MOBILE CREDIT AND GROWTH OF SMALL AND MICRO ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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DECLARATION

Declaration by Student:

This project is my original work and has not been submitted for a degree in any other University

……. ……

Signature Date

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D53/CTY/PT/28736/2018

Declaration by supervisor:

I certify that the candidate completed this project under my supervision.

……. ……

Signature Date

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DEDICATION

This work is dedicated to my beloved family for their infinite patience and continuous inspiration in enabling me to complete this research project.

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I especially appreciate those who in their way or another made the journey to this research work possible. I offer special thanks to God, for strength and sustenance to move on and complete my research project. I would as well like to appreciate my supervisor Dr. Grace Kariuki in a special way, for her devotion, direction, value propositions, and ideas during this research project. Thanks to my family who always inspired me in every step to complete this research project. I have heartfelt gratitude to my office and MBA colleagues for their care and inspiration. Thank you and may God continue to bless you all.

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OPERATIONAL DEFINITION OF TERMS

Growth: denotes an increase in the volume of sales.

Micro Enterprise: Microenterprise refers to a firm or an entity that recruits less than ten people and with an annual turnover of less than Kshs 500,000.

Mobile Credit: This is the capability of customers to apply instantly and obtain a loan on mobile phone devices, saving time, costs, and traditional bank loan application letters.

Mobile Financial Services refers to the act of using portable phones to get fiscal services and to perform financial functions. This includes activities that require transactions as well as those that are non-transactional, this may include viewing monetary data on a user's gadget.

Small Enterprise: Small enterprise refers to a firm or business activity which employs 10 to 50 individuals and with a turnover of between Kes 500,000 to Kes 5 million.

ACRONYMS AND ABBREVIATIONS

CBA: Commercial Bank of Africa

CBK: Central Bank of Kenya

CGAP: Consultative Group to Assist the Poor

FinTech: Financial Technology

FSD: Financial Sector Deepening

GSMA: Groupe Special Mobile Association

GDP: Gross Domestic Product

KIPPRA: Kenya Institute for Public Policy Research and Analysis

MFS: Mobile Financial Services

MNO: Mobile Network Operators

MSEA: Micro and Small Enterprise Authority

MVNO: Mobile Virtual Network Operator

NCBD: Nairobi Central Business District

SMEs: Small and Micro Enterprises

SPSS: Statistical Package for Social Sciences

ABSTRACT

Small and micro enterprises are an essential fragment of many countries. In Kenya, for instance, the small and micro-enterprise area accounts for more than fifty percent of new opportunities created. Small and micro enterprises experience challenges when trying to acquire official lending from traditional banking processes and this affects their development. The deficiency of loans is a key inhibition to the growth of the small and micro-enterprise sector. Restrained access to proper finance because of inadequate and lack of competence to provide financial services is a constraint to the advancement and expansion of the sector. However, mobile lending has provided small and micro enterprises with a chance to acquire credit for their business financing. The current research sought to establish the impact of mobile credit on the growth of small and micro enterprises in Nairobi City County, Kenya. The research was steered by the ensuing specific objectives: to determine the influence of mobile loan eligibility, to determine the influence of mobile loan structuring, and to establish the influence of mobile loan accessibility on the growth of small and micro-enterprises. The research was steered by; the technology acceptance model, credit rationing theory, and financial growth life cycle theory. The study utilized a descriptive research design and questionnaires were used as the primary research tool. The target population was a total of 1539 small and micro enterprises respondents operating within Nairobi Central Business District, hence obtaining a sample of 317 small and micro enterprises as respondents. The survey employed a stratified sampling technique where the population were split into seven strata depending on the sector the firm is operating in. The sample population units were subsequently chosen using simple random sampling. The study findings revealed that mobile loan eligibility has a positive and significant effect on the growth of small and micro enterprises ($\beta= 0.582$; $p<0.05$). Equally, mobile loan accessibility has a positive and significant effect on the growth of small and micro enterprises ($\beta= 0.407$; $p<0.05$). Finally, mobile loan structuring has a negative and significant effect on the growth of SMEs ($\beta= -0.178$; $p<0.05$). The study concluded that customers who have a good credit score, as well as a lack of collateral obligations, influence successful loan applications. In addition, the size of loans advanced affects how the needs of the business are met, and most importantly, favorable loan facility processing fees also affect transaction costs. Finally, automation of loan products has improved credit access. The main reasons that borrowers choose mobile loans are convenience and ease of access. The study recommends that small and micro enterprises should strive to maintain good credit scores to improve their eligibility for loan applications. Furthermore, clients should be provided with a fair repayment plan that allows them to pay the loan in a more structured manner. Moreover, since mobile loans are convenient and simple to utilize, the government should allocate more resources to digital lending platforms. This will help in increasing credit access for previously marginalized people.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Promoting grassroots economic and equitable sustainable growth has been the purpose of SMEs globally (Wairimu & Mwilaria,2017). Already grown and growing economy constantly relies on small businesses to trigger and sustain the growing economy and equitable development. Although there has been a lot of contributions offered by small and micro enterprises (SMEs), several limitations continue to hamper SMEs from growing. These constraints include; finance / credit access (Quartey, Turkson, Abor & Iddrisu, 2017). Globally, governments have focused on SMEs care. This can be attributed to unsuccessful attempts to promote economic growth by relying on big industries. SMEs have been recognized for their significant contribution to the development process, reducing poverty and economic growth engines (Esiebugie, 2016).

According to a study by the Organization for Economic Cooperation and Development (OECD), Micro and small enterprises (MSEs) accounted up to 53% and 86% of all jobs in the UK and Greece respectively in 2017 (Kamal-Chaoui, 2017). The study further found that in a developing economy such as Peru, 98% of private business enterprises are SMEs and account for 42% of the state's GDP and job creation of about 60% (Kamal-Chaoui, 2017). The World Bank also estimates that seven out of ten formal employment opportunities are produced by SMEs (World Bank, 2019). It also estimates that by 2030 the global workforce will need 600 million jobs, making the expansion of the SME sector a preference for many governments.

In Europe, SMEs are the backbone of the regional economy, where the sector provides about 67% of total jobs in the private sector (EU, 2016). The data researched shows that in South Africa, SMEs offer employment opportunities for up to 47% of the nation's working population. The sector also contributes a supplementary 20% of the state's GDP and is responsible for around 6% of total tax revenue (Liedtke, 2019). According to Ayele (2018), the number of SMEs established in Ethiopia increased from 51,983 in 2010/2011 to 271,519 in 2014/2015, and employment generated by these businesses increased from 806,322 to 2,800,000 respectively.

In addition to the important part undertaken by SMEs in economic advancement, the concerted efforts of many governments to promote their growth, it is estimated that approximately 70% of SMEs are closed during their first three years of operation (Douglas, Muturi & Ochieng,2017). Otar (2018) also noted that approximately 45.4 to 51% of these businesses survive more than 5 years and approximately one-third of these establishments get past 10 years. The main causes of this trend are lack of money, lack of market for their outputs, lack of the right team, fierce competition, and difficulties in the price of certain industrial products. Indeed, insufficient funding is among the major impediments to the advancement of SMEs. It is one of the most identified challenges SMEs in emerging economies face (World Bank, 2019).

In Kenya, micro and small businesses hold a significant part in the financials' development. Most financial institutions do not offer SMEs credits due to their catastrophic rates, which makes it difficult for lenders to assess their viability. Kenya's National Bureau of Statistics

(Kenya NBS) conducted research (2017) and demonstrated that about 400,000 small, micro and medium businesses fail to survive their second year. A very small number can sustain themselves to the fifth year-leading to concerns about the sustainability in this sector. SMEs owned by youth fail to get finance because marketplaces prefer supporting reputable businesses (Mwangi and Namusonge, 2015).

The ability to get funding and loans is very important in nourishing livelihoods as well as growing micro-enterprises. Inability to acquire such funds and credit slows down development. Recognized fiscal establishments consider these enterprises as uncertain and loss-making, and are, therefore, cautious to lend them(Olugbenga & Masshigo, 2017). Owning of SMEs by the youth is hampered by age and employment status because they are unemployed and are way below the age that commonly access bank loans. The growth and expansion of SMEs greatly rely on access to credit (Wambui, 2015). Inadequate fiscal resources are a huge setback to the SMEs' progress in Kenya (Suryadevara, 2017).

As noted by FinAccess (2016), and GSMA (2015), digital services have provided people in the developing world an opportunity for increased participation in not only their economy but also in global economy. Appreciating success of mobile penetration and mobile money services in Sub -Saharan Africa and specifically in Kenya is very important. Taking into consideration the economy importance of the SME sector, especially as a catalyst for economy progress but one that is dogged by the persistent challenge of accessing credit its necessary to appreciate impact of digital lending services in SME sector as a whole. Availability of financial services is crucial in the expansion of micro and small businesses

(MSEs) (Pei-Wen, Zariyawati, Dian-Róse, & Annuar, 2016). The main driver of mobile phone loaning is the fast and credit or loan services are easily accessible by SMEs in contrast to recognized monetary creditors demanding guarantees and formal signing before giving credit. (Lore,2019). To acquire credit, a high- interest rate is charged by most lending organizations, which deters SMEs from acquiring loans with them. (Githuku,2019). This is why the current study pursues the influence of mobile loan eligibility, mobile loan structuring, and mobile loan accessibility toward the growth of SMEs in NCBD, which is Kenya's Nairobi City County.

1.1.1 Mobile Credit

Globally, mobile financing services have spread across various countries with more than 60% of its services available in developing countries around the world. The world's underprivileged people interact with institutions that can offer conventional credit scoring an example is observed in a Latin American Country with only 34% of its adult population owning bank accounts versus 89% of families owning mobile phones (Björkegren & Grissen, 2018).

Mobile Credit offers amenities to its clientele using mobile devices accessible to the neglected (GSMA, 2016). The three major and well-established features in mobile credit products are; the applicant's credit rating, loan expenditure, and loan settlement (Hamp, Agwe & Rispoli, 2016). Mobile credit and traditional credit can be distinguished using three key features. These are, namely, "Instant, automatic and remote". Credit rating choices are possible in just seconds and within a day of request, which makes mobile credits instant; they are automated since they operate within pre-set structures defining a lender’s credit

merit and limits, customer management, and collection, while remote means all loan applications, disbursements, and repayments are done without having to physically visit the lending entities (Chen & Mazer, 2016).

Advancement in technology over the last two decades has reshaped how people do business and how businesses operate. The ubiquitous mobile phone has taken the impact of technology further by enabling individuals and business people to be connected most of the time. More importantly, it enables people to do financial transactions on the go 24 hours a day. Though the impact of advancement in technology has been felt across the globe, its effect on developing economies and especially in countries situated below sahara desert in Africa has been transformational. Through the sixth month of 2015, Sub-Saharan Africa had 386 million mobile phone subscribers a figure that is expected to increase to 586 million by the turn of the decades. Despite having the lowest mobile phone penetration globally, mobile subscription has been seen to grow fastest in Sub-Saharan Africa.As smart phones that allow for deployment of more dynamic services and mobile broadband gain momentum globally, Sub Saharan Africa keeps this pace and is expected to increase its broadband penetration from 20% to 60% in four short years with an additional 400 million smart phones (GSMA,2015).

