self impediment to credit accessibility since they generate low incomes, have limited assets and are small in sizes. While most of the respondent had negative attitude toward formal financial institutions as they preferred borrowing from informal sector. Also the individual entrepreneurs lack necessary skills in management of their business despite most of the respondents having secondary education and above. The study found that the town is not well endowed with good government infrastructures which are to provide plat for credit accessibility in the town. Most of the respondents said that the government does not influence the interest rates charge by financial institutions. The study therefore found these factors significantly determine the credit accessibility by MSEs in Homa bay town.