

Loan Accessibility and Performance of Small Retail Enterprises; Does Size of an Enterprises Matter?

¹Abraham Kimwetich Kipkoech, ²Mwengei K. B. Ombaba,

¹Msc. Finance Jomo Kenyatta University of Agriculture and Technology

²Lecturer, Jomo Kenyatta University of Agriculture and Technology,

Type of the Paper: Research Paper.

Type of Review: Peer Reviewed.

Indexed in: Google Scholar

Google Scholar Citation: [IJRESS](#)

How to Cite this Paper:

Abraham Kimwetich Kipkoech, Mwengei K. B. Ombaba (2021): Loan Accessibility and Performance of Small Retail Enterprises; Does Size of an Enterprises Matter? *International Journal of Research in Education and Social Sciences (IJRESS) 4 (1), 16-25.*

International Journal of Research in Education and Social Sciences (IJRESS)

A Refereed International Journal of OIRC JOURNALS

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Loan Accessibility and Performance of Small Retail Enterprises; Does Size of an Enterprises Matter?

¹Abraham Kimwetich Kipkoech, ²Mwengei K. B. Ombaba,

¹Msc. Finance Jomo Kenyatta University of Agriculture and Technology

²Lecturer, Jomo Kenyatta University of Agriculture and Technology,

ARTICLE INFO

Received 19th, February, 2021

Received in Revised Form 6th March, 2021

Accepted 14th March, 2021

Published online 15th March, 2021

Keywords: *Loan Accessibility, performance Small Retail Enterprises. Size*

the small retail enterprises in Keroka town. The study sought to establish whether the effect of the size of the enterprise affect the performance of small retail enterprises in Keroka town. The study was based on Finance and Growth Theory. The study adopted explanatory approach with the aim of establishing the relationship between size and performance of small retail enterprises. The target population was 800 small retail enterprises operating within Keroka town. The sample size of 267 small retail enterprises was selected using stratified random sample. The sample size was arrived at by using Yamane's formula. Primary data was collected in the study for analysis. The study relied on a structured questionnaire as the main tool for data collection. To determine the validity of the questionnaire items, research experts were used to examine them and their suggestions and comments used as a basis to modify the research items. Cronbach alpha coefficient was used as a reliability test. A value of above 0.7 confirmed the reliability of the research instruments. The data obtained from the study was analyzed using descriptive and inferential statistics. The study was analyzed using Statistical Package for Social Science (SPSS). The coefficient of determination R^2 value was 0.549, showing that 54.9 per cent of the performance of the small retail enterprises was predicted by loan accessibility. The results showed business size ($\beta=0.111$) had a significant influence on performance of the small retail enterprises. The study concluded that business size does significantly influence performance of the small retail enterprises. It was also concluded that the stability and continuity of the SREs was tied to its performance thus if the SRE was not performing well its stability and continuity was affected. Financial institutions need to be lenient on SREs that are experiencing turbulences due to various aspects that are beyond their control. Through such gestures these SREs are able to continue utilizing these facilities and also contribute to their longevity and expansion thus improved performance is experienced.

1.0 Introduction

Small retail enterprise (SRE) is defined as small business entity that is privately owned and do provide

goods and services in smaller quantities and orders for a large number of individuals who are the definite end users of the product or service (Farfan, 2018).

Abstract

Small retail enterprises (SREs) play a significant role in the Kenyan economy. SREs role is immense as it helps to alleviate poverty and also in providing employment to nation. The small retail enterprises (SRE's) have been having a number of challenges that has hindered their performance in terms of growth, revenue and profitability. Loan accessibility is one of the challenges that is being experienced by the small retail enterprises. The main objective of the study was to examine the effect of loan accessibility on the performance of

The business in itself is normally run by the owner or has employed 1 or 2 individuals to run the business. They are generally easy to start and operate and may not require formal registration except local authorities permit (Bansal & Kumar, 2014). The source of capital for this type of business is entirely owner's contribution from personal savings and borrowings from friends and relatives. The small retail enterprises (SRE's) have been having a number of challenges that has hindered their performance in terms of growth, revenue and profitability. Small retail enterprises have created employment for the self-employed, and it is one of the pillars of Kenyan economy to achieve vision 2030.