In countries with low incomes, digital credit has been on an upward trend. This has been mostly in sub-Saharan Africa. In Kenya, for example, a small rate credit and savings service, M-shwari, has greatly grown since its launch in late 2012 (Cook and McKay 2015), since, there have been new deployments penetrating the market each year. Different models have

been formulated by digital marketers to attract and deliver credit to their users. Using the largest provider of telecommunication (Safaricom), one of its platforms, M-pesa, has been used by players M-shwari and KCB M-pesa to reach customers, create limits and offer credits and manage repayments. More players have come up in the market and utilize bank data together with credit data to target customers, this includes Equity Bank with the use of Equitel, while FinTechs like Tala and Branch have come up with applications that can be installed in android and other mobile operating systems to gain phone usage information to attract (Totolo, 2018).

According to Finccess (2016), up to 75.3 percent of Kenyans are currently economically involved by having an account for mobile money and/or a formal or informal bank account. The Micro loans service launched with Commercial Bank of Africa has had a big impact as the bank's loans accounts grew from 89,000 in 2012 at the time of launch to 2.8 million loans and 7.2 million saving account customers at the end of 2014,making it the lender with the highest loans and savings accounts in Kenya (Cook & McKay,2015). The availability and accessibility of mobile credits have been essential in meeting the urgent and unexpected needs as well as capital for inner-city micro-enterprises which may not be easy to acquire from formal lenders (Mazer and McKey, 2017).

1.1.2 Growth of Small and Microenterprises

The Small and Micro Enterprise in Kenya (SME) Act defines a small business enterprises as a business or a profit-making entity which onboards less than ten individuals and with an annual gross revenue of less than Kshs 500,000. Small enterprise, on the other hand, refers to a firm or business activity which employs 10 to 50 individuals and with a productivity of

between Kshs half million (500,000) to Kshs 5 million. The lack of access to affordable finances, skills, and capacity to appreciate financial support has affected the growth of many micro enterprises (MSEA, 2018).

In many countries, SME development has been negatively impacted by limited access to credit. The partial availability of credit has impacted the development of SMEs negatively in several states (Suryadevara, 2017). The main social and economic elements that affect the expansion and viability of small businesses are increasing SMEs' access to capital and having managerial expertise (Kamunge, Njeru& Tirimba, 2015). Studies have discovered that SME growth in Kenya is influenced by the disposal of credits to businesses. Possession of enough funds is directly linked to the expansion of micro and small businesses in the Kenyan market (Mayabi, 2015). The SMEs sector has continually been constrained by inadequate access to formal financing from lenders.

Economic Survey of Kenya report (2018) shows that more employment opportunities are being created within the informal sector, which makes it an important sector in the economy. This report credits over 700,000 jobs created in 2018 to the SME sector. This is a percentage of about 83.4% of all new opportunities in the state. The employed people include casual laborers who work for households, factories, farms, and the transport sector, which showed a general substantial development within the sector.SMEs comprise over 90% of all established businesses in Kenya, accounting for over 75% of all jobs in the economy (Kenya Bankers Association,2019). According to the KNBS, 14.9 million Kenyans are employed in the SME sector with a contribution of about 33.8% of Kenya’s GDP. With regards to gross

value-added, the sector contributed approximately KSh 1,780 billion while the whole economy had KSh 5,668.2 billion (KNBS, 2016). According to KIPPRA (2020), in recent years, Kenya has had significant and consistent economic growth. A strong macroeconomic environment, political stability, large public infrastructure projects, and increased domestic demand have all contributed to this resurgence.

Totolo (2018) notes that small and micro enterprises mostly operate in city estates and along major highways. Small enterprises are crucial to the growth of a state since they greatly contribute to creating employment in the economy. Many micro and small business enterprises operate within Nairobi, these micro-enterprises conduct different businesses,which include selling clothes and shoes,health and beauty products,food and beverages, ICT gadgets; and many more.Within the CBD,over 50% of micro-enterprises rely on various forms of credit or microfinance services for their survival (NCBD, 2015).

1.2 Statement of the Problem

In the previous few years, banks have partnered with various service providers and software developers to provide mobile-based loans to small and medium-sized businesses as competition increases within the industry. Mobile credit is one of the best distractions for the financial services sector in the country and has become a competition for lenders, giving them easy and broad access to customers. Mobile financial services (MFS) comprises of myriads of financial services, these include refunding and savings, current accounts, investments, loans, and insurance. Mobile telephone credits are the major of the monetary products provided by telephony monetary services (Chironga, De Grandis & Zouaoui, 2017). It is considered as the major innovation of the greatest contemporary advancements

in the monetary services industry, providing financing to small and medium-sized businesses.

Availability of funding and lending is crucial to the sustenance of lives and improving microenterprises. Inability to access credit constantly hinders development. Microenterprises are viewed by recognized lenders as uncertain and as lacking profit. They are therefore slow to avail credit to them (Sanya, & Polly, 2017). Research has been conducted on mobile loaning. According to Wainaina (2017), the findings of Kenyan financial institutions' mobile credit monitoring strategies and effectiveness found that the duration between securing a loan and its repayment positively influenced the fiscal effectiveness of financial institutions in the Republic of Kenya. Primarily, financial banks were studied in this study, not small businesses. In Ongata-rongai, Kenya, Mollo (2017) led a study on M-shwari loan accessibility and its impact on investment and employment in Youth-Owned SMEs. The study focussed essentially on employment and ventures in youth-owned SMEs. Furthermore, Lore (2019) did a study on how mobile phone uptake is affected by various factors amongst Nairobi's Central Business District's medium and small retailers. This research focused on the factors contributing to the growth of mobile phone loan uptakes among SMEs, whereas the current research will concentrate on the effect of mobile credit on the development of SMEs.

However, a thorough examination of the influence of mobile telephone loans on the advancement of this sector in the Kenyan market is critical. In light of the gains made on digital platforms in Kenya as highlighted in the M-Pesa timeline (Helix Institute of Digital

Finance, 2015) and the gains made in the micro lending partnership between CBA and Safaricom (Cook & Mckay,2015), there is a need to analyse mobile credit by SMEs. Consequently, this research sought to determine if mobile credit is satisfying the credit needs amongst the SMEs and how SMEs use mobile loans.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to determine the influence of mobile credit on growth of small and micro-enterprises in Nairobi City County.

1.3.2 Specific Objective

The specific objectives of the study are

i. To determine the influence of mobile loan eligibility on growth of small and micro enterprises in Nairobi City County.
ii. To examine the influence of mobile loan structuring on growth of small and micro enterprises in Nairobi City County.
iii. To establish the influence of mobile loan accessibility on growth of small and micro enterprises in Nairobi City County.

1.4 Research Questions

i. What is the influence of mobile loan eligibility on growth of small and micro enterprises in Nairobi City County?
ii. What is the influence of mobile loan structuring on growth of small and micro enterprises in Nairobi City County?
iii. What is the influence of mobile loan accessibility on growth of small and micro enterprises in Nairobi City County?

1.5 Significance of the Study

The current study will render available data vital to the employment of effective measures to positively change policies, infrastructure, and aspects that may lead to the positive impact of SMEs. The study will provide SMEs with knowledge on ways to acquire mobile credit, it will also be crucial in the contribution of surplus literature for studies conducted in this industry.

The study will provide financial institutions with a positive way to advise customers on mobile credits due to the availability of information. Growth monitoring will also be possible, hence profit maximization for SMEs. Academicians and other researchers will have the study at their exposure and therefore make a review of past literature and comparisons possible. Small and Microenterprises will be elevated in understanding the advantages of mobile lending. Findings from the study will ease decision-making on sourcing funds to expand businesses.

1.6 Scope of the Study

The current research sought to explore mobile credit and growth of small and microenterprises within Nairobi City County. The unit of analysis composed of small and micro enterprises which have been in existence since the beginning of January 2015 to transaction closure by 31st December of the year 2020. Over this period, the prevalence of mobile loan uptake increased more than twofold. The study used collected primary data from business managers, owners, and employees of the various SMEs sampled for the survey.

1.7 Organization of the study

The research project is presented in five chapters: primarily, the initial chapter focuses on the background of the study, the study's specific objectives, the study's significance, scope,and the study limitations. Chapter two addresses the models that guided the current study as well as some empirical literature on the study. The third chapter of this project explores the study methodology which entails the research design, target population, sampling technique, data analysis techniques, and the ethical considerations that were observed during the research. The fourth chapter outlines the data analysis, results of the research, and interpretations. The fifth chapter deals with the key summary of results, the conclusion, and underpinning research recommendations.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section reviewed theories and empirical literature. Analysis of previous literature in line with the researchs' specific goals is assumed in this study. This section discusses relevant theories and explanation models that show SMEs are making use of Mobile credit. The section also outlines the conceptual framework that seeks to inform and elucidate the effect of mobile credit on SME growth.

2.2 Theoretical Review

The current theoretical review looks into some of the theories used by scholars in explaining the study, such as Technology acceptance model, credit rationing theory, and financial growth life cycle theory.

2.2.1 Technology Acceptance Model

This is a paradigm of information systems that depicts how consumers come to approve and use technology. Davis established the technology of acceptance Model in 1989. This concept describes new technological commodities and reasons that may lead to acceptance (Khraim, Shoubaki & Khraim, 2011). Sundara&Perera, (2018) portray ease of use as a measure of whether or not the use of new technology has or did not have challenges. The new-fangled technology's ease of use, requirements for the technology to learn or train on features, and skills that may be required to use technology are some of the difficulties that may be experienced. The theories proponents suggest that technology that may be challenging to use has a high chance of not being accepted. The theory further suggests that technology that may be easy to learn may be more likely to be received by the users (Karma, Ibrahim, &Ali, 2014).

access to finance among SMEs.Credit rationing theorists argue that actual financial structures, investment project strengths, and intentions to repay debt are only known by SMEs.This means that superior private information was possessed by firms (asymmetric information). Therefore, decisions made by bank managers were based on information asymmetry following a moral hazard and hostile risk selection.

According to Baldock, Deakins, North, & Whittam (2008), small firms that were starting up had a higher chance of being impacted by problems of information asymmetry. They argued that there was a limitation of information, lack of transparency, and knowledge-based assets that were exclusive to founding entrepreneurs. This was as a result of fear that lack of transparency that may be easily exploited by others. might make it easier for others to exploit.Gichuki, Njeru&Tirimba (2014) asserts that additional problems may be faced by some categories of SMEs due to inadequate security and youthful entrepreneurs from deprived areas. Asymmetry may also arise from the setting as well as the sector. In rural areas, for example, SME proprietors may find it difficult to access bank finance, they are also considered risky and may be more likely to be cautioned.SMEs may be willing to pay for the additional risks but sufficient interest rates to equate supply and demand may not be raised by banks. The existing premise is also befitting this current research in explaining why some SMEs with certain characteristics do not readily get credit from financial institutions than others.

