Interest Rates Capping and Performance of Selected Small and Medium Restaurants in Nairobi West, Nairobi City County, Kenya

Jane Nganga¹ and Gerald Atheru²

¹School of Business, Kenyatta University, Kenya  
²Department of Accounting and Finance, Kenyatta University, Kenya

ABSTRACT

The use of interest rate capping as a way of controlling various economic sectors has highly contributed to a continuous decline in the growth of credit to the small and medium businesses and private entities by introducing a distortion in the market which the credit markets have not been able to recover from. This has resulted to the issues of reduced income, high borrowing risks and a high emerging rate of shylocks who are also perceived to have high interest rates. Based on the provided evidence the caps on loan have highly discouraged most of the SMEs from seeking for growth funds. Empirical studies done have found mixed results on the impacts of interest capping on the SMEs performance thus a research gap. The research aimed at filling the current gap by focusing on a research on establishing the impacts of interest rates capping on the performance of small and medium restaurants in Kenya, within Nairobi County. The research was guided by objectives which include; determining the effect of the interest rate capping on the enterprises’ performance, determining the impact of credit accessibility of the enterprise’s performance, assessing the effect of credit availability on the enterprise’s performance. The research was anchored on liquidity and classical models as well as on the theory of credit market. The research will adopt a descriptive research design. The study population was 312 employees. A census was adopted. The study used both primary and secondary data. Primary data was collected using semi-structured questionnaires while secondary data was obtained from the financial statements of the enterprises. The research further employed questionnaires that were administered to each participant. The study used both the quantitative and qualitative methods of collecting data. The collected data was analyzed using descriptive and inferential statistics like frequency, mean, percentages and standard deviations and be presented using charts, tables and graphs. The study also conducted a multiple regression analysis to establish the relationship between the study variables. The understandings will ensure that they are not charged excessive interest rates for their loans. The study concluded that interest rate capping generally had a positive relationship with the performance of small and medium sized restaurants in Nairobi West. The study concluded that credit accessibility among the small and medium restaurants was based on firm characteristics and capacity and enhanced adjustment to adverse environmental shocks, raised amount of product investment and eliminates financial constraints to a great extent. It was concluded that the education level and experience of the respondents, awareness level, firm size and availability of collateral. The study concluded further that the risks associated with repaying, operating environment, status and ownership structure influenced performance of the SMEs since it determined their potential to get credit from the banks and other lenders. The study recommended that the banks and other lenders in the financial sector should enhance timely access to credit at affordable and flexible rates to enhance firm performance. It was further recommended that the SMEs need to improve awareness on existence of credit, willingness of MFIs and banks to offer credit to enhance SME thriving. The study recommended that the number of lenders available in
the market, willing to extent credit and creating awareness of products need to increase to spread choice, reduce rate and improve access and availability of credit to SMEs.

**Key Words:** Interest Rates Capping, Free Financial Markets, Financial Performance, Small and Medium Restaurants

DOI: DOI 10.35942/jbmed.v2i3.135

Cite this Article:

1. **Introduction**

Government uses interest caps for both economic and political reasons, with key major reason being to offer support to a particular area or sector of the economy. In some cases the government can identify some market failures in specific sectors or that an interest rate cap is used to force a greater focus of financial resources within the industry than what can be determined by the market (Wendel & Harvey, 2016). Different strategies are used in controlling the nature of economy, for instance interest rate ceilings affects customers who are charged excess rates. This reflects some of the market issues that face customers being the reason why the government always utilizes the opportunity to regulate the market (Office of Fair Trading (OFT), 2010). Restaurants are among the many businesses that have no entry restrictions. Some have a short life span lasting less than two years after opening mainly due to lack of funding as they may not have any security to offer the banks or the cost of funds is too high for them. (Maimbo and Collegos 2014) conducted a research on the interest rate caps across the globe on various activities that lead to interest rate regulations. From the research, it would be stated that interest caps have been globally used as a way of protecting the customers. The research as well established that lending and collecting money has been a major issue facing most financial institutions. The research did conclude that impacts of the caps, the evidence points to more negative impacts like withdrawal of financial firms from the poor or from particular segments of the market as in Nicaragua and WAEMU nations. Increased rates of illegal processes of lending for instance USA and Japan, a decline in the licensing of new lending firms like Bolivia a growth in the total cost of the loan via additional fees and commissions in Nicaragua and Armenia and a decline in product diversity in Germany and France. As from the study Bolivia was found to have the lowest interest cap globally as they have been of material effect on the financial inclusion mostly on the small poorer borrowers (Heng, 2015).

