



## Relationship lending and access to financial services by SMEs in Kenya

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### ABSTRACT

*Policymakers and scholars acknowledge the significance of small and medium enterprises in stirring the economic growth and development in developing and developed economies. In spite of the generally fast pace by which access to financial services for small and medium enterprises is being established, significant segments of the small and medium enterprises sector do not yet benefit from the expansion. This study, therefore, investigated the effect of relationship lending on access to financial services by small and medium enterprises in Kenya. The study was based on credit rationing theory and information asymmetry theory. The target population comprised 4,253 small and medium enterprises in Kenya. A sample size of 366 SMEs was used by the study. The study adopted a multistage sampling technique to obtain the SME respondents. Primary data was utilized and was acquired through semi-structured questionnaires. Data were analyzed using descriptive and inferential statistics utilizing Heckman two-stage regression model. The study findings showed that relationship lending had a positive and significant effect on access to financial services among SMEs in Kenya. The study concluded that relationship lending plays a critical role in access to financial services by SMEs in Kenya. The study recommends that SMEs owners should strive to meet the terms and conditions provided by lending institutions in their various financing practices while management of the lending institutions should adopt financing practices favorable to SMEs to increase their access to financial services.*

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## Introduction

Small and Medium Enterprises (SMEs) are lifeblood and engine of every country's economic growth and development. SMEs contribute immensely in attaining key development objectives of countries through creation of employment, promoting income equity, stimulating industrialisation, support economic growth, nurturing innovation and creativity and boosts business climate (OECD, 2017). It is acknowledged that small and medium enterprises in the world represents about 90% of enterprises (World Bank, 2018). SMEs contributes more than 55% of Gross Domestic Product (GDP) and more than 65% of jobs in developed economies (Singh & Venkata, 2017). SMEs represents more than 60% of gross domestic product as well as more than 70% of jobs in developing countries, more so they account to more than 95% of jobs and over 70% of GDP in middle income economies (Zafar & Mustafa, 2017).

Regardless of the tremendous contributions to the economy, SMEs experiences challenges in acquiring timely, affordable and adequate loans (Rithaa, Munene & Kariuki, 2019). Unreliable access to credit by enterprises has been consistently quoted as problematic by SMEs (International Finance Corporation, 2019). SMEs encounters external obstacles in terms of financial problems

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as a result of deprived access to financing (Yoshino & Taghizadeh-Hesary, 2017). Studies across the world, point out that owners of SMEs regularly rank acquisition of credit as a major restriction to their survival and expansion (Bakhtiari, Breunig, Magnani & Zhang 2020; Kumar, 2018; IMF 2018; World Bank, 2017; Sitharam & Hoque, 2016 and World Bank, 2015).

According to Fuentes (2018) Cambodia SMEs face challenges in accessing finance as a result of more credit access requirements, long credit processing time and higher cost of borrowing. In Vietnam, according to Nguyen, Gan and Hu (2015) SMEs comprise 98% of firms. However, most of SMEs acquisition of loans from formal financial institutions is restricted. Wangmo (2017) opines that in Bhutan SME sector is small mainly due to scanty monetary information, collateral requirements and level of internal finance are obstacles facing SMEs in accessing bank loans. Chowdhury and Alam (2017) testifies that insufficient acquisition of credit from lenders is a key impediment for thriving of Bangladesh SMEs. Berger (2017) confirmed that financial structure in Nepal is comparatively strong, however bank controlled at 79% of the financing assets. In spite of bank supremacy, they merely fund 2.5% of SMEs. Equally, in the region of Caucasus and Central Asia (CCA) as well as Middle East, North Africa, Afghanistan and Pakistan (MENAP) SMEs access only 7 % of bank loans (Fouejieu, Ndoye & Sydorenko, 2020).

In Africa small and medium enterprises access to credit facilities prospects remains unclear. Asare, Amankwah and Ankoma (2019) deduces that SMEs in Ghana faces inadequate access to capital markets as a result of perceived hostile credit repayment terms and extraordinary cost of borrowing. Decline in bank financing was confirmed in Nigeria by Central Bank of Nigeria (2017) where loans to SMEs reduced from 7.5% to 0.13% within 2003 and 2012 respectively then dropped to 0.07% in 2016. Chidoko and Matamanda (2017) presented that Zimbabwe SMEs view collateral requirement as the main barrier to access loans. Osano and Languitone (2016) in the context of Mozambique noted that SMEs are financially constrained because of unavailability of collateral, high interest charges, absence of quality financial plans and unavailability of financial statements. In Ethiopia, Nega and Hussein (2016) asserted that limited loans has contributed to SMEs to perform dismally although being potential in economic growth. Arinaitwe and Mwesigwa (2015) confirmed that lack of collateral security by SME's, high interest rates charged, lack of audited books of accounts and financial institutions regarding SME's as high risk borrowers limits SMEs in Uganda from accessing credit.