2.2.2 Financial Growth Life Cycle Theory

The hypothesis of the life cycle of financial development was established by Berger and Udell (1998). This theory looks at firms on a size continuum, financing options available to

growing firms are also described. The financial growth Life Cycle theory includes changes in information availability and guarantees in unfolding available sources of finance to organizations over time. This theory holds that the funds need options of a business diverse as the commerce grows and get less informational deprivation. Thus the firm is likely to prosper if it's adequately financed (Coleman, 2000). This implies the complexity of the capital structure of the firm intensifies as the firm grows. Various studies conducted concur with the theory that inadequate financing was established to be the primary cause of most SME's failure (Ochanda, 2014).

Financial growth theory also predicts that the firms' growth will enable it to access venture capital (VC) source of the fund. Therefore the firm will become more transparent information wise hence gaining public equity and/or long term debts. The theory thus proposes that as the firm initiates or grows it needs adequate finance for it to be stable. This finance can be obtained from the digital platforms. The availability of the finance will enable the SMEs not only to grow but also to perform better financially (Coleman,2000). Financial growth theory therefore implies that mobile lending has a positive bearing on the growth of firms by catering for their ever-increasing financial needs.

2.3 Empirical Literature Review

2.3.1 Loan eligibility and growth of SMEs

Loan eligibility is a significant characteristic that affects the expansion of SME'S. The ability to repay the loan and the credit record are the most essential variables that commercial banks need to analyze. In addition, the financial institutions need to analyze borrowers' historical background, ability to repay the loan, collateral for the loan, credit

rationing, and credit reference report (Kisaka, 2016). Quartey, Turkson, Abor, and Iddrisu (2017) conducted a study in ECOWAS countries, the study's major focus was factors that limit SME financing. SMEs in West Africa were the major focus of the study, getting data from World bank enterprise data set surveys. Study findings were analyzed by the use of regression and correlation analytical framework. From this research, the size of the firm, how much credit information is available, and security strength was discovered to be the main constructs. The study can, however, not be generalized as it was researched for a county though the existing study seeks county-level information.

Putman, Mzer, and Blackmon (2021) emphasize that late loan repayment histories represent riskier debtors at these loan amounts, which could be mirrored in pricing. A comprehensive risk assessment is required to maintain acceptable loan quality. As a consequence, the historical significance of ensuring the Individual loan approvals' criteria and managing loan performance remains to be important. According to Wesselink (1996), financial mobilization through savings can be a good indicator of a customer's repayment capability because it shows whether their businesses are profitable enough to repay a loan. This is because the more they save, the more likely they are to be approved for a larger loan. Customers profit immensely from possessing secure and easy facilities to save their money while also having easy access to money, as well as having strong working relationships with financial institutions.

Auma (2018) analyzed aspects that affect bank loan effectiveness in improving SME performance in Kenya. Utilization of loans, managerial competence, and credit terms' effect

on the bank's credit performance was investigated. A population of 1527 in Kisumu city was studied, SMEs studied had a minimum of 3 members who acquired credit ranging from a minimum of 1 million and the highest amount being fifty million. Using structured questionnaires, primary sources of information were gathered while the secondary data was gathered by utilizing document analysis. An explanatory cross-sectional survey design was used in this investigation. It also utilized a proportionate sampling procedure to set aside 316 SMEs as the study's sample. They formulated structured questionnaires which were employed to gather primary data and acquire secondary data, document examination was accomplished. To establish the correlation between the effectiveness of SMEs and bank loans, the study used multiple regression and factor analysis. The study found out the major challenges for many SMEs are unavailable collateral, high-interest rates, and the cost of credit, which triggered bank credit less efficient in improving Small, Medium Enterprises' achievement. The study focused on country review, whereas this survey was determined to concentrate on NCBD in the County of Nairobi.

Gichuki, Njeru&Tirimba (2014) using the demographic target of 656 SMEs with a sample of 241 in Kangemi Harambee market sought to investigate challenges that face SMEs in accessing credit facilities in Kenya capital city municipality. The researchers used a descriptive study approach to distribute questionnaires and primary data collected revealed that SMEs were hindered by collaterals with strict requirements, repayments with high costs, the unwillingness of individuals seeking credit to get guarantors, and credit facilities requiring high processing fees and short credit repayment. The research emphasized on a specific market in kangemi whereas the existing survey reviewed several businesses and

markets within Nairobi City County. The study didn't utilize regression and correlation analysis, thus the current study will fill the gap.

2.3.2 Loan structuring and growth of SMEs

Githuku (2019) employed a descriptive research methodology in a target population of 30253 SMEs within Nairobi city in Kenya to examine the connection between loans amount accessed and growth of SMEs which was sampled to 395. The research used structured questionnaires to acquire primary data. An analysis was conducted and data was later inferred using both inferential and descriptive statistics.The research used multiple regression modeling. The conclusions revealed that primarily, there were no credit facilities availed to SMEs and if availed at all, the credit amounts were very small. These findings discovered that collateral required from SMEs was lofty and SMEs resulted in seeking their business finances from assets and savings. Results from findings also indicated high-interest rates and huge servicing costs for loans, which all hindered SMEs from accessing credit. The study recommends that credit lenders reassess collateral and requirements to make credit accessibility possible for SMEs.The study focused on loans amount accessed whereas the current study will focus on other constructs like the term, interest, and ease of loans of mobile credit.

In their research, Muhammad, Bambale, Ibrahim, and Sulaiman (2019) evaluated Loan Features, Loan Repayment, and SMEs Performance in Kano: A Mediating Model. The loan term and loan size were used to estimate loan characteristics. The data was put together using a sample of 108 SMEs. To come up with the sample, a simple random sampling technique was applied. Multiple regression in combination with Pearson

correlation statistics were applied to investigate data. According to the findings, it was noted that the quantity of the loan and the length of the loan have a favorable association with loan repayment. The research also found that the performance of small and medium businesses mediates the correlations that existed between loan amount, loan duration, and repayment. The research recommended that a regular magnitude of loan and repayment period ought to be maintained during offering loans and, where modification becomes compulsory, the commercial organizations need to set the scope of loan and repayment period founded on the borrower's pattern of cash as well as the pattern of their credit score to intensify repayment of loan profitability of the small-medium enterprises. The survey centered on the effectiveness of SMEs but the current research will focus on the performance of Micro and Small Enterprises in NCBD Nairobi City County. Furthermore, Kirui (2017) similarly affirms that nonperforming loans are caused by short loan repayment periods. As a result, a short loan repayment period could quickly result in a non-performing loan.

According to Mills and McCarthy (2016), scarce money or credit impacts small and large businesses differently: small businesses' short-term debt reduces, whereas large businesses' short-term debt rises. During instances of restrictive credit, small businesses' sales and inventories fall faster than large businesses. In another research, Msangula (2015) gathered data from 83 respondents to determine loan interest rates' effect on the development of SMEs. The study's major focus was on customers who receive loan services from Vison funds Tanga branch. The study included both quantitative as well as qualitative data collection procedures. Results from the findings indicated an effect of interest rates on

performance and development. This was from 68.7 % who responded yes. These results were reinforced by a further 44.6% who agreed to have experienced limited development of business capital while up to 39.8% continued to operate on small profits. Business capital can however experience slow growth if a loan seeker decides to acquire small amounts of loan due to the fear of high-interest rates. Furthermore, Edakasi (2011) affirms that when interest rates are high, many customers may be afraid to borrow since loan repayments are more expensive. It may be difficult for some consumers to maintain up with their current credit repayments, particularly if the rate of interest rises quicker than their revenue.

2.3.3 Loan accessibility and growth of SMEs

A study by Lore (2019) sought to analyze how mobile phone loans were affected by some factors in the SMEs in Nairobi.385 participants were chosen by employing a stratified random sampling procedure and the acquired statistics revealed that simplicity and how fast credit could be acquired by SMEs drove mobile phone loans. by employing a descriptive survey study methodology and afterward descriptive statistics the study described demographic variables. This research was then examined using linear regression as well as the correlation analysis method. Findings from the research defined other drivers for credit as high operating costs and the fact that SMEs do not mind high costs of credit as long as it is available to them. The researcher, therefore, indicates that this sector is likely to continue growing and recommends that formal lending institutions such as banks come up with more accessible products. It is also recommended that these institutions reduce sanctions involved in lending, cut down on collateral demand while being flexible on the type of collateral, and avail loans faster. This study focused on how mobile phone loan uptake was affected by some in Nairobi's commercial center, whereas the present research will pay attention to the

effect of mobile credit on the profitability of SMEs within the city of Nairobi.

Okiro (2016) presented findings on access to digital finance and how it affected the growth of SMEs in Nairobi. Adopting a causal design and descriptive design, the research employed a combination of proportional sampling as well as stratified sampling techniques to draw 230 participants. Findings from the study revealed a 45.0% credit access level on digital platforms and that the way SMEs perceived these platforms contributed negatively to credit access. According to the study findings, many respondents who had previously not used any digital platforms to access loans assumed they were overly costly. The research also found an existing relationship between the extent to which a business flourished in turnover and cash flow from frequent access to loans from digital platforms. Access to credit affected business financing in terms of cash flow and this impacted the growth of these businesses. For the research study, linear regression and correlation testing were not utilized. The survey focused on medium and small enterprises, while the current study will take a small and micro-enterprise approach..

According to the research conducted by Odundo (2019), he opines that Kenyans without traditional bank accounts or whose earnings are inadequately predictable to allow them to borrow from traditional financial institutions appear to be filling a void that mobile loan services appear to be addressing. These services have enhanced access to loans, and as a result, many people who would otherwise be unbanked have profited from these digital money services. However, Johnen Parlasca and Mußhoff (2021) caution that when related to non-performing credit in other loan markets, up to 90 percent of all blacklisting is

attributable to mobile credit borrowing, which is comparatively related to greater defaulting rates in the digital loan market, but also due to a larger possibility that defaults on digital credit will lead to in the borrower's blacklisting

Otieno (2020) in his research pursued to establish how cell phone loans affected the effectiveness of SMEs within the larger Kisumu county. The research's major variables were the nature of the use of these credits, what methods were used to repay them, and whether they proved convenient. The study used a sample of 383 to gather information using questionnaires. An assessment was further performed using both the inferential analysis and descriptive analysis after computation using SPSS statistics. The study concluded that the nature of use and convenience positively influenced the effectiveness of SMEs.This research didn't utilize correlation and regression analysis but this study will fill the gap.