In addition to employing the largest number of people, SREs has generated new jobs for the youth and women. Job creation and economic growth through private sector development has become primary areas of focus for policy makers in our country. Studies have underscored the importance of SREs in contributing to growth and job creation, putting SREs sector development among the key topics on the global development agenda. Karadag, (2015) stated that small enterprises are recognized as the drivers of socioeconomic growth, both in developed and developing economies due to their important role in creation of new jobs, growth in GDP, entrepreneurship and innovation and SREs fall into this category of business.

The importance of Small retail enterprises is recognized by the International Labor Organization report on employment, Income and Equity in Kenya (Ronge, Ndirangu & Nyangito, 2002). The report, indicates that small enterprises are drivers of employment and income growth. The Kenya Institute of Public Policy Research and Analysis (KIPPRA, 2012) reports that, because of the low capital requirements in business startup, there is potential of small retail enterprises in reducing poverty levels here in Kenya.

At their September 2009 meeting in Pittsburgh, the G-20 leaders announced among other agendas, the creation of models of small and medium enterprise (SME) financing solutions for developing countries in particular. A recent study by the IFC and McKinsey and Company (2015) suggests that there are close to 365-445 million micro, small, and medium enterprises in emerging markets of which

25-30 million are formal SMEs and 55-70 million are formal micro enterprises, while the rest (285-345 million) are informal enterprises and non-employer firms. According to the same study, close to 45% to 55% of the formal SMEs (11-17 million) in the emerging markets do not have access to formal institutional loans or overdrafts despite a need for one. Loan access gap is far bigger when considering the micro and informal enterprises.

According to McKinsey and Company (2015) study, 65-72 percent of all MSMEs (240-315 million) in emerging markets lack access to loans. The proportional size of the finance gap varies widely across regions and is particularly daunting in Asia and Africa. The government can come with intervention by creating an enabling environment for SRE's lending, such as improved loan access avenues which shall in turn increase the performance of small retail enterprises. In developing countries, SREs acts as the driver for poverty eradication, and self-sustainability in terms of growth and development.

This is according to the United Nations Industrial Development Organization UNIDO, (1999) reports in that small and medium enterprises represent over 90 percent of private business and contributes to more than 50 percent of employment and of gross domestic product (GDP) in most African countries. Therefore, the performance of the small retail enterprises sector is crucial if Kenya is to realize the 10% growth rate in Kenya's vision 2030 strategy. The ability of SREs to spur growth and foster job creation is limited by their inability to access loans. Due to their characteristics, SREs in Kenya suffer from constraints that lower their resilience to risk and prevent them from growing and attaining economies of scale. Some of the challenges have implications for technology, lack of access to loans, managerial skills, technical skills, education levels, poor market information, prohibitive regulatory environment and also lack of collaterals. Loan accessibility to retail business enterprises has been reviewed recently in Kenya where the lending rate throughout the sector has been reduced to 13%.

In addition, there are other digital channels have been introduced to the market to enhance loan accessibility and convenience for the borrower. Whereas the supply side of loans shows increase lending to the SREs sector, the demand side shows stagnation and

redundancy despite the increased access to bank credit. Lack of management experience is also major obstacle to the growth of retail enterprises. Most young people who start up business lack the skill to manage it to its growth; they are managing their business for the first time (Faki, 2017). Poor choices and rapid decisions made in the management of the small retail enterprise may lead to its failure. If they try to apply for a loan facility at commercial bank, the commercial bank shall outright deny them the facility as it is the first time for them to run the business.

The success of a business is determined by setting it up in the right type of business to operate. The type of business helps one to reach the right target audience making it easier for a business to sell its products and services. In the event that the small retail enterprise does not conform to the choices and preferences of the target population even for a commercial bank to lend out the facility to the small retail enterprise would be difficult. Faki, (2017) highlighted that laws and regulations also greatly undermined the growth of businesses in the country. If the business is illegal in that given environment even the authorities would not allow it to be operated this therefore directly affects its performance hence undermining its growth. Therefore, there is need to assess what hinders the performance of these SREs. This study shall examine how the size of the retail business, collateral ownership, owners contribution and the type of business affect on the performance of SREs in Keroka Town.