In Sub-Saharan Africa (SSA), interest rate caps exist in 24 countries including Nigeria, South Africa, Ghana, Zambia, and Namibia. Interest rate caps in Nigeria don’t exist as a blanket ceiling on loans and deposits as is the case in Kenya (Aduda, Magutu & Wangu, 2012). However, the Central Bank of Nigeria (CBN) periodically publishes guidelines for banks relating to commissions, fees, and rates for various products and services such as loans, deposits, electronic banking, overdrafts, and commissions on turnover, current account maintenance fees, mortgage loans and foreign exchange charges (Ackah & Vuvor, 2011). In Zambia, the Bank of Zambia (BOZ) introduced a ceiling on its interest rates that the non-bank institutions were charging in the year 2013. The regulation required that interest rates charged by the institutions not to exceed 42%
and the annual effective interest rate not to exceed 30%. The capping of interest rates in the country was meant to protect consumers against the high-interest rates. The institutions were justifying based on the risk they were exposed to base on the clientele. However, the capping was unsustainable and was lifted in the year 2015 (Djibril, 2013).

In Kenya, the new law on interest rate cap, which came into force on 14th September 2016, capped bank lending rates at 4 percent. Critics including the Central Bank of Kenya, bankers, and the International Monetary Fund have warned that this policies will highly lower the nature of credit provision a factor expected to influence the country’s reputation in financial accessibility. Most Kenyan small businesses which account for 75 percent of the general employment and contribute 18 percent to the country’s GDP struggle to access bank loans at interest rates of over 18 percent. The hospitality sector is prone to forces of a rapidly changing competitive environment and in the upcoming hotels can anticipate a higher uncertainty and change. The nature of people’s lifestyles has been changing over the years a factor that has globally changed the eating behavior of individuals. This has greatly pushed the restaurants to change their product or service delivery practices. Based on the regular changes of customer preferences and regular increases of competitive environment the organization requires various innovations to enhance their competitive edge. The research seeks to analyses the impact of interest rate capping on the performance of SME restaurants in Kenya, on key focus on Nairobi West.

Restaurants are establishments whose business activities entail preparing and serving food and drinks to clients in return for money which is paid for the meal. In 1825, Jean-Anthelme Brillat-Savarin celebrated restaurants as the “finishing touches” to the history of cooking Michael Symons (2012). While most of the restaurants prepare and serve meals within their premises, they also provide outside catering and take away meals. The nature of restaurants tend to vary from offerings and appearances as well as form their variety of meals; the features of SMEs in Nairobi West area have been described as one’s of self-employment where most of the individuals running the business are family members and relatives. The business is as well described to require minimal capital to start and entry to the existing markets is relatively easy and always deals with small scale activities and has limited accessibility to organized market. Mc Naughton (2001) explains that the more uncertain the environment, the more appropriate a structured mechanism, usually a joint venture, that provides high access to information and some ownership control.

The restaurants are highly observed to form part of the many SMEs within Nairobi West area selling services and products such as coffee, fresh juices, soft and hard drinks and a variety of simple foods employing between 10-99 staffs. Considering the high rates of globalization, the restaurants within Nairobi West area have a global competitiveness where they have established competitive advantages, a factor that has highly influenced the quality and pricing of their services and products. Social theorists (Coleman, 1990; Ritzer, 1993; Weber, 1968) have described a major, nineteenth century shift in market participation from family-based businesses (that is, households) towards rationalized, profit-oriented corporations (that is, non-households). The sector has of late faced numerous issues such high competiveness which is highly contributed by the increasing trends of lifestyle diseases that are resulting from poor eating behaviors globally.