2.4 Summary of Literature Review

The researches reviewed by previous researchers show some of the serious challenges experienced by SMEs acquiring financial loans from financial institutions. The fact that most of them do not have real assets to use as collateral and their high rates of failure make them too risky to be considered for loans.As such,most of their loans applications are normally rejected even when they have demonstrated realistic plans to repay those loans. This is affecting their ability to grow because they suffer a financial gap. Mobile credit solutions are on the rise of being considered to bridge the financial gap, previous researches have, however, not highlighted the effect of mobile credit on the effectiveness of SMEs'.This provides the motivation to determine the effect of mobile credit on the growth of SMEs in Kenya, with specific focus in NCBD, Nairobi City County.

Table 2. 1: Summary of Literature Review and Gaps

Researcher/Year	Study Focus	Study Findings	Gaps & Current Study Focus
Otieno (2020)	How mobile-based loans impacted SMEs within Kisumu county	According to the findings, the structure and ease of mobile phone-based loans had a beneficial impact on SMEs' efficiency.	The previous study focused on mobile credit in Kisumu County, but the present study will take place in Nairobi City County.
Githuku (2019)	Relationship between amount of loan accessed and profitability of SMEs In City County of Nairobi	The research discovered high-interest rates by lending institutions to be a major reason why SMEs shy from these loans.	The study focused on loan amounts accessed, whereas the current study will focus on other constructs like terms, interest, and ease of accessibility of mobile credit.
Lore (2019)	Which factors influenced the uptake of mobile phone loans among Nairobi CBD small and medium traders?	The research discovered some of the drivers for mobile phone credits to be how easily they could be accessed and how fast they could be processed, unlike formal lending institutions.	This study focused on ease and speed of access to mobile phone loan uptake in NCBD, whereas the current study will focus on the impact of mobile loans on the growth of MSEs in NCBD Nairobi City County. The research used only descriptive statistics with the exclusion of inferential statistics.
Muhammad,Bambale,Ibrahi and Sulaiman (2019)	Attributes of loan, repayment, and how it affects micro and Medium-Sized Enterprises in Kano Metropolitan	According to the findings, loan amount and loan duration have a positive substantial link with loan payback. It was also discovered that the performance of SMEs partially mediates the association between loan size, loan duration, and payback.	The research focused on loan tenure and loan size and performance of SMEs in Kano Metropolitan. The current study will focus on three independent variables of mobile credit and their influence on the growth of SMEs.
Auma (2018)	How bank effectiveness is affected by some factors and how this influences the effectiveness of Kenya's small and micro-businesses with scientific evidence of Kisumu City	The study discovered that some of the major challenges for most SMEs that deem credit less effective are credit costs, amount of interest charged, and unavailable collateral when acquiring loans.	The research centered on rates of credit costs, and lack of collateral. The present study will pay attention to three predictor variables of mobile phone loans in the development of SMEs in NCBD, County of Nairobi.
Quartey, Turkson, Abor&Iddrisu	Constraints of SME financing within ECOWAS.	The study discovered that access to finance strongly relies on the size of a firm,	The current study seeks findings from a devolved county while the previous study

(2017)		ownership, how strong the legal rights are, and available credit information. Some other factors that were discovered include orientation to export and how experienced the top manager was.	studied a whole country.
Okiro (2016)	How SMEs' performance in Nairobi, Kenya, is affected by digital financial access to loans.	Findings revealed that 45.0% of the population approved access to loans via digital platforms. The study also revealed that business growth shown through turnover was affected by the availability of cash flow which was accessed through digital financing platforms.	The study concentrated on the degree of approval of credit accessibility on online platforms. The current study will focus on mobile credit and the growth of SMEs. Correlation and linear regression analysis techniques were not utilized.
Msangula (2015)	A study centered on Vision Fund Tanzania in Tanga City looked at the impact of lending rates on SMS performance and growth.	68.7 % of the population responded Yes to interest rates charged on loans affecting the performance and growth of SMEs. response.	The research concentrated on one variable loan interest and SMEs' performance and growth in Tanga City. The existing research will emphasize the influence of Mobile Credit on the profitability of micro medium enterprises in NCBD, Nairobi City County.
Gichuki, Njeru&Tirimba (2014)	Problems Affecting Small and Medium Businesses in Obtaining financial services at the Nairobi City County within Kenya's Kangemi Harambee Market.	From the research findings, SMEs were hindered from accessing credit by challenges such as repayment costs being too high, requirements for collateral being too strict, refusal of individuals to act as guarantors for individuals acquiring loans, and institutions giving a very short repayment period.	The study focused on the cost of repayment, lack of collateral, and lack of guarantors. The current study will focus on the three independent factors on mobile loans and the effectiveness of Small medium enterprises in NCBD, Nairobi City County.

2.5 Conceptual Framework

A conceptual framework is used to differentiate hypotheses and arrange ideas in a visual frame. It contains different disparities and contexts of the study variables. Figure 2.1

displays the conceptual framework for the dissertation. The dissertation realizes that lack of access to credit is a challenge faced by many SMEs.Adoption of mobile lending solutions thus provides SMEs with a new opportunity away from the traditional loans application methods that are bureaucratic in nature and deny many of them access to credit facilities.In this framework,loan eligibility,loan structuring,and loans eligibility provide the basis for the predictor variables. The outcome or dependent variable will be the growth of SMEs with sales as the unit of measure**.**

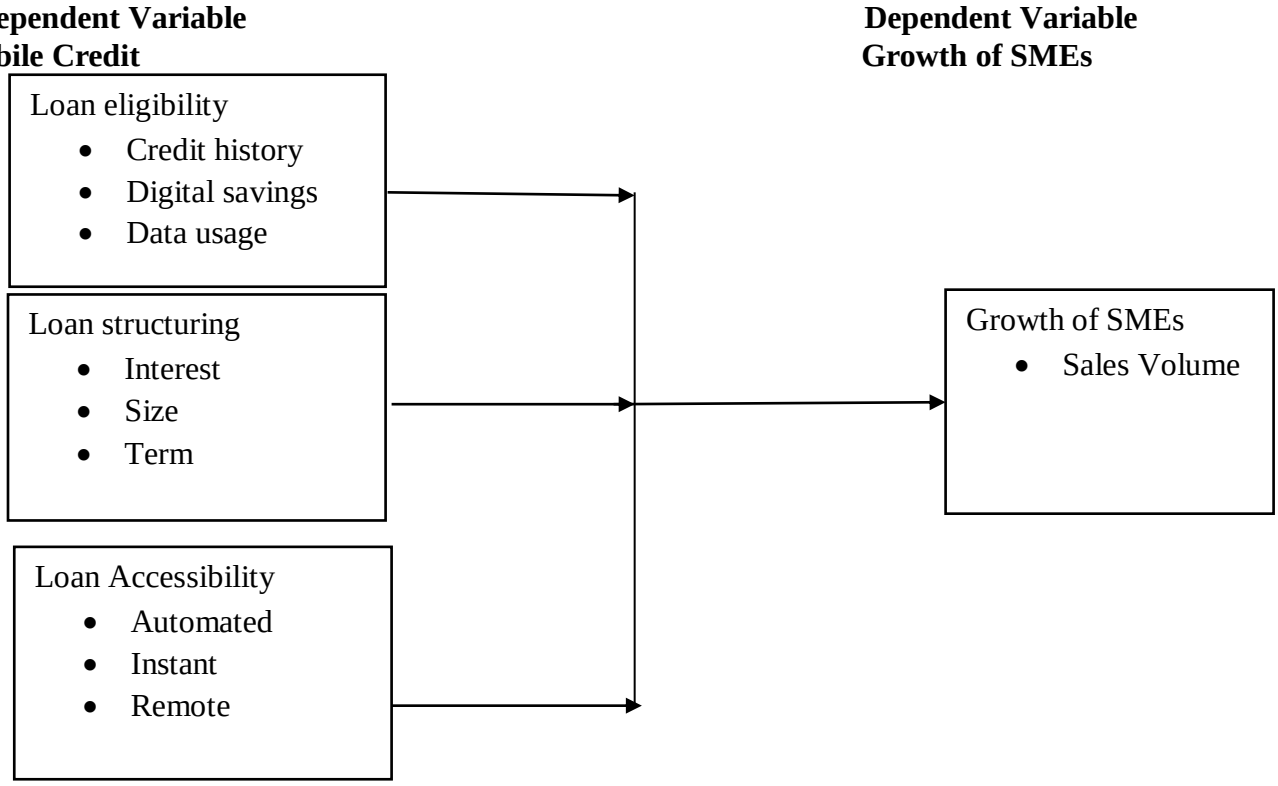

Figure 2. 1: Conceptual Framework

Source:Researcher(2022)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines and discourses the procedure of conducting survey research which was employed to meet the studys' objective of examining the influence of mobile credit on the growth of SMEs in Nairobi City County. This section also provides information on the study's target population, the instruments that were used for the collection of data, how data was analyzed, and processes that were taken to obtain validity as well as reliability of the survey questionnaires.

3.2 Research Design

The study utilized descriptive design as well as inferential statistics. A descriptive survey is defined by Rvind and Vijay (2013) as correlating to facts of a specific study. The descriptive survey design was better suited to the study since it helps in providing a detailed examination of the effects of mobile credit on the growth of SMEs. Quantitative approach was adopted to analyze the study variables that will be later presented using charts, tables, and later analyzed to determine the underlying causes and effects of various variables under study.

Clark and Creswell (2010) posit that this particular research design is primarily concerned with data collection in numerical form. This design will be suitable for the present study to allow the researcher to obtain data from the selected population using a similar instrument at the same time. The study descriptive design is also suitable for this research because participants were required to contribute information using research questionnaires, and the researcher would then report the findings.

3.3 Target Population

The research by Cooper and Schindler (2014) explains that a population is a group of components used by a researcher to obtain data and make inferences. The target population is the complete rudiments of the selected population components important to the study. The population is a group of individuals, things, or occurrences of importance that the researcher desires to explore and use sample statistics to make inferences. Saunders, Lewis& Thornhill (2012) explain that a population is a collection of entities, things, items with which a researcher picks and samples and uses to obtain data and make certain inferences.A study by Alvi (2016) opines that a target population are all the objects who meet a specific researcher criterion for a research purpose. The current study population comprised of SMEs operating within Nairobi City County.According to records from Nairobi City County Government there are 8,259 registered SMEs(Nairobi City County, Licensing Department,2018) with 1539 SMEs found within the Nairobi Central Business District. The target population comprised SMEs from different sectors including general trade, manufacturing, Hospitality, Education&entertainment,professional & technical,transport &communication, and agriculture. Table 3.1 below shows the population distribution, which shows the categorization of SMEs.

Table 3. 1: Population Distribution

Classification of SMEs	**Population**
General Trade	247
Transport &Communications	231
Agriculture	211
Hospitality	205
Professional and Technical	217
Education and Entertainment	207
Manufacturing	221
TOTAL	**1539**

Source: Nairobi City County, Licensing Department(2018)

3.4 Sampling Design

Saunders, Lewis & Thornhill, (2010) define a Sampling design as a working plan that provides details about a population frame, the sample size, and the process of selection as well as explains the method in detail. Determining the attributes of the population is the major goal and concern of the sampling design (Saunders, Lewis & Thornhill, 2010).