In Kenya the essential role of economic development, poverty reduction and job establishment is attributed to SMEs as underscored in Kenya's Vision 2030 and Big Four agenda in industrialisation objective and long term development blueprint. In spite of the significance, above 85 % small and medium enterprises cannot acquire funds from financial institutions (Mwirigi, Gakure & Otieno, 2019; Mbogo, 2013). This impediments of acquiring credit facilities by SMEs originates from strict loan granting terms set by financiers. Viffa consult (2018) affirmed that access to credit is placed as the most problematic in starting and running the business in Kenya as reported by 77% of SMEs owners.

Relationship lending leads to granting of credit facilities by financial institutions to the borrower basing on the securing firm personal confidential information for a lengthy duration by means of creditors networking. Adverse selection problem can be reduced as a result of accurate analysis of enterprise and the owner due to information collected. Information opaqueness for the financier decreases while the debtor creates a reputation as a relationship advances with time acting as collateral. Enterprises with longer lending relationships are able to acquire loans at ease and at a reduced cost of credit (Beatriz, Coffinet & Nicolas, 2018). Relationship financiers depend on soft information about the entrepreneurs qualitative features and personal data on the borrowers. Concentration of borrowing, relationship scope and relationship duration are the common measure of relationship lending.

The length of time the bank has provided financial services to the SME indicate relationship duration. Relationship duration has a positive relationship with information access that enhances increase in the financier's willingness to offer credit, hence accessibility of loans to the borrowers. Lengthier duration of banking relationships eases the loan terms, ameliorates credit restrictions and henceforth raising value of the firm (Ekpu, 2015). Interaction between the borrower and the bank over various services reflect relationship scope. Borrowers credit terms and lenders loaning comparative advantage results from information from these relations. Credit settlement ability for example results from assessing client's deposit account (Mureithi-Ollows, 2017). The number of bank relationships that a debtor upholds show concentration of borrowing. Single exclusive association encourages closer links between the borrower and financier but increase in relationships makes the borrower more risk due to weak monitoring. More borrowing concentration permits SMEs to acquire more credit at a lower risk premium (Lu, Wu & Liu 2020).

From the foregoing background, it's evident that SMEs are constrained in accessing financial services. SME lending in 2015 by banks accounted for 23.4%. However, a survey conducted by KBA in 2016 revealed that bank loans to SMEs had declined to 17% (CBK, 2018). Foreign banks' lending to SMEs has been reducing over time, falling from 40% in 2009 to 27 % in the 2013 periods (Berg, Fuchs, Ramrattan, Totolo & CBK, 2015). This was emphasized by a survey conducted by KBA in 2017 which showed that for any loan application done by SMEs, the success rate was 34%. According to KNBS (2016) banks finance 5.6 per cent of SMEs, despite at least four out of every five small (87.9%) and medium (80.6%) enterprises owning a bank account with the banks. Similarly, CBK (2017), reported that 38.4% of SMEs are credit constrained. Failure by SMEs to secure credit from banks is estimated to have lowered growth in 2017 by 0.4% (CBK, 2018).

Inability to access credit as an obstacle experienced by SMEs is documented by various researchers including Kaberia & Muathe (2021); Jin and Zhang (2019); OECD (2018); Chowdhury and Alam (2017); World Bank (2017); Hoque, Sultana, & Thalil (2016) as well as Kiplimo, Ngenoh and Bett (2015). The previous studies conducted provided mixed conclusions on direct relationship between relationships lending on access to financial services. Veiga and McCahery (2019); Erdogan (2019) and ITC (2018) indicated

a positive and significant relationship between relationships lending and access to financial services while Bentolila, Marcel, Gabriel and Sonia (2017), Rahman, Belas, Rosza and Kliestik (2017) and Cenni, Monferrà, Salotti, Sangiorgi & Torluccio (2015) shown positive and insignificant relationship among relationship lending and access to financial services. The inconsistencies in this studies provided a platform of research to ascertain the reliable conclusions. This study provides measures of mitigating SMEs problems in effort to boost access to debt. The study sought to add value to the knowledge by giving empirical proof on correlation among relationships lending with SMEs access to financial services.