Companies now understand that to be able to compete in constantly changing scenarios, it is necessary to monitor and understand their performance (Taticchi et al 2010b) to not only satisfy stakeholders, but to also manage their development over time and to achieve high operation levels (Cocca & Alberti, 2010; Sharma & Bhagwat, 2007). The trends have put most of the SMEs in a
turbulent environment in which people’s tastes and preferences are regularly changing daily with individuals focusing on healthy eating behaviors. In Kenya, SMEs play a key role in enhancing the country’s economic statistics. Moreover, in current years the sectors has regularly recorded a growth in its activities, a factor that has translated to the positive growth of the economy. The key benefit of the sector is its employment potential which is valued to be relatively low capital cost. Based on the current statistics, the sectors has improved the country’s employment level having the ability to involve almost 11 million individuals across the 2.2 business a factor that has seen the sector absorb more individuals 4 times more than the large enterprises. In 2015, the average profit made by SMEs was KSh 6.7 million, whereas this had increased to KSh 8.4 million in 2016. The average profit made by SMEs in 2017 was KSh 8.1 million and the average profit made by SMEs in 2018 was KSh 8.8 million (Strategic Business Advisors Africa Ltd - SME Banking Sector Report 2007)

According to Xinhua (2018) Kenya’s interest rate capping law that was put in place in 2016 has reduced the access to loans for Small and medium restaurants (SMEs). While the law was well-intentioned, it has failed to achieve its key objective of increasing credit uptake by households and micro and small enterprises. Interest rate capping has contributed to the continued decline in the growth of credit to the private sector by introducing a distortion in the market which the credit markets have not been able to recover from. ROI on the restaurants is the backbone of performance of restaurants. It’s the technique of determining the advancement in attaining set objectives, including information on efficient utilization of resources that are converted into products both goods and services. Performance of Restaurants is the capability of a restaurant to fulfill its mission through return on investments, excellence and dedication to meeting its goals and objectives. Delivery of products and level of customer satisfaction indicate the quality of the performance of restaurants on the other hand is the performance of a restaurant against its set standards such as customer satisfaction, waste reduction, productivity, cycle time, environmental responsibility and regulatory compliance (O’Brien, 2009)

Performance measure is a basic factor to manage and improve performance (Hudson et al., 2001; Carpinetti et al., 2008; Surjan & Srivastava, 2019). Restaurants operational performance indicators as, amount of goods delivered on time, reduced scrap rate, product quality, and faster response in delivery, reduced costs and capacity utilization. Operational performance therefore takes into consideration the restaurant performance in achieving its basic objectives. Improved restaurant performance is anticipated to promote an restaurant competitive edge, through price/cost, quality, reliability, marketing time, output innovation, customer lead times and inventory levels. The operations of a restaurant should be efficient and effective. Performance measurement networks are hence developed in order to monitor and maintain operational control. Operational Control is the process that ensures an organization is able to pursue action with the aim of achieving the overall goals and objectives. Achievement of these goals is a manifestation of excellence in organizational performance (Hubbard, 2009).

2. Statement of the Problem

Interest rate caps have been in existent over the decades though with limited use due to the perceived limitations that they place on the economy. The capping of interest rates means that the rates can fluctuate but within a given limit. According to Xinhua (2018) Kenya’s interest rate capping law that was put in place in 2016 has reduced the access to loans for Small and medium restaurants (SMEs). While the law was well-intentioned, it has failed to achieve its key objective
of increasing credit uptake by households and micro and small enterprises. Interest rate capping has contributed to the continued decline in the growth of credit to the private sector by introducing a distortion in the market which the credit markets have not been able to recover from. The hospitality sector within Nairobi West area comprises of five, four, and three star hotels as well as bars, food kiosks and coffee cafes. The entities provide food and services to individuals across the town. In Nairobi West regions there are coffee shop and multiple bars, restaurants and hotels that highly compete for market share each of them jostling for positions. The region accommodates all classes of individuals, some work in offices, others in similar small business within the surroundings and others are casual laborers. The region as well has customers from all economic status, low, medium and high class earners who are relatively high spenders are making it attractive for the restaurant business. The enterprises have faced an uphill task in accessing credit and paying back which has dwindled their performance prospects. Ngari (2013) researched on the relationship between interest rate cap and ROA. His study indicated that a positive linear relationship existed among the two. Kipngetich (2011) opined that interest rates charged by banks are crucial for attaining high financial performance.