The sample of the survey was identified using stratified sampling technique. A stratified sampling technique was adopted where seven (7) strata were identified based on the type of businesses in Nairobi Central Business District. Simple random sampling technique was then employed within each stratum to choose a sample within the population.

3.4.1 Sampling Frame

A sampling frame is an index of items from which a case can be chosen or a physical representation of items in the population from which the sample is obtained. A sample frame reliably represents the target population about which it wants to make guesses (Robertson and Sibley 2018).

Table 3. 2: Sample Frame

Classification of SMEs	Population	Percentage	Sample
General Trade	247	16	51
Transport &Communications	231	15	48
Agriculture	211	14	44
Hospitality	205	13	42
Professional and Technical	217	14	44
Education and Entertainment	207	14	44
Manufacturing	221	14	44
TOTAL	**1539**	**100**	**317**

Source: Nairobi City County, Licensing Department(2018)

3.4.2 Sample Size

The Yamane (1967) formula was used to determine the sample size for the research. This is a significant scientific formula used to calculate samples from study set target populations. The sample size calculation was:

$$n = \frac{N}{\{1 + N\ (e^2)\}}$$

- Where n = will be the anticipated sample size
    - N=the whole population (target population)
- e = is the allowable error, in this case, e=5%
- Therefore the desired sample size n =1539/1+(0.0025*1539)=317

Hence, from the calculation and selected target population of 1539 SMEs, the sample size was 317

3.4.3 Operationalization and measurement of Variables

This segment outlines and operationalizes the main research variables. The variables are independent as well as dependent variables.

Table 3. 3: Operationalization and the Variable Measurements

Variable	Category	Operationalization	Measurement of Variables
Mobile Loan eligibility	Independent	Eligibility is how likely you are to be approved for a mobile loan, based on your credit information.	Four-point Likert scale based on • Credit history • Absence of collateral requirements • Digital savings account • Early repayment of loans
Mobile Loan structuring	Independent	Loan structure is the terms of a loan concerning the various aspects including the maturity, repayment, and risk.	Four-point Likert scale based on • Interest rates/cost of repayment • Repayment period • Size of the Loan • Loan processing fees
Mobile Loan accessibility	Independent	Individuals' and businesses' capacity to receive credit is referred to as accessibility.	Four-point Likert scale based on • Automation of financial services • Applying for loans remotely • Instant loans direct to the phone • Variety of mobile credit platforms
Growth of SMEs	Dependent	Growth refers to an increase in the volume of sales.	• Average annual sales

Source:Researcher (2022)

3.5 Data Collection Instruments

Data assemblage or gathering is defined as a way through which desired information is collected from a specifically selected population. This information is gathered by researchers and presented conventionally in a way relevant enough to answer research questions (Lewis, Saunders & Thornhill,2012). The study utilized a questionnaire as the chief data compilation tool. The questionnaire had three segments; the first segment focused on demography while the next two sections outlined information based on the study research objectives. Saunders et al. (2016) perceives a questionnaire as a tool that can measure self-sufficiency, ongoing relationships, objects, or occurrences accurately. It is also perceived to measure beliefs and behavior. Questionnaires also provide information that is recorded and coded to provide data for descriptive, inferential, and correlation analysis.

In the study, the questionnaire used a Likert scale to get information for different study questions. This enhances the quality of gathered information and affirms why it was selected for the study. A Likert type scale is ordinal and contains a varying set of qualitative attributes of the study variables. This is arranged in sequence from least to most (Nunnaly & Bernstein, 2014). In addition, the wide applicability of questionnaires in studies relating to SMEs makes it appropriate for this study.

3.6 Pilot Testing

Piloting is a comprehensive procedure that enhances the authenticity as well as consistency of the survey study (Dornyei, 2003). For the piloting stage, the research conducted a rigorous exercise that sought to ensure that the instrument validation was confirmed. While refining the research instrument, the study ensured that respondents get a first-hand experience of the context being studied during participation. The pilot population was 10%

of the selected sample size to be studied. The pilot size is informed by scholars such as Mugenda and Mugenda, (2003) who consider a tenth of the sample population sufficient for a pilot. All participants who were employed in the piloting stage were not applied for the actual study to prevent possible contamination and any resistance from respondents.

3.6.1 Validity Test

Bowing, (2009) outlines validity as the quality or measure to which an instrument adapts to create knowledge or truth. In this regard, an instrument should be accurate and answer the right questions. When research inferences are accurate and meaningful, they are said to be valid. To determine questionnaire validity, this study employed content validity. Before the actual study, a pilot study targeting five randomly selected SMEs was conducted. Piloting ensures that any lingering grammar errors will be caught and corrected to ensure the final questionnaire is not misinterpreted.

3.6.2 Reliability test

According to Bowling (2009), to measure whether an instrument is reliable requires it to the degree to which it produces steady results when used repeatedly. When used, a research instrument should elicit the same response over and over. To compute reliability, Cronbach's Alpha coefficient was used as the measurement statistics.

3.7 Data analysis and presentation

In the existing study, the data was analysed and guided by research objectives and the measurement of gathered data. Equally, descriptive and inferential statistics were applied in the examination of the set objectives. To describe patterns of the survey's key variables, a descriptive analysis was conducted. The primary data gathered from questionnaires were

reviewed, edited, and coded. The coded data were inputted into SPSS Version 26 and then both descriptive and quantitative statistics were applied for evaluation and examination of the variables. The frequency distribution, standard deviation, and percentages were among the descriptive statistics employed in this investigation. The inferential analysis that were used in this study comprises of Pearson correlation analysis as well as multiple linear regression model.

3.7.1 Empirical Model

To outline the association between study variables, the research adopted a multiple regression. The study conducted pre-requisite tests which included multicollinearity and linearity before conducting linear regression. The regression equation is as indicated below:

$Y= \beta 0+ \beta 1X1+\beta 2X2+ \beta 3X3+ e$

Where, Y=Growth of SMEs

$\beta 0$= constant

X1= Mobile loan eligibility.

X2= Mobile loan structuring.

X3= Mobile loan accessibility.

e: Error term

β, $\beta 2$, $\beta 3$ = the coefficients of independent variables. Using this model, a 5% level of significance was conducted on the study-specific variables. The R2 which is the coefficient of determination, the R coefficient of correlation, the F-test, and the ANOVA were all used to determine the significance of the analyzed data.

3.8 Ethical Considerations

Respondents sampled to answer questions were not coerced but were allowed to do so at will. Information collected using questionnaires was treated with discretion and only used to meet research objectives. Before enacting data collection, approval was sought from Kenyatta university.

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The systematic use of statistical and/or logical approaches to data is known as data analysis. Data analysis facilitates the description and depiction, evaluation, and summarizing of data. Besides, data analysis assists in the clarification of data gathered by recognizing trends, evaluating, and organizing the data, and so ensuring that the results are accurate. In this chapter, data was analyzed by descriptive and quantitative methods. The analysis began with the respondents' response rate, demographic, descriptive, and finally inferential analysis.

4.2 Response Rate

The response rate is the percentage of total survey responses that have been completed with respect to the total number of participants in the investigation. The finding was presented in Table 4.1.

Table 4. 1: Response Rate

Initial sample size	Returned sample	Response rate (%)
317	230	73

Source:Research Data (2022)

The sample size was initially set at 317. During data collection, 230 responses were successfully collected. This gave a return rate of 73%. It is believed that a high response rate provides sufficient and credible data for decision-making. According to Fincham (2008), for most surveys, investigators ought to aim for response rates of around 60% to confirm that the data is representative. The research response rate provides support for the study's findings and conclusions. A poor response rate may compromise the obtained data's statistical abilities and, as a result, the results' credibility.

4.3 Demographic Data

In this section, respondents' basic information relating to gender, age, educational qualifications, type, and age of business were analyzed. Initially, respondents' gender and age were analyzed through crosstabulation. The finding is presented in Table 4.2.

4.3.1 Gender and age crosstabulation

A comparison was made between gender and age using crosstabulation analysis. The findings are displayed in Table 4.2.

Table 4. 2: Comparison between gender and age

			Age					
			18-25 years	**26-33 years**	**34-41 years**	**42-50 years**	**Over 50 years**	**Total**
Gender	**Male**	Count	7	36	61	18	2	124
		% of Total	3.0%	15.7%	26.5%	7.8%	0.9%	53.9%
	Female	Count	18	44	37	5	2	106
		% of Total	7.8%	19.1%	16.1%	2.2%	0.9%	46.1%
		Count	25	80	98	23	4	230
Total		**% of Total**	**10.9%**	**34.8%**	**42.6%**	**10.0%**	**1.7%**	**100.0%**

Source:Research Data (2022)

Generally, the study found that 53.9% were males while 46.1% were females. It was observed that 26.5% were males aged between 34-and 41 years while 19.1% of female participants were between 26 and 33 years of age.

4.3.2 Educational Qualifications

The educational level of respondents was evaluated in terms of their qualifications. The finding was described in Table 4.3.

Table 4. 3: Educational Qualifications

Characteristics	**Frequency**	**Percent**
Certificate Level	14	6.1
Diploma/Professional Course	116	50.4
Bachelor's degree	87	37.8
Postgraduate	13	5.7

Total	**230**	**100.0**

Source:Research Data (2022)

The study found that 50.4% of respondents had diploma/ professional course qualifications, followed by 37.8% with bachelor's degrees. It was noted that only 6.1 and 5.7% had certificates and postgraduate. Principally, these findings indicate that nearly all the respondents had skills in business development and management.

4.3.3 A comparison between age and type of business

It was imperative for the study to analyze the relationship between business experience and its corresponding type. The outcome of the investigation is described in Table 4.4.

Table 4. 4: Crosstabulation between age of business and type of business

			Type of business				
			Manufacturing	**Service**	**General trade**	**Agriculture**	**Total**
Age of business	1 - 3 years	Count	1	40	29	5	75
		% of Total	0.4%	17.4%	12.6%	2.2%	32.6%
	4 - 7 years	Count	21	48	18	26	113
		% of Total	9.1%	20.9%	7.8%	11.3%	49.1%
	7 - 10 years	Count	15	9	3	2	29
		% of Total	6.5%	3.9%	1.3%	0.9%	12.6%
	Above 10 years	Count	2	8	2	1	13
		% of Total	0.9%	3.5%	0.9%	0.4%	5.7%
		Count	39	105	52	34	230
Total		% of Total	17.0%	45.7%	22.6%	14.8%	100.0%

Source:Research Data (2022)

The type and age of business revealed that 20.9% were denoted by service industry who had up to 7 years of work experience. Agriculture was represented by 11.3% with experience of seven years. Specifically, the findings can conclude that majority of participants had worked for the past seven years, suggesting that the country had been experiencing tremendous economic growth. According to KIPPRA (2020), in recent years, Kenya has had significant and consistent economic growth. A strong macroeconomic environment, political

stability, large public infrastructure projects, and increased domestic demand have all contributed to this resurgence.