## **Literature Review**

### **Theoretical Review**

Credit Rationing Theory expansively explained by Stiglitz and Weiss (1981) was pioneered by Freimer and Gordon (1965) which focused on financing gap analysis. They argued that agency problems are associated with the SMEs while accessing finances due to information asymmetries. Credit rationing happens owing to financiers' failure to discriminate borrowers that are worthy and unworthy because of information asymmetries. When a client applies for a specific amount of money as loan and is provided less than they requested is termed as credit rationing as referred to Clemenz (2012). Information asymmetry is concerned with the information of a client for their capability to be given loan and at per the agreed interest rate as assumed by the theory. The requirement of a client to give collateral, absence of adequate records, nonexistence of credit history and poor cash flow influence credit rationing. The study by Chirchir and Maina (2017) revealed that firms with good credit history, older and large enterprises are not denied loans, risky ventures are credit rationed by financial institutions and firms that offer highly valued collaterals are not credit rationed.

In the year 1970, Akerlof introduced the Information Asymmetry Theory. This theory argues that when two people come together and intend to make a decision on a specific issue, then one of the parties has to have more information involving the other. In this case, the client who intends to apply for a loan, normally has information involving the loan and possible interest while the loan giver has more information on the borrower which makes the lender make the decision on whether to give the loan or not and at what interest rate. The SMEs predicaments originate from fragile financial structure and absence of business information thus mystifying loan access from banks (Mazeri & Saadouni, 2019). The borrowers are probable to have more information on investment and their information related to risk. The two then tend to have imbalance of power due to information asymmetry. This causes the financiers to slow the process of transferring funds to the SMEs. This then leads to the conclusion concerning information asymmetry as the main challenge that leads to delay of funds between financiers and SMEs. Banks and microfinance institutions cannot regulate the behaviour of borrowers as a result of imperfect and expensive information, hence they create covenants in loan agreements that reduces credit risks (Nega & Hussein, 2016).

### **Empirical Review**

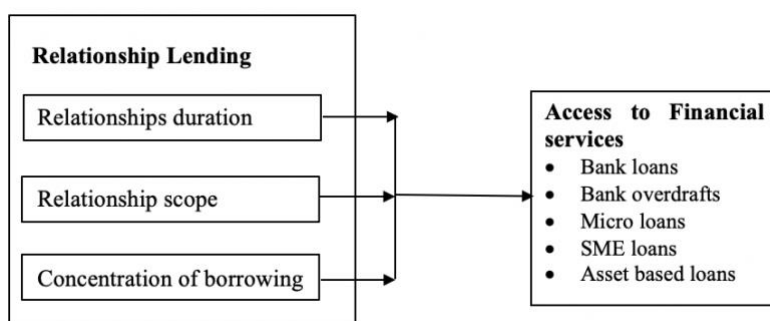
Relationship lending has been acknowledged as a key determining factor of access to financial services by small and medium enterprises. The probabilities of SMEs accessing to loans depends on the presence of earlier relationship by the creditor. Rahman, Belas, Rosza, and Kliestik (2017) affirmed that banking relationship is obvious method for financing SMEs because close relationship yields private information to the lender that precipitate funding to SMEs. Financial constraints lessens as lending relationship expands thus easing information asymmetries amongst SMEs and the banks. Banks grant more loans to clients in which they have a long relationship with (Agostino & Trivieri, 2017). Reduced cost of financing is granted to enterprise that maintains an exclusive relationship with the lender (Bakiciol, 2017). SMEs being opaque borrowers benefits more in terms of debt access with lending relationship because they possess inadequate public information (Khan, Li, Williams & Moerman, 2016).

In the study conducted with Erdogan (2019) on access to bank loans by SMEs in emerging markets. The findings affirmed that SMEs that embraced lengthier banking relationships improved access to bank loans. Information asymmetry is alleviated by relationship lending resulting to securing high loan facility; a share of more than 10% for those who embrace banking relationship (Li, 2017). Further Behr, Entzian and Güttler (2017) did a study on whether the lending relationship affect access to credit and loans conditions in microlending. The result of the study indicated that when lending relationship becomes intense, loaning approval becomes fast, few guarantee requests thus increasing credit access. These findings also proposed that lengthier lending relationships between borrower and lender definitely benefit in lessening debtors information asymmetries. The study was supported by Nguyen and Wolfee (2016) who proved that robust government bank linkage has led to emergence of atmosphere of lending relationship culminating to SMEs securing increased loan maturity and size.