The main reason for the prevalence of interest rate caps, particularly in Africa, is that governments want to keep interest rates low in order to improve access to credit (Ackah & Vuvor, 2011). This is a noble intention. Several studies have found that expanding credit to urban or rural households raise their economic welfare, as they are able to engage in small and medium restaurants and also save. Empirical studies done globally have established that interest rate capping makes it harder for SMEs to access credit. This is because banks reserve the most expensive credit for high risk borrowers, such as poor people without credit histories or SMEs without high quality collateral or any form of security to offer the banks. Rate capping prohibits banks from charging such borrowers exorbitantly as they would, noting they are high risk. Such risky borrowers are therefore shunned by banks. Restaurants owners in Nairobi West have ended up with little or no funding and therefore unable to stock up with most of them being pushed out of business. Those who get funding end up paying very high rates which diminishes their profits. Kipngetich (2011) opined that interest rates charged by banks are crucial for attaining high financial performance. Empirical studies done have found mixed results on the effects of interest rates capping on Small and Medium businesses’s performance, thus the gap. The research aims at filling the gap by researching to examine the impacts of interest rates capping on performance of small and medium restaurant in Kenya with key focus on Nairobi West Kenya.

3. Objectives of Study

The general objective of the study was to establish the effect of interest rates capping on performance of small and medium restaurants in Nairobi West, Kenya.

The study was guided by the following specific objective

i. To examine the effect of credit accessibility on performance of small and medium restaurants in Nairobi West, Kenya.

ii. To assess the effect of credit availability on performance of small and medium restaurants in Nairobi West, Kenya.

iii. To establish the effect of credit risk on performance of small and medium restaurants in Nairobi West, Kenya.
4. Theoretical Literature Review

The following section reviews the theoretical perspectives of interest rates capping that is relevant for this study.

4.1 The Theory of Credit Market

This model was suggested by Stiglitz & Weiss in 1981). The theory states that asymmetric data has the effect of poor workings of the capital markets in developing states. The unsatisfactory data unleashes two consequences namely hostile choice and more risk. The two main characteristics of the theory can be expressed as; supporters allocate funds to projects that are hazard and might not be bankable, and creditors are provided with all the expenses that are exactly to the chance costs of capital such as the supply of charge salaried to savings or fixed depositors (Stiglitz & Weiss, 1981). In this definition, interest duties charged by the credit faculties are perceived as having a double function of arranging possible borrowers (leading to the incentive effect). Interest rates hence cause effect the environment of the transaction and do not essentially clear the market. Hostile choice happens as a result of the lenders who would like to recognize the borrowers most likely to pay back their loans since the financial institutions probable returns relies on the likelihood of repayment.

It is hard to recognize good borrowers which require the bank to use different types of screening devices. The interest amount that an individual is enthusiastic to pay may act as one such screening device those that are willing to pay high amount of interest may, on average be a worse hazard they are willing to pay high amount of interest because they see their likelihood of paying back the loan is low. As the interest rates increases the average-the hazardless of those who credit raises likely decreases the banks’ profits. For example increasing the rate of interest lowers the return on the projects with lower likelihood of accomplishment but higher pay offs when fruitful. In a world with perfect and priceless data the bank would specify precisely all the engagements that the borrower would undertake (which might cause an effect on the loan return). Nevertheless the bank is not at the capacity to directly take control of all the engagements of the borrower, hence it will articulate the terms of the loan agreement in a technique planned to persuade the borrowers to take engagements which are interest of the bank as well as to entice low-hazard borrowers (Amonoo et al, 2003). Moral risk phenomenon is a portion of the challenge of inadequate data regarding borrower’s engagements. It is the misapplication of the borrowed capital that moves the hazard to the lender, particularly, if the project is not fruitful. Borrowers may be curious to divert permitted loans to other projects with high hazard hence lowering the loan repayment due to the incentives and support challenges (Amonoo et al 2003). If the moral risk phenomenon happens, remedies advocated by the theory is credit averaging. This explains the results of credit accessibility on presentation of medium and small restaurants in Kenya.