4.3.4 Reasons for Loan Application

Clients and individual business entities have different reasons for submitting an application for a loan facility. The findings are displayed in Table 4.5.

Table 4. 5: Reasons for Loan Application

Statement	Yes	No
Whether they ever acquired a loan through a mobile phone	90.4%	9.6%
Whether the loan was acquired for business purposes	87.6%	12.4%

Source:Research Data (2022)

The critical mass of participants (90.4%) established that they had previously acquired a loan through a mobile phone. Furthermore,87.6% affirmed that the loan acquired was meant for business purposes.

4.3.5 Type of Mobile Loan Service Provider

The type of mobile loan financing services used was analyzed to determine the utilization pattern of mobile credit services per credit provider. Descriptive analysis shows the finding as described in Table 4.6.

Table 4. 6: Type of Mobile Loan Service Provider

Type	Never	Rarely	Sometimes	Always	Mean	SD
M-Shwari	7.4%	0.4%	2.2%	90.0%	3.74	0.80
KCB M-pesa	17.8%	2.2%	14.3%	65.7%	3.27	1.14
Eazzy Loan	34.8%	54.8%	2.6%	7.8%	1.83	0.81
MCOOP cash	41.7%	53.5%	1.3%	3.5%	1.66	0.67
Stawi	67.8%	28.3%	3.0%	0.9%	1.36	0.58

Tala	73.0%	21.3%	2.6%	3.0%	1.35	0.68
Pesa pap	83.5%	13.0%	3.5%	0.0%	1.20	0.48
Timiza	70.9%	28.3%	0.9%	0.0%	1.30	0.47

Source:Research Data (2022)

The results revealed that up to 90% and 65.7% of respondents reiterated that they always use M-Shwari and KCB M-Pesa respectively. Moreover, 7.8% and 3.5% of respondents aver that they always utilize the financial services from Eazzy Loan and MCOOP cash mobile providers respectively. Moreover, it was established that Tala and Stawi credit service providers had 3.0% and 0.9% of the clienteles respectively who always subscribe to and utilize their services. Finally, it was observed that the least financial service providers were Pesa pap and Timiza with 3.5% and 0.9% of respondents who sometimes subscribe to their services.

4.4 Descriptive Analysis

Descriptive analysis is the procedure of utilizing statistical approaches to describe or summarize a set of data. As a result, descriptive statistics help us to present data in a more meaningful method, making data interpretation easier. This section utilizes percentages, means, and standard deviations.

4.4.1. Reliability Analysis

The most commonly used internal conformity metric is Cronbach's alpha. It is highly and typically applied when a questionnaire contains many Likert items that create a scale and therefore establishes if the scale is consistent. The findings of Cronbach's alpha are described in Table 4.7.

Table 4. 7: Reliability Analysis

Variable	No. of items	Cronbach's Alpha	Decision
Mobile Loan eligibility and growth of SMEs	4	0.700	Reliable
Mobile Loan structuring and growth of SMEs	4	0.788	Reliable
Mobile Loan accessibility and growth of SMEs	4	0.802	Reliable
Growth of SMEs	4	0.786	Reliable
Overall Cronbach alpha Index		0.769	Reliable

Source:Research Data (2022)

According to the findings, all the variable loadings were between 0.7 and 0.8. The overall Cronbach alpha index was 0.769. This suggests that the instrument was reliable due to its internal consistency. A generally accepted standard, according to Ursachi, Horodnic, and Zait (2015), is that an alpha of 0.6-0.7 implies an adequate level of reliability.

4.4.2 Mobile Loan eligibility

The first objective of the study was to determine the influence of mobile loan eligibility on the growth of small and micro enterprises in Nairobi City County. The data was run through descriptive analysis and displayed in Table 4.8.

Table 4. 8: Mobile Loan eligibility

Statement	SD	D	N	A	SA	Mean	SD
Good credit history influences the chances of being considered for a loan.	3.5%	5.2%	0.4%	67.0%	23.9%	4.03	.876
The absence of collateral requirements increases the chances of being considered for a loan.	6.5%	11.7%	8.3%	70.0%	3.5%	3.52	.974
Large amounts of digital savings increase the chances of being considered for a higher amount of loan.	1.7%	6.5%	10.9%	70.9%	10.0%	3.81	.769

Early repayment of loans increases the chances of being considered for another loan.	3.0%	8.7%	8.7%	73.5%	6.1%	3.71	.829

Source:Research Data (2022)

Digital loans using mobile platforms may be a solution to expand access to finance at a lower cost. The findings showed that 90.9% affirmed that good credit history influences the chances of being considered for a loan. This view was supported by 73.5% of those who opined that the absence of collateral requirements increases the chances of being considered for a loan. This implies that customers who have a good credit score, as well as cases where there are no collateral obligations, influences successful loan application. This study agrees with that of Kisaka (2016) who affirmed that in assessing credit risk, commercial banks analyze the borrowers' historical background, ability to repay the loan, collateral for the loan, credit rationing, and credit reference report. The ability to repay the loan and the credit record were the most essential variables.

Savings mobilization is usually thought to be a good sign of a client's repayment capabilities, resulting in a higher loan application rate. From the study, it was recognized that 80.9% of participants were in agreement that large amounts of digital savings increase the chances of being considered for a higher amount of loan. This suggests that the more one has saved, the chances of obtaining a high amount of loan increases. This finding agrees with that of Wesselink (1996) who affirms that financial mobilization through savings can be a good indicator of a customer's repayment capability because it shows whether their enterprises are profitable adequately to repay a loan. This is because the more they save, the more likely they are to be approved for a larger loan. Customers profit immensely from possessing secure and easy facilities to save their money while also having easy access to

money, as well as having strong and valuable operational relationships with financial establishments that provide both deposit and loan products customized to their customer's demands.

The issue of repayment is one of the most pressing concerns among all stakeholders in microfinance institutions. The findings established that 79.6% believed that early repayment of loans increases the chances of being considered for another loan. This means that consumers who hardly save may only be eligible for a little amount of credit. This finding concurs with those of Putman, Mzer, and Blackmon (2021) who assert that late loan repayment histories represent riskier debtors at these loan amounts, which could be mirrored in pricing. A comprehensive risk assessment is required to maintain acceptable loan quality. As a consequence, the chronological prominence on ensuring the excellence of individual loan approvals and handling loan performance remains critical.

4.4.3 Mobile Loan structuring

The second objective of the study was to determine the influence of mobile loan structuring on the growth of small and micro enterprises in Nairobi City County. Analysis was computed through percentages, means, and standard deviations. The outcomes of the analysis are presented in Table 4.9.

Table 4. 9: Mobile Loan structuring

Statement	SD	D	N	A	SA	Mean	SD
Reasonable interest rates/ cost of repayment affects the smooth repayment of a loan.	0.9%	3.9%	4.3%	80.0%	10.9%	3.96	.622
Considerate repayment period affects the amount that is repaid.	1.3%	3.5%	3.5%	81.7%	10.0%	3.96	.625

The size of loans advanced affects how the needs of the business are met.	2.2%	2.6%	9.1%	78.3%	7.8%	3.87	.674
Favorable loan facility processing fees affect transaction costs.	1.3%	4.3%	8.3%	78.7%	7.4%	3.87	.657

Source:Research Data,(2022)

Loan structure is widely acknowledged as a critical instrument for microenterprise success, as loan arrangements have a direct impact on an enterprise's profitability. From the study, 90.9% agreed that reasonable interest rates/ cost of repayment affects the smooth repayment of a loan. This indicates that high-interest rates on loans lead to late payments and, as a result, low loan payback. This finding concurs with that of Edakasi (2011) who affirms that when interest rates are high, many customers may be afraid to borrow since loan repayments are more expensive. It may be difficult for some consumers to continue up with their existing loan payments, predominantly if interest rates rise more rapidly than their revenue. If interest rates rise rapidly and remain high for a long time, some borrowers might fail to pay on their loans.

The repayment period is critical in determining the performance of a loan since it gives a customer adequate time and resources to service the loan. According to the study, it was observed that 91.7% reported that a considerate repayment period affects the amount that is repaid. This implies that clients should be provided with a fair repayment plan that allows them to pay the loan in a more structured manner. This finding agrees with that of Kirui (2017) who affirms nonperforming loans are caused by short loan repayment periods. As a result, a decreased loan repayment time can definitely result in a non-performing loan. Similarly, Muhammad, Ibrahim, Bambale, and Sulaiman (2019) recommend that a regular size of loan and tenure ought to be maintained during deploying loan, and where modification becomes extremely essential, the commercial establishments need to set the

size of loan and duration based on the borrowers' behavior of cash (income) to intensify repayment of loan effectiveness among the SMEs.

Microbusinesses entities are thought to have trouble obtaining capital. Many small businesses requesting loans are new, and banks normally want to see a five-year profile of a strong operation. The findings showed that 86.1% agreed that the size of loans advanced affects how the needs of the business are met. This implies that small size businesses may be unable to obtain a loan because they lack a structured profile. This view is consistent with those of Mills and McCarthy (2016) in which their results demonstrate that scarce money or credit impacts small and large businesses differently: small businesses' short-term debt reduces, whereas large enterprises' short-term debt rises. During instances of restrictive credit, small businesses' sales and inventories fall faster than large businesses. Financing institutional crises, in particular, have a greater negative impact on loan-dependent organizations, such as small businesses, than on firms that are less reliant on loan financing. The loan size has a favorable impact on the average transaction costs per loan. Larger loans resulted in cheaper transaction costs per unit of borrowed money for borrowers. According to the results, it was observed that 86.1% of respondents affirmed that favorable loan facility processing fees affect transaction costs. This suggests that low loan uptake will be witnessed due to bottlenecks associated with loan processing. This could affect the performance of SMEs.

4.4.4 Mobile Loan accessibility

The third objective of the study was to establish the influence of mobile loan accessibility on the growth of small and micro-enterprises in Nairobi City County. In this section,

percentages, means, and standard deviations were computed. The calculated data were described in Table 4.10.

Table 4. 10: Mobile Loan accessibility

Statement	SD	D	N	A	SA	Mean	SD
Automation of financial services makes it easy to access mobile loans	2.6%	5.7%	7.4%	73.5%	10.9%	3.84	.788
Mobile loans can be applied remotely, thus reducing time wastage.	1.3%	2.6%	3.0%	67.0%	26.1%	4.14	.704
Mobile loans are instant, upon application you receive them directly to your phone.	1.7%	7.4%	9.1%	50.9%	30.9%	4.02	.925
The availability of many mobile credit platforms makes it easy to choose cost-effective options.	2.2%	7.0%	9.6%	74.3%	7.0%	3.77	.767

Source:Research Data (2022)

Credit access is critical to the development and productivity of micro and medium-sized businesses (MMEs). Notwithstanding their significance, most SMEs find it challenging to obtain funding from commercial institutions and other financial organizations. According to the findings, it was observed that 84.4% established that automation of financial services makes it easy to access mobile loans. This implies that only those clients with mobile networks could benefit from the process. This finding concurs with that of Okiro (2016) who observes that access to credit had an effect on business financing in terms of cash flow and this impacted the growth of these businesses. The research also found an existing relationship between the extent to which a business flourished in turnover and cash flow from frequent access to loans from digital platforms. However, Johnen Parlasca and Mußhoff (2021) caution that when related to defaults in other credit markets, 90 percent of all blacklisting is attributable to digital credit borrowing, which is partially related to elevated default rates in the online credit market, but also due to a greater possibility that

online loan defaults will result in the borrower's penalizing from getting future loan products.