From the global front the United Kingdom (UK) depends partly on the contribution of small and medium enterprises. The importance of the small medium enterprises sector to the UK is that it contributes to income generation and also its employment. Small retailers play an important role in supporting the needs of the local population in terms of product and services, Omar and Fraser, (2010). Small retail enterprises in towns across the UK tend to face various challenges some of which are market competition from larger chains, changing consumer preferences brought about by technological changes, lack of access to loan etc. Being small makes them to be handicapped in the business environment. The problems they face are directly applicable to other retailers in many other countries across the globe.

This retailing sector is highly dependent on family contributed financial resources, which greatly increases their potential of the failure to respond to challenges adequately. Challenges to the SME retail sector in the British economy could be classified as external and internal issues. Baron *et al* (2001) identified these external threats to the survival of small retailers are related to operational costs and the availability of capital for reinvestment.

In Bangladesh, where the model of small and medium-sized enterprises started, it is actually the backbone of the Bangladesh national economy and its main role is to alleviate poverty. Small and retail enterprises are particularly suitable for the densely populated countries like Bangladesh where the sector can provide huge employment opportunity with much lower investment. The sector has created jobs, reduced poverty, and has facilitated economic growth. According to International Monetary Fund (IMF) Country Report (2012), it shows that small enterprises in Bangladesh accounted for more than 99% of private sector industrial establishments and has created job opportunities for 70%–80% of the nonagricultural labor force. Evidence show that 50.53% of small retail enterprises have no access to formal source of finance, only 35.79% of SMEs enjoy unrestricted access to the formal credit, the rest (13.68 %) of them have restricted access to the formal credit. Bank credit is used by small percentage of entrepreneurs and provides financing of generally less than 20% of their total outlay. Majority of the SMEs (59.6%) seek finance for their working capital needs from banks, although only a half-of them get loan from banks (Raihan, 2001). Government of Bangladesh established an independent SME foundation to help and encourage the people to join in this sector for the development of SMEs. Recently Asian Development Bank (ADB) provided some funds for SME sector development in Bangladesh. Recently also it has been noted that many commercial banks have opened separate specialized SME branches. Some commercial banks have come up with a special SME loan schemes for women entrepreneurs and it will go a long way in assisting small retail enterprises to access loans.

Indian small retailers are dominant in the retail industry. It is a huge source of employment and it is also the pillar of the Indian economy as it accounts

for 38% of its GDP (Lohia, 2017). The important role played by the small retail enterprises was even acknowledged in their 2017 Union Budget which pressed upon additional credit support to the undercapitalized retail sector. The retail market in India has more than 14 billion outlets and with this statistic, it has been rated has the largest retail destiny in the world (Sinha & Uniyal, 2007). According to United States based global consulting firm A T Kearny report of 2012, India has been identified as the fifth most attractive retail destination globally. With this statistic, it shows that the retail business in India is of great importance to its economy as it provides employment to its people, it helps in growing the economy in terms of GDP. However, the small retail market in India has been struggling in terms of market share as there has been a huge development in customer needs and change of customer's tastes and preferences. Also, the retail business is having some challenges in regards to accessing loans and these challenges are stopping the Indian retail industry from reaching its full potential. Also, majority of the SREs operate under poor technology and low-skilled labor that result in their low productivity. To add on top of this, the business environment is unfavorable for the development of small retail business as a result of institutional and legal barriers. The quality of institutions is low, retail enterprises find it very hard to obtain business license and establish their business as they have to go through a lot of legal and regulations.