Angora, Aristei and Gallo (2017) analysed the lending relationships and access to loans in Italy. Results revealed that building strong relationships with the bank through multiple banking increases firms access to financing. The result again reveals that an increase in relationship duration boosts SME in credit access. The study confirmed that relationship lending reduces the credit rationing probability of SMEs. D'Aurizio, Oliveiro and Romano (2015) was in agreement with this research stressing that scholars generating soft information with financial institution loaning effectiveness contend that gathering and analysis of soft information improves efficiency of bank loaning impacting positively on SMEs access to financial services. In another study carried by Fanta (2016) on relationship lending complementarity with collateral in accessing credit from banks by SMEs in Ethiopia. A survey method was carried out on 102 randomly selected manufacturing SMEs and analysis was done using logistic regression. The findings show that

banks employs a practice of granting loans basing on relationship lending. Ekpu (2015) Support the results of this study by endorsing that financiers gather appropriate information concerning borrowers credit worth through previous relationships hence high likelihood of being preferred in credit extension. The findings of this research further are in line with Osei-Assibey (2014) who agreed that relationship lending has a significant and positive effect on securing of credit facility from banks.

In a study conducted by Berg and Schrader (2012) on relationship lending, natural disaster and credit access in Ecuador established that relationships lending increases securing of loans by borrowers by lowering lending restrictions. Similar results were acquired by Canovas and Solano (2010) in Continental European concerning lending relationships and bank financing to SMEs. The study found that the SMEs who had long and strong relationships with banks accessed loans easily and fast at a cheaper rate. The costs of borrowing reduces and level of financing rises when a client establishes a good relationship with a bank as trust and guarantee is established. Equally in agreement with the study results were Chakravarty and Sharriar (2010) who results showed that longer membership and credit history of the borrower enhanced high chance of approval of the loan asked for. However, the findings are inconsistent with Rahman, Belas, Rosza and Kliestik (2017) investigated relationship lending and bank ownership in developing countries. The findings of the study confirmed that relationship lending does not improve SMEs access to debt from commercial banks. In the same way, Bolton, Freixas, Gambacorta, and Mistrulli (2016) informed that increase loan facility of SMEs occurs when relationship lending declines. Conversely Mathias, Serrasqueiro and Costa (2010) contended that lengthier lending relationship doesn't have significant effect of improving credit access. The conceptual framework model shows the interaction between research variables centered on verified relationship amongst the study variables from literature reviewed.



**Figure 1:** Conceptual Framework

## Research and Methodology

The study employed an explanatory research design. The descriptive information of a study is explained and accounted in the explanatory research. This design was effective to the study as it provides how the variables characteristics affect each other (Were & Wambua, 2014) and the researcher did not manipulate the independent variables. Explanatory research enabled the researcher to establish causal relationships between relationship lending and access to financial services. The target population for this study was 4,253 SMEs, comprising 4070 small enterprises and 183 medium enterprises licensed to operate in Lower Eastern Kenya. The unit of analysis was the SMEs while the unit of observation were the owners of SMEs. Both stratified random sampling and cluster are combined to make the multistage sampling design which was adopted by the study. This sampling process is carried out in stages and involves a number of other sampling methods (Kothari, 2019).

The geographical location was used to determine the sample from the three county clusters. In the first stage of sampling, three clusters of SMEs were selected; Makueni County, Machakos County and Kitui County. The sample size of the study was selected from target population of 4253 SMEs that are licensed to operate in the Lower Eastern Kenya. In view of this, a representative sample was calculated from the accessible population at 95% confidence level using the formula as proposed by Yamane (1967). The sample of 366 was apportioned basing on percentage strength of numbers in every cluster as shown in Table 1

**Table 1:** Sample Distribution

Strata	Population size (N)	Sample size (n)	Percentage (n/N)*100
Small	4070	350	95
Medium	183	16	5