The benefits of digital credit cannot be overemphasized when it comes to the accessibility of credit. According to the finding, 93.1% believed that mobile loans can be applied remotely, thus reducing time wastage. This finding resonates with 81.8% of those who process those mobile loans were instant and that upon application they received it directly to their phone. This indicates that automation enables services to scale and move swiftly. The speed with which an applied loan is deployed also means that loan terms can be quite short; in some situations, only a few days or hours are required. These findings agree with those of Chen and Mazer (2016) who emphasize that the time it takes to go from an application to a credit decision is seconds or at most 24 hours. Loan payments are disbursed and collected digitally, which means they are processed fast. Because of the service's immediate nature, it can be structured in novel methods to be supplied at the point of need and for loan settlements to be made at the most convenient times for the user.

In Kenya, digital credit is available in many forms, including mobile phone apps, mobile money wallets, and payroll loans. From the findings, it was observed that 81.3% agreed that the availability of many mobile credit platforms makes it easy to choose cost-effective options. As a result, many users value the convenience and speed of getting a loan through their phones, and digital credit can be a safer alternative to unlicensed moneylenders. The finding resonates with that of Odundo (2019), who opines that Kenyans without traditional bank accounts or whose earnings are inadequately predictable to allow them to borrow from traditional financial institutions appear to be filling a void that digital loan services appear to

be addressing. These services have enhanced access to loans, and as a result, many people who would otherwise be unbanked have profited from these digital money services. Poor people, youth, and women are among them.

4.4.5 Growth of SMEs

The outcome variable for the current research was the growth of SMEs. This variable was examined in terms of sales. The outcomes are described in Table 4.11.

Table 4. 11: Growth of SMEs

Statement	SA	A	N	D	SD	Mean	SD
The sales of my business have increased over the last one year.	37.8%	45.2%	10.0%	5.2%	1.7%	4.12	0.91
The sales of my business have decreased over the last one year.	2.2%	7.0%	9.6%	75.2%	6.1%	3.76	0.75
The sales of my business have remained the same over the last one year.	2.2%	7.0%	9.6%	75.2%	6.1%	3.76	0.75

Source:Research Data (2022)

It is widely acknowledged that a lack of finance has hampered the growth of small businesses. The finding indicated that 83% of the participants believed that the sales of their enterprise have increased over the last one year while 17% disagreed. This view was supported by 75.2% of those who disagreed that their business has either remained constant or decreased over the last one year.

4.4.6 SMEs Sales Volume

An analysis was made to determine the individuals' average sales per year. The result is described in Table 4.12.

Table 4. 12 The range of the enterprise's total sales per year

Sales Range(K.shs)	Frequency	Percent
Below Kes 20,000	9	3.9
20,000 - 50,000	14	6.1
50,000 - 100,000	8	3.5
100,000 - 200,000	19	8.3
Above Kes 200,000	180	78.3
Total	230	100.0

Source:Research Data (2022)

According to the finding, 78.3% of respondents affirmed that they were able to make above 200,000 shillings in their annual sales. Additionally, 8.3% and 6.1% had sales up to 200,000 and 50,000 respectively. It was observed that 3.9% made transactions below 20,000 shillings. This could affect their performance generally.

4.5. Inferential Analysis

Inferential statistics allow users to summarize data and form conclusions and inferences from it. It allows one to draw concrete conclusions about a wider populace centered on the features of a sample. In this subdivision, Pearson correlation and regression analysis were computed.

4.5.1 Correlation Analysis

The correlational measurement is a numerical method for estimating the connection between the two values and determining how strong that relationship is. In this study, the Pearson correlation analysis was run. This is a metric for how strong a linear relationship between two indicators is. The variables were analyzed at a 0.05 alpha level (2-tailed-test) and described in Table 4.13.

Table 4. 13: Pearson Correlations

		Growth of SMEs	Mobile Loan Eligibility	Mobile Loan Structuring	Mobile Loan Accessibility
Mobile Loan Eligibility	Pearson Correlation	.678**	1		
	Sig. (2-tailed)	.000			
	N	230	230		
Mobile Loan Structuring	Pearson Correlation	.260**	.455**	1	
	Sig. (2-tailed)	.000	.000		
	N	230	230	230	
Mobile Loan Accessibility	Pearson Correlation	.613**	.594**	.422**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	230	230	230	230

. Correlation is significant at the 0.01 level (2-tailed).

Source:Research Data (2022)

The findings in Table 4.13 indicate that there exists a statistically positive correlation between Mobile loan eligibility and the growth of SMEs ($r=0.678^{**}$;$p<0.01$). This suggests that credit history, digital savings, and data usage are critical in determining clients' eligibility to obtain a loan. An excellent credit history, as well as timely loan repayment, improves your chances of getting another loan. As a result, this has a favorable impact on SMEs' growth. Moreover, the analysis showed that there is evidence of a statistically positive correlation between Mobile loan structuring and the growth of SMEs ($r=0.260^{**}$;$p<0.01$). This denotes that once digital firms provide favorable loan interest rates coupled with judicious processing fees enable the client to service their loan. This promotes the growth of SMEs.

Finally, the research recognized evidence of a statistically positive correlation between Mobile loan accessibility and the growth of SMEs ($r=0.613^{**}$;$p<0.01$). This indicates that

access to credit influenced business financing in terms of cash flow, resulting in increased business growth. Largely, automation of financial services makes it easy to access mobile loans hence affecting the growth of SMEs. Moreover, automation enables loan services to be processed instantly on time thus enhancing the growth of SMEs.

4.5.2 Regression Analysis

Regression analysis is the study of how one or more predictors influence a response variable. In the current analysis, a multiple linear regression model was applied. The findings are presented in summary tables, ANOVA, and coefficient Tables.

Table 4. 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735[a]	.540	.534	.474

a. Predictors: (Constant), Mobile Loan accessibility and growth of SMEs, Mobile Loan structuring and growth of SMEs, Mobile Loan eligibility and growth of SMEs

Source:Research Data (2022)

The model summary indicates that 54% in variation of Growth of SMEs can be explained by these predictors: mobile loan eligibility, mobile loan structuring, and mobile loan accessibility with a standard error of the estimate being 0.474. This suggests that 46% remains as unexplained variation in this study.

4.5.3 ANOVA

ANOVA is a set of statistics that give evidence concerning the levels of variation within a regression model and serve as a foundation for significance tests. It demonstrates the robustness of the model in predicting the outcome variable. The finding is displayed in Table 4.15.

Table 4. 15: ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	59.723	3	19.908	88.563	.000[b]
Residual	50.801	226	.225		
Total	110.524	229			

a. Dependent Variable: Growth of SMEs
b.Predictors:(Constant), Mobile Loan accessibility and growth of SMEs, Mobile Loan structuring and growth of SMEs, MobileLoan eligibility and growth of SMEs

Source:Research Data (2022)

In a regression analysis, the ANOVA statistic is applied to measure the effect of independent factors on the dependent variable. The finding shows that the model is statistically significant at 0.05 alpha level, R^2= 0.54, F(3,226)= 88.563. The finding suggests that all the predictors were significant in determining the growth of SMEs.

4.5.4 Coefficients

During regular regression analysis, the association between each predictor variable and the response is denoted by coefficients. The coefficient value represents the mean change in response when the predictor is increased by one unit. The finding is presented in Table 4.16.

Table 4. 16: Coefficients[a]

Model	Unstandardized Coefficients B	Standardized Coefficients Std. Error	Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
(Constant)	.920	.273		3.370	.001		
Mobile Loan eligibility	.582	.065	.526	9.006	.000	.596	1.678
Mobile Loan structuring	-.178	.071	-.129	-2.497	.013	.757	1.321
Mobile Loan accessibility	.407	.066	.355	6.179	.000	.618	1.619

a. Dependent Variable: Growth of SMEs

Source:Research Data (2022)

Centered on unstandardized coefficients, the results indicate that mobile loan eligibility has a positive and significant effect on the growth of SMEs (β= 0.582; $p<0.05$). Similarly, Mobile Loan accessibility has a positive and significant effect on the growth of SMEs (β= 0.407; $p<0.05$). However, it was determined that mobile loan structuring has a negative and substantial effect on the growth of SMEs (β= -0.178; $p<0.05$).

The presence of multicollinearity indications in the model was tested using collinearity statistics. Multicollinearity arises when study variables in a regression model are extremely associated. Multicollinearity is an issue because it reduces the independent variable's statistical significance (Allen, 1997). Variance inflation factors (VIF) and tolerance are utilized to assess multicollinearity. The Variance Inflation Factor (VIF) is a statistic that measures how much collinearity affects a regression model. The Variance Inflation Factor (VIF) is equal to 1/Tolerance, however, it is never less than or equal to 1. It is usually believed that VIF values greater than 10 are frequently thought to indicate multicollinearity symptoms. The finding in Table 4.16 shows that there were no multicollinearity problems in the model since the variables had coefficients of less than 10 (Mobile Loan eligibility=1.678; Mobile Loan structuring=1.321; Mobile Loan accessibility=1.619).

4.6 Overall Model

The model for the study was thus determined:

$Y= \beta_0+ \beta 1X_1+\beta_2X_2+ \beta_3X_3+ e$

Growth of SMEs= 0.920+ (Mobile loan eligibilityx 0.582)+(Mobile loan restructuringx-0.178)+(Mobile loan accessibility x 0.407) +0.474

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

This section explores the key summaries of the study regarding the influence of mobile credit on growth of small and micro-enterprises in Nairobi City County. Furthermore, the key conclusions that emanate from the study as well as the recommendations are well articulated. Finally, the study highlighted areas that are suggested for further research.

5.2 Summary

The first objective of the research was to determine the influence of mobile loan eligibility on growth of small and micro-enterprises in Nairobi City County. The key indicators of mobile loan eligibility were credit history, digital savings, and data usage. The data finding is summarized in the subsequent sections.

5.2.1 The Influence of Mobile Loan Eligibility on Growth of Small and Micro Enterprises

Mobile loan eligibility is recognized as a very crucial component in accessing digital loan services. Majority of financial institutions use this criterion to determine which client is eligible to be given any loan. Clients with good credit scoring enable them to expand their firm by increasing their investment capability. Mobile Loan Eligibility was analyzed in terms of credit history, digital savings, and data usage. The results revealed that 90.9% of the participants affirmed that good credit history influences the chances of being considered for a loan. This view was supported by 73.5% of those who opined that the absence of collateral requirements increases the chances of being considered for a loan. This implies that customers who have a good credit score, as well as cases where there are no collateral obligations, influences successful loan application.