Regionally, Small retail enterprises (SRE's) make a substantial contribution to the economy in terms of job creation, GDP, investment, and social welfare (Nieman, 2006). According to the African Development Bank report (2005), Small retail enterprises contribute to more than 55% in employment. Since they are so important to the economy, their creation is very important as it has a positive impact on economic growth. However, there is a need to keep these small retail enterprises in operation and avoid failure. Choice of loans to access has been a major challenge in this sector and acquisition of the right choice of financial facility can provide a lasting solution to the survival of the SREs. In Rwanda, the small retail sector performance goes hand in hand with the performance of the nation. The sector is important in stimulating growth and

development, it creates good social cohesion, it contributes to gross domestic product (GDP) and in generating income, employment and in uplifting in social position which finally results to poverty reduction in the country. The Government of Rwanda has a vision to become a middle-income country and in order to achieve this goal, the medium-term Economic Development and Poverty Reduction Strategy (EDPRS) that they have stipulated states that it must achieve an annual GDP growth rate of 8.1% and increase employment to 30% by year 2020 (Muchiri, Kibachai & Shukla, 2017). The Rwandan financial institutions find it too risky to lend to small medium enterprises (SMEs) given the time and resources required to process SME loans as well as the difficulties most SMEs face in consolidating capital and creating business plans to become viable lending candidates (Minicom, 2010).

In South Africa, the growth of SMEs and prevalence of SMEs is significantly low. This is attributed to many factors and entrepreneurial culture. A study conducted by the Global Entrepreneurship Monitor (GEM) Reports (2001-2010), states that small retail enterprise survival is one of the lowest in the world (Herrington, Kew & Kew, 2010). Growth rates of small businesses in South Africa are low, with an average of 50% failing to grow. Some of the internal factors that has affected the growth and performance of the small retail enterprises in South Africa is the environment which the business operates, the competency and skills of the owners and employees, limited financial knowledge and a lack of business management training.

The federal government of Nigeria has put on some structures to promote and grow the small-scale enterprises in the country. The structures that have been initiated by the federal government include establishment of industrial development centers (IDCS), the small-scale credit schemes, the credit guidelines for financial institutions, working for yourself/ programs and entrepreneurship development programs (WFYP/EDP) National Economic Reconstruction Fund. Financial accessibility to small business sector is readily available in the form of credit schemes that is Small Scale and Medium Industries Credit Scheme (SSIC) and the Small-Scale Enterprises loan Scheme (SMES). In the year 1999 Banker's in Nigeria

committee started up a scheme called the Small and Medium Industries Equity Investment Scheme (SMIEIS). Through the scheme, banks were required to set aside 10 percent of their profits before tax for the purpose of helping in financing of small and medium enterprises. This is one of the best incentives that has been set up by the federal government of Nigeria to enhance the performance of small retail enterprises. With this kind of incentives various small businesses shall be able to expand and meet their day to day running of the businesses.

In Kenya SREs are businesses having between 1 to 10 employees. According to the Economic Survey (GOK, 2012), the small enterprises sector contributed 79.8% of new jobs created in the year 2011. Consequently, the Kenya's development plans including vision 2030 have given special emphasis on the contribution of small and micro enterprises in the creation of employment in the country (GOK, 2012). The most significant challenges facing small enterprises are lack of access to appropriate financing (Amyx, 2005). The March 2018 report by Central Bank of Kenya showed that sectors where SMEs are dominant had the biggest increase in the average size of loans. The bigger the loan size, the more established a borrower is. This means the small retail enterprises are being pushed out to access loans.

The Kenyan government has come up with various programs in support for the informal sector over the years. The government, for example has created the Youth Enterprise Development Fund which is a state corporation under the ministry of Public Service, Gender and Youth Affairs. It is a fund set aside by the government to provide affordable loans to youths interested in undertaking businesses. The fund offers start-up loans targeting youths who are in registered groups. Even through this initiative, small retail enterprises set up by the groups are still under performing (Kimaiyo, 2015).

Several financial institutions also including commercial banks herein Kenya have also come up with ways to provide loan access to SRE's, who have not benefited from the conventional formal financial system by enhancing loan access through the mobile phone platform. Even through this means, the small retail enterprises sector had not shown any sign of growth and expansion this is according to the Kenya Economic Survey of (2009). Formal financial

intermediaries, such as commercial banks, usually refuse to serve poor households and micro-enterprises because of the high cost of transaction fees, lack of collateral, lack of basic requirements for financing, geographic isolation and restrictions placed on the use of such funds. By doing so, these institutions ignore the enormous potential in talents and entrepreneurship of this stratum of society. The small retail enterprises in Kenya have been hit hard on loan access as banks have cut on lending to this sector and turn to government securities.