4.2 Liquidity Theory

This model was suggested by Keynes in 1936. The model perceives at the demand/supply of the stock of funds in the capital system via the interest rates. In his suggestion Keynes stated the role of wages and interest rates might be used to get the demand for capital. This model shows contact of demand and supply of capital where stock rationalizes the rate of interest. Keynes (1936) detailed the subsequent intention when capital is demand, speculative, transaction and unexpected motive. He also showed that investors will be more inclined to decide short term securities to long term securities. Liquidity model on the other hand perceives at the rate of interest as the token paid for absence and troublesome that is demonstrated for having to part with organization assets whose
liquidity is relatively high. This refers to the price which equilibrates the need to hold wealth in which the forms of cash with the current available cash quantity and not a reward of savings. The interest rate refers to a function of income. The interest rate refers to the fundamental responsibility of helping in mobilizing the financial resources and make sure that there is effective use of resources in the promotion of economic growth (Ngugi & Kabubo, 1998). This theory has helped in explaining the impact of credit availability on performance of small and medium restaurants in Kenya.

5. Conceptual Framework

Conceptual framework refers to the studies structure explaining the correlation between the independent and dependent variables (Mugenda & Mugenda, 2003). In this study the conceptual framework shows the independent variables which are, credit accessibility, credit availability, credit risk and performance of small and medium restaurants in Kenya.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Accessibility</td>
<td>Financial Performance of Small and Medium Restaurants</td>
</tr>
<tr>
<td>• Collateral</td>
<td>• Turnover</td>
</tr>
<tr>
<td>• Interest rates</td>
<td>• Profitability</td>
</tr>
<tr>
<td>• Credit history</td>
<td>• ROA</td>
</tr>
<tr>
<td>Credit Availability</td>
<td>• ROI</td>
</tr>
<tr>
<td>• Amount of Loans applied for</td>
<td>• ROE</td>
</tr>
<tr>
<td>• Number of clients applying for Loans</td>
<td></td>
</tr>
<tr>
<td>• Amount awarded</td>
<td></td>
</tr>
<tr>
<td>Credit Risk</td>
<td></td>
</tr>
<tr>
<td>• Loan loss</td>
<td></td>
</tr>
<tr>
<td>• Adequate capital</td>
<td></td>
</tr>
<tr>
<td>• Non-performing loans</td>
<td></td>
</tr>
<tr>
<td>• Cost of credit follow-up</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1: Conceptual Framework**

*Source: Researcher, 2020*

6. Research Methodology

The research utilized descriptive research design. The study used 312 respondents mainly owners and employees of such restaurants as they were able and willing to share the information required. During the research we identified a few restaurants that were well established and did not require financing, they therefore did not form part of our research. Since the population is small, a census was adopted. In concern to establishing the impacts of interest rates capping of performance of small and medium restaurants in Kenya, the research employed a survey questionnaire that was
administered to every member form the sample population. The study embraced both open and close ended questionnaires. The closed questions are to offer a structured responses in facilitating tangible recommendations. The questionnaires are to be employed to test the rating of different attributes as a result helping in lowering the number of correlated provisions to objectively attain more varied responses. Open ended question helped in attaining uncaptured information when using close-ended questions. Inferential statistics used in the analysis were correlation, student t-distribution and coefficient of determination will be used in the data analysis. Data will be presented using tables and figures.

7. Data Analysis Results

The findings of coefficient of correlation and coefficient of determination are as shown in Table 1.

Table 1: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted r square</th>
<th>Std. Error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.811a</td>
<td>.852</td>
<td>.841</td>
<td>1.61972</td>
</tr>
</tbody>
</table>

a. Predictors: (constant), credit accessibility, credit availability and credit risk

Source: Field data, 2020

The study as shown in table 1, coefficient of correlation R was 0.811 an indication of strong of correlation between the variables. The adjusted R² was 0.841 which implies that 84.1% of the variation in SME performance was accounted for by the three independent variables which include: credit accessibility, credit availability and credit risk. The residual of 15.9% can be explained by other variables not incorporated in the current study. An ANOVA was conducted at 95% level of significance. The findings of F_Calculated and F_Critical are as shown in Table 2.

Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>816.211</td>
<td>10</td>
<td>81.6211</td>
<td>22.8733</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>214.105</td>
<td>60</td>
<td>3.5684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1030.316</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent variable: SME performance

b. Predictors: (constant), credit accessibility, credit availability and credit risk

Source: Field data, 2020

As shown in Table 2 it was established that the study had F_Calculated of 22.8733 and F_Critical was 5.8513, this show that of F_Calculated > F_Critical an indication that the overall regression model was significant for the study. The p value was 0.00<0.05 an indication that at least one independent variable significantly influenced the performance of small and medium sized restaurants in Nairobi West Area.
The study used a regression coefficient to establish the effect of individual variables of interest rate capping on the performance of SMEs in Nairobi County. The findings are indicated in Table 3.