<b>Total</b>	4253	366	100
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The questionnaire that is in (Appendix II) was used in collecting of the primary data which contains questions that are both open and close-ended. Data was analyzed using both descriptive and inferential statistics. Inferential statistics that were included in this study involved the use of Heckman two stage regression model to investigate the effect of financing practices on access to financial services by SMEs in Kenya. Thus, following the study of Ferri and Murro (2015) and Ferri, Murro, Peruzzi and Rotondi (2019) the model for access to financial services was illustrated as:

$$y_i = \begin{cases} 1 & \text{if } y_i^* > 0 \\ 0 & \text{otherwise} \end{cases}$$

$$y_i^* = \beta_0 + \beta_i X_i + \epsilon_i$$

Where:-

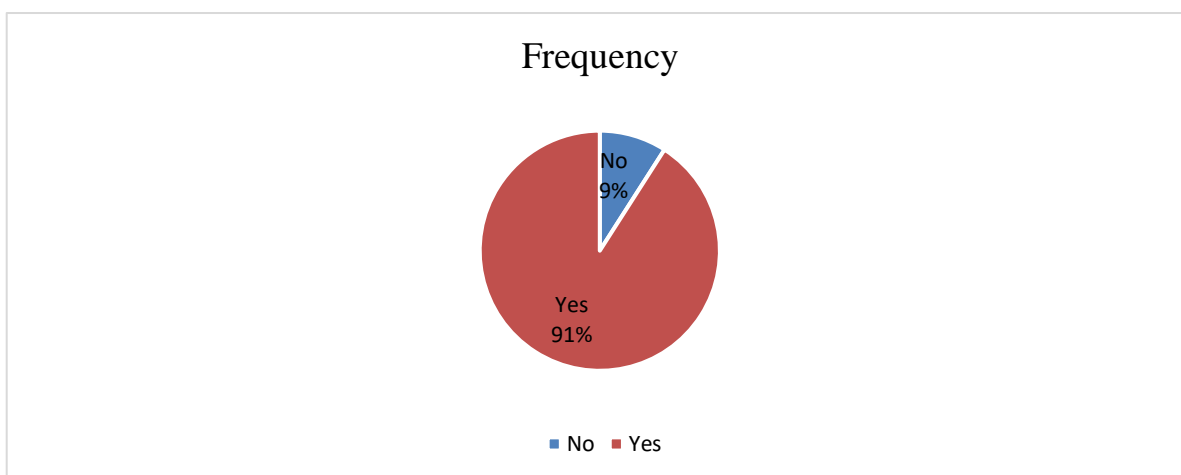
- $y_i$  = Access to financial services
- $\beta_0$  = Constant
- $\beta_i$  = Vector of the regression coefficients
- $X_i$  = Vector of independent variables
- $\epsilon$  = Vector error term

## Results and Discussions

The study administered a total of 366 questionnaires to selected respondents. The results in Table 4.1 show that 320 of the questionnaires were dully filled and returned which represented a response rate of 87.4%. On the other hand, 46 (12.6%) were not returned. The response rate of 87.4% was considered adequate for this study basing on the criteria provided by Babbie (2010) who suggested that for a descriptive study a response rate of above 50% should be accepted for analysis. The response rate was found to be adequate for analysis in line with observations made by Mugenda (2009) who concluded that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good while a response rate of 70% and above is excellent for analysis purposes. Grounded on these affirmations from prominent intellectuals, 87.4% response rate was excellent for the study. It is believed that a high response rate improves acceptance and reliability of research (Krishnan & Poulos, 2016).