Savings mobilization is usually thought to be a good sign of a client's repayment capabilities, resulting in a higher loan application rate. From the study, it was recognized that 80.9% of participants established that large amounts of digital savings increase the chances of being considered for a higher amount of loan. This suggests that the more one has saved, the chances of obtaining a high amount of loan increases. Individuals benefit greatly from maintaining secure and appropriate venues to keep their investments with easy access to finance, as well as processing solid, reliable associations with institutions of finance that provide both deposit and lending resources tailored to the requirements of their clients. Loan repayment is one of the most pressing concerns among all stakeholders in microfinance institutions. According to the findings, 79.6% of respondents affirmed that early repayment of loans increases the chances of being considered for another loan. This means that consumers who hardly save may only be eligible for a small amount of credit.

5.2.2 The Influence of Mobile Loan Structuring on Growth of Small and Microenterprises

Loan structure is widely acknowledged as a critical instrument for microenterprise success. This is because loan arrangements have a direct impact on an enterprise's profitability. From the study, 90.9% agreed that reasonable interest rates/ cost of repayment affects the smooth repayment of a loan. This indicates that high-interest rates on loans lead to late payments and, as a result, low loan payback. This consequently infers that several individuals may find it challenging to keep abreast with their current loan payments, particularly if interest rates grow more rapidly than their earnings. It is believed that if interest rates increase quickly and remain elevated for an extended time, some borrowers will fail to repay their loan obligations.

The repayment period is critical in determining the performance of a loan since it gives a customer adequate time and resources to service the loan. This means that borrowers having a limited ability to repay their loans may face financial difficulties if interest rates rise. Corresponding to the research conclusions, it was observed that 91.7% of the participants confirmed that a considerate repayment period affects the amount that is repaid. This implies that clients should be provided with a fair repayment plan that allows them to pay the loan in a more structured manner. When giving loans, consistent loan size and tenure should be maintained, and if adjustments are required, the commercial institution ought to establish the loan range and repayment period depending on the borrowers' cash flow patterns.

Small enterprises are thought to have trouble obtaining capital. Many small businesses requesting loans are new, and banks normally want to see a five-year profile of a strong operation. The results demonstrated that 86.1% of participants believed that the size of loans advanced affects how the needs of the business are met. This implies that small-sized businesses may be unable to obtain a loan because they lack a structured profile. The loan size has a favorable impact on the average transaction costs per loan. Larger loans resulted in cheaper transaction costs per unit of borrowed money for borrowers. According to the results, it was observed that 86.1% of respondents affirmed that favorable loan facility processing fees affect transaction costs. This suggests that low loan uptake will be witnessed due to bottlenecks associated with loan processing. This could affect the performance of SMEs.

5.2.3The Influence of Mobile Loan Accessibility on Growth of Small and Micro Enterprises

Financial accessibility is critical to the development and profitability of small and midsize enterprises (SMEs). Despite their importance, most SMEs have difficulty obtaining financial services from digital financing organizations and other financial institutions. The automation of loan products has improved credit access. This implies that a consumer with a smartphone can apply for the type of loan they need instantly and remotely. From the results, it was observed that 84.4% of the participants affirmed that automation of financial services makes it easy to access mobile loans. This implies that only those clients with a mobile network could benefit from the process.

The benefits of digital telephony cannot be overemphasized when it comes to the accessibility of credit. According to the finding, 93.1% believed that mobile loans can be applied remotely, thus reducing time wastage. This finding resonates with 81.8% of those who process those mobile loans were instant and that upon application they received it directly to their phone. This indicates that automation enables services to scale and move swiftly. The speed with which an applied loan is deployed also means that loan terms can be quite short; in some situations, only a few days or hours are required. The growth of technological lending platforms, aided by Artificial Intelligence, has shown promise in increasing credit access for previously marginalized people. Machine-learning technologies, for example, have increased financial institutions' ability to rate credit-poor customers, giving the economy a much-needed stimulus.

In Kenya, digital credit is available in many forms, including mobile phone apps, mobile money wallets, and payroll loans. From the findings, it was observed that 81.3% agreed that

the availability of many mobile credit platforms makes it easy to choose cost-effective options. Mobile loans are popular since they are convenient and simple to apply. As a result, many users value the convenience and speed of getting a loan through their phones, and digital credit can be a safer alternative to unlicensed moneylenders. This could enhance the growth of SMEs.

5.3 Limitations of the Study

The impediment of this investigation comprised resource as well as time constraints and consequently the research focussed on the effect of mobile credit on the productivity of SMEs in Nairobi Central Business District, Nairobi City County.The study thus focused on a sample of SMEs operating in NCBD. Respondents took a long time. before responding to the given research questionnaires due to busy schedules. Physical appointments and phone calls were used to make reminders, hence mitigating this limitation.

5.4 Conclusion

It may be deduced from the research that customers who have a good credit score, as well as cases where there are no collateral obligations, influences successful loan application. In addition, savings mobilization and early repayment of loans increase the chances of obtaining a high amount of loans. Regarding mobile loan structuring, the size of loans advanced affects how the needs of the business are met, and most importantly, favorable loan facility processing fees affect transaction costs. Therefore, reasonable interest rates affect the smooth repayment of a loan. Finally, regarding mobile loan accessibility, the automation of loan products has improved credit access. The main reasons that borrowers

choose digital loans are convenience and ease of access. Many mobile credit platforms make it simple to choose the most cost-effective solutions.

5.5 Recommendations

The research's recommendations centered on the key findings include that SMEs ought to strive to maintain good credit scores to improve their eligibility for loan applications. Further, the study recommends that clients should be provided with a fair repayment plan that allows them to pay the loan in a more structured manner. When giving loans, consistent loan size and tenure should be maintained, and adjustments are required. Mobile loans are appealing since they are convenient and simple to utilize. Therefore, the government should allocate more resources to mobile lending platforms. This will help in increasing credit access for previously marginalized people.

5.6 Areas for Further Research

Research can be conducted to determine the relationship between digital borrowing and repayment among SMEs in Kenya. As a result, it is suggested that more inquiry be undertaken in all the counties in Kenya in order to improve the applicability of these results. This research also believed that SMEs proprietors are familiar with mobile finance and have utilized it in the past. Such an assumption could lead to skewed results, especially if the person isn't familiar with the service. It is consequently suggested that more investigation be performed to determine the association between mobile credit and repayment among SMEs in Kenya.

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APPENDIX I: LETTER TO RESPONDENTS

March 2021

Dear Sir/madam,

RE: REQUEST TO PARTICIPATE IN DATA COLLECTION

My name is Joseph Nyamai a student of Kenyatta University in the department of finance. I am doing my master's in business administration and specializing in Finance, to complete my master's degree, I am obligated to carry out a study on **Mobile Credit and Growth of Small and Micro-enterprises in Nairobi City County** in order to complete this academic program. I would like to request your input through the answering of a few questions presented in the form of a questionnaire. This may take a moment of your time. Information given will be used only for academics and completely confidential.

Thank you for your time.

Yours Faithfully,

Joseph Nyamai

APPENDIX II: QUESTIONNAIRE

The survey below aims to answer questions regarding the study's title on the influence of mobile credit on growth of small and micro enterprises in Nairobi City County. The questionnaire is divided into different sections seeking information on different contexts of the study topic. Please read carefully and tick where appropriate.

INSTRUCTIONS:

The questionnaire has brackets in which ticks will be used to mark the respondent's answer.

PART A: Background Information

The following section contains background information, please tick appropriately

1. **Gender:** What is your gender?

   Male ( )

   Female ( )

2. **Age:** Which age category do you fall under?

   18-25 years ( )

   26-33 years ( )

   34-41 years ( )

   42-50 years ( )

   Over 50 years ( )

3. **Educational Qualifications:** What level of education have you attained?

   Certificate Level ( )

   Diploma/Professional Course ( )

   Bachelorss Degree ( )

   Postgraduate ( )

   Others (please specify)……

4. **Age of business**: How long has the company been in business?

1 - 3 years ( )

4 - 7 years ( )

7 - 10 years ( )

Above 10 years ( )

5. **Type of business:** Under which category does your business fall?

Manufacturing ( )

Service ( )

General trade ( )

Agriculture ( )

6. **Number of employees**: How many employees do you have?

1-10 [ ] 10-20 [ ] 21-30 [ ] 31-50 [ ]

7. i) Have you ever acquired a loan through a mobile phone?

a) Yes [ ] b) No [ ]

ii) If yes, was the loan acquired for business purposes?

b) Yes [ ] b) No [ ]

8. Which of the following mobile loan financing services have you used (tick appropriately)

Type of mobile loan service provider	**Never**	**Rarely**	**Sometimes**	**Always**
M-Shwari				
KCB M-pesa				
Eazzy Loan				
MCOOP cash				
Stawi				
Tala				
Pesa pap				
Timiza				

PART B: Mobile Loan eligibility and growth of SMEs

1. The following provided statements relate to loan eligibility and how it affects SME growth, please indicate the extent to which you may agree or disagree with them.
   1 = strongly disagree 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree

Statements	1	2	3	4	5
Good credit history influences the chances of being considered for a loan					
The absence of collateral requirements increases the chances of being considered for a loan					
A large amount of digital savings increases the chances of being considered for a higher amount of loan					
Early repayment of loans increases the chances of being considered for another loan					

PART C: Mobile Loan structuring and growth of SMEs

1. The following statements provide information on the relationship between loan structuring and SME growth tick where applicable.

Statements	1	2	3	4	5
Reasonable interest rates/ cost of repayment affects the smooth repayment of a loan					
Considerate repayment period affects the amount that is repaid					
The size of loans advanced affects how the needs of the business are met					
Favorable loan facility processing fees affect transaction costs					

PART D: Mobile Loan accessibility and growth of SMEs

1. The following statements provide information on how digital loan accessibility relates to SME growth. Please tick tick where applicable.

Statements	1	2	3	4	5
Automation of financial services makes it easy to access mobile loans.					
Mobile loans can be applied remotely thus reducing time wastage.					
Mobile loans are instant, upon application you receive it directly to your phone					
The availability of many mobile credit platforms makes it easy to choose cost-effective options					

PART E: Growth of SMEs

1) Please rate how much you agree or disagree with each of the following statements relating to growth of SMEs.

Statements	1	2	3	4	5
The sales of my business have increased over the last one year					
The sales of my business have decreased over the last one year					
The sales of my business have remained the same over the last one year					

2) On average, what is the range of the enterprise's total sales per year?

Below Kes 20,000	
20,000 - 50,000 kes	
50,000 - 100,000 kes	
100,000 - 200,000 kes	
Above Kes 200,000	

Thank you for your time!