**Table 3: Regression Coefficient**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(constant)</td>
<td>5.711</td>
<td>1.03</td>
<td>2.211</td>
<td>.000</td>
</tr>
<tr>
<td>Credit accessibility</td>
<td>0.803</td>
<td>.031</td>
<td>.562</td>
<td>2.314</td>
</tr>
<tr>
<td>Credit Availability</td>
<td>0.795</td>
<td>.061</td>
<td>.485</td>
<td>2.504</td>
</tr>
<tr>
<td>Credit risk</td>
<td>-0.501</td>
<td>.072</td>
<td>.478</td>
<td>2.014</td>
</tr>
</tbody>
</table>

a. Dependent variable: SME Performance

*Source: Field data, 2020*

\[ Y = 5.711 + 0.803X_1 + 0.795X_2 - 0.501X_3 \]

Whereby: \( Y \) = Performance of SMEs in Nairobi County, \( X_1 \) = Credit accessibility, \( X_2 \) = Credit availability, \( X_3 \) = Credit risk. Table 3 indicates that all variables held constant, SME performance would be at 5.711 this indicates that performance of the small and medium restaurants can still take place without the influence of the stated variables. The variable coefficients indicate that the relationship between interest rate capping identified and SME performance was positive and significant. These findings are similar to those by Mayabi (2013) who on their study on effects of access to credit and performance of SMEs in Nairobi Central Business District in Kenya. The study established that the interest rate capping had affected credit accessibility, availability and credit risk which had directly influenced performance of the SMEs. The p values of all the independent variables which include credit accessibility, credit availability and credit risk were 0.000<0.05 and indication that the variables significantly influenced performance of SMEs in Nairobi City County. This is supported by Kodithuwakku (2015) who in his study on credit access and firm performance concluded that interest rates capping was meant to streamline credit and protect lenders but has reduced SME access to credit. On the regression equation \( Y = 5.711 + 0.803X_1 + 0.795X_2 - 0.501X_3 \) it shows that a unit \( X_1 \) (Credit accessibility) will make the dependent variable (performance of selected small and medium restaurants) increase by a factor 0.803 and so is \( X_2 \) (Credit availability) increase by a factor 0.795 and so is \( X_3 \) (Credit risk) increase by a factor 0.501

### 8. Conclusion

The study concluded that interest rate capping generally had a positive relationship with the performance of small and medium sized restaurants in Nairobi West. The study concluded that credit accessibility among the small and medium restaurants was based on firm’s characteristics and capacity and enhanced adjustment to adverse environmental shocks, raised amount of product investment and eliminates financial constraints to a great extent. It was concluded that the education level and experience of the respondents, awareness level, firm size and availability of collateral influenced the performance of the restaurants. The study concluded further that the risks associated with obtaining, repaying, operating environment, status and ownership structure influenced performance of the small and medium restaurants since it determined their potential to get credit from the banks and other lenders.
9. Recommendations

The study recommended that the banks and other lenders in the financial sector should enhance timely access to credit at affordable rates to enhance firm’s performance. It was further recommended that the SMEs need to improve awareness on existence of credit, willingness of MFIs and banks to offer credit to enhance SME thriving business. The study recommended that the number of lenders available in the market, willing to extent credit and creating awareness of products should try and reach out to a wider range of clients and get a way of educating the less learned people to offer them an opportunity to grow their businesses also. The government in support of small and medium business owners should encourage lenders to reduce the interest rate and improve access and availability of credit.

REFERENCES


This is an open-access article published and distributed under the terms and conditions of the Creative Commons Attribution 4.0 International License of United States unless otherwise stated. Access, citation and distribution of this article is allowed with full recognition of the authors and the source.

Authors seeking to publish with an Internationally Peer Reviewed Journals should consider https://www.ijcab.org/ by writing to the Editor at editor@ijcab.org or submitting online at https://journals.ijcab.org/journals/index.php. The articles must be quality and meet originality test.