### Descriptive Analysis

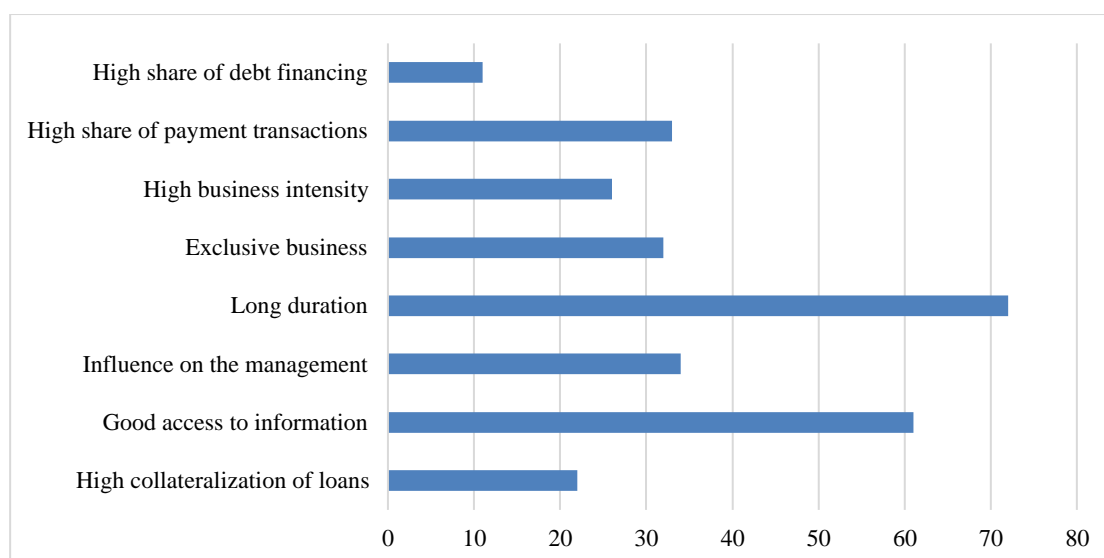
The respondents were asked whether they kept banking relationship with their banks. The results are presented in Figure 2.



**Figure 2:** Whether the respondents kept Banking Relationship with their current banks

The results in Figure 2 show that 91% agreed while 9% disagreed. The findings implied that majority of the SMEs surveyed kept banking relationship with their banks. The findings concurs with (Li, 2017) who proved that information asymmetry is alleviated by relationship lending resulting to securing high loan facility, a share of more than 10% for those who embrace banking relationship.

The study further sought to find the ground behinds which the SMEs kept banking relationship with their banks. The results are presented in Figure 3.



**Figure 3:** Grounds for keeping banking relationship.

The results in Figure 3 show that long duration, access to information and high share of payment transaction were cited by majority of the respondents as the grounds for keeping banking relationship with their banks. The findings of this study agreed with the findings of Loukil and Jarboui (2016) who found that high share of payment transaction, good access to information and long duration as the main factor underlying assessment of information by bankers regarding the existence of close banking relationship.

The study in addition sought to obtain the respondents opinion on how relationship lending affects access to financial services. In this section, respondents were required to rate aspects of relationship lending on the influence of access to financial services. The results are as shown in Table 2.

**Table 2:** Descriptive Results for Relationship Lending

	No extent	Low extent	Moderate extent	High extent	Very high extent	Mean	Std Dev
Long relationship with the bank improves access to credit	4.7%	19.1%	25.9%	29.1%	21.2%	3.43	1.16
Increased credit ties improve access to loans	3.8%	12.9%	26.7%	39.3%	17.3%	3.53	1.04
Multiple banking relationships improves credit availability	5.4%	10.1%	25.9%	33.4%	25.2%	3.63	1.12
High share of debt financing positively influence access to loans	6.6%	16.9%	19.1%	31.0%	26.3%	3.54	1.23
Building a strong trust with a bank enables ease access to credit	4.7%	11.2%	23.4%	30.3%	30.3%	3.70	1.15
Remaining in one bank for a long time increases access to credit	6.6%	14.7%	25.4%	27.6%	25.7%	3.51	1.21
Strong social relationship with the bank increases credit availability at a lower interest rate	13.1%	15.3%	20.3%	27.2%	24.1%	3.34	1.34
<b>Overall mean</b>						<b>3.53</b>	

**Source:** Research Data, (2020)

The results in Table 2 show how the respondent responded to various statements used to measure the relationship lending. The respondents were asked whether long relationship with the bank improves access to credit, the statement had a mean of 3.43 which implied that some of the respondent agreed while other disagreed. The standard deviation of 1.16 indicates that there was high variation of response to the statement. The findings implied that keeping long relationship increased access to credit in some banks but not all the banks.

Respondents indicated high extent as indicated by the mean of 3.53 on whether increased credit ties improve access to loans. Similarly, respondent agreed that multiple banking relationships improves credit availability as shown by the mean response of 3.63. The study further sought to establish the extent to which high share of debt financing positively influence access to loans, the results

show that 31.0% and 26.3% of the respondent indicated high extent and very high extent respectively. Those who indicated low extent were 16.9% while 6.6% indicated very low extent. The results further show that majority of the respondent indicated high extent on statement on whether building a strong trust with a bank enables ease access to credit and whether remaining in one bank for a long time increases access to credit.

The responses on whether strong social relationship with the bank increases credit availability at a lower interest rate varied significantly as shown by standard deviation of 1.34. These implied that while strong relationship with certain banks led to low interest rates this was not the case for other banks. The overall mean of 3.53 implied that relationship banking increase access to financial services according to majority of the respondents. The study finding support those by Erdogan (2019) and International Trade Centre (2018) who argued that SMEs find it harder to access credit services because of failure to establish relationship with banks. In the same line support came from Behr *et al.* (2017) and Banerjee, Gambacorta and Sette (2017) whose findings also proposes that lengthier relationships amid borrower and lender definitely benefits in lessen information asymmetries hence benefitting borrowers' access to financial services.

### Model Fitting for the Effect of Relationship Lending on Access to Financial Services

The study sought to find out whether relationship lending has no statistically significant effect on access to financial services among SMEs in Kenya. The results are shown in Table 3.

**Table 3:** Heckman selection model -- two-step estimates

Access financial services	Coef.	Std. Err.	z	P> z	[95% Conf.	Interval]
Relationship Lending Index	0.23631	0.065388	3.61	0.000	0.108153	0.364467
_cons	1.954402	0.259209	7.54	0.000	1.446361	2.462442
<b>Wald chi2(3) = 38.88</b>						
<b>Prob &gt; chi2 = 0.0000</b>						
Number of obs	=	320				
Censored obs	=	0				
Uncensored obs	=	320				

The results in Table 3 show that the coefficient for relationship lending was  $\beta=0.23631$ ,  $p=0.000<0.05$ . The findings show that relationship lending had a positive and significant effect on access to financial services among SMEs in Kenya. The results further show that increase in relationship lending would result to increase in access to financial services among SMEs in Kenya by 0.23631 units. Based on these findings, the study rejected null hypothesis that relationship lending has no statistically significant effect on access to financial services among SMEs in Kenya. The study findings supports those by Veiga and McCahery (2019), Banerjee *et al.* (2017) and Behr *et al.* (2017) whose findings proposes that lengthier lending relationships definitely benefits in increasing loan access by lessen information asymmetries hence borrowers give less collateral and pay low rates of interest. Relationship between bank and borrower guarantees reduction in agency complications, improvement in flexibility in contracts and enhances confidentiality climate by formation of reputation and improved control.

However, the findings are inconsistent with Rahman *et al.* (2017) who affirmed that relationship lending does not improve SMEs access to debt from commercial banks. Equally Bentolila, Marcel, Gabriel and Sonia (2017) found out that bank credit access declined for firms that embraced relationship with the unstable banks. Correspondingly, Bolton *et al.* (2016) reported that when banking relationship reduces then SME access to credit rises. In the same way Cenni, Monferrà, Salotti, Sangiorgi and Torluccio (2015) clarified that relationship lending does not have a significant influence on small firms' access to credit.

The descriptive findings revealed that relationship banking increased access to financial services according to majority of the respondents. Further the finding established that while strong relationship with certain banks led to low interest rates this was not the case for other banks. The significance test established that relationship lending had a positive and significant effect on access to financial services among small and medium enterprise in Kenya. The results further shown that increase in relationship lending would result to increase in access to financial services among small and medium enterprises. The findings implied that lending relationship is a clear method for financing SMEs because close relationship yields private information to the lender that precipitate funding to SMEs.

## Conclusions

The study concluded that SMEs with long relationship with the bank improved their access to credit. The study further concluded that small and medium enterprises with multiple banking relationships and those that build a strong trust with a bank benefit from access to financial services. Relationship lending enable commercial banks or lending institutions to gather enough data about the

enterprises and hence can be able to structure loan facilities to meet the specific needs of the businesses which explain why majority of lenders increase access to financial services to business they have long standing relationship with.

The study recommends that owners and managers of SMEs in Kenya should be in constant touch with their banking managers to build and establish trust and good relationship. These relationships build confidence from the lending institutions which allows the lenders to work together with enterprise to determine the best ways possible of assisting the business to meet their financial needs. The study further recommends that board of director of lending institutions should come up with policies to ensure that financial training short courses are offered to SMEs owners and managers before advancing credit to them. This training will assist SMEs in preparation of credible financial statements that financiers can bank on on when extending credit. Finally the study also recommends that the Government should continue investing more in credit guarantee schemes to boost access to loans for start-ups SMEs and those lacking lengthier relationships with lending institutions.

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