This is because the risks associated to lending to SRE's are higher compared to investing in government securities which are more secure hence locking out small firms. Banks tend to lend on the basis of risk and returns. (Kimaiyo, 2015). If the government offers opportunities at low risk and better returns, that's the better option and financial institutions shall invest into that. The retail enterprises here in Kenya are largely informal and poorly structured raising the certainty of loan default in the event of lending to the retail sector. Reduction in lending to SRE's means less money for start-ups and business expansion. These will in-turn translate to slower economic growth and fewer jobs being created. Small retail enterprises have traditionally encountered problems in approaching providers of finance for funds to support them in investments and to provide working capital for the business operations.

Lack of access to loans shall consequently lead to business failure, stagnation, takeover and or redundancy (Koyagiolo, 2016). In the event that these SREs find the financial inclusivity to access loans in an ideal situation, they shall be able to manage costs, meet capital requirements, expand, be innovative and also increase volume of sales to make more profits. Accordingly, with all other things remaining constant, SREs shall be able to graduate from small to medium level enterprises. Providing access to financial services will stimulate the independence and self-development of poor households and micro-entrepreneurs. This will help not only to financial performance of the small retail enterprises but it shall also improve the quality of life in the face of uncertainty (Mugo & Kilonzo, 2017). Gaining loan accessibility is a critical step in connecting the small retail enterprises to a broader economic life and in

building the confidence for them to play a key role in economic development of Kenya

In Keroka town, there about 800 small retail enterprises that has employed large number of individuals. The retail enterprises in the region include mostly shops selling general merchandised goods to the final consumer among others. The small retail businesses are mostly individual businesses or family owned businesses operated by the owner and may that have employed 1 or 2 individuals to run the business. The positive performance can generate jobs, income to the population and revenue to the government.

Statement of the Problem

Small retail enterprises (SREs) play an important role in the Kenyan economy. Its role is immense as it alleviates poverty and the sector employs a lot of people. It is important to the individuals and to the nation as a whole. To the individual, it plays a role of providing employment opportunities and it improves the standard of living of both employers and employees. To the nation, they play a role in the social and economic development. Its importance is particularly noted in its ability to provide reasonably priced goods, services, income and employment to a number of people, Kauffmann, (2006). A positive relationship was documented between small business development and economic growth in developed countries from the works (Harris & Gibson, (2006); Monk, (2000) and Sauser, (2005). While the contributions of small retail enterprises to development of the nation are generally acknowledged, SREs entrepreneurs face many obstacles that limit their long-term survival and development (Kamunge, Njeru & Tirimba, 2014). Lack of access to loans is one of the problem facing small retail enterprises in Kenya. This has led to some businesses stagnating, others collapsing and some being sold to individuals that are able to finance it to make them grow to hyper stores. Studies on small business development have indicated that the rate of business failure in developing countries is of large number than in the developed world (Arinaitwe, 2012). Statistics from the past indicate that three out of five businesses fail within the first few months of establishment this is according to the Kenya National Bureau of Statistics, (2007). In Nyamira, there is a

high failure rate of SREs failing within the first two years of its establishment as a result of not only lack loan accessibility for expansion, but other internal and external factors that small retail enterprises are subject to. Close to 57 small retail enterprises closed shops in the year 2017 according to the Nyamira County Government (2018). At this rate of failure, it is important to do study on the effect of loan accessibility on the performance SREs to enable them to survive and progress to the growth phase of a business life cycle. A lot of studies have been conducted locally in reviewing the small and micro enterprises and there is scarcity of literature and studies on the rural small retail enterprises. Therefore, the proposed study will build on the local literature on effect of loan accessibility on the performance of small retail enterprises in rural market traders that are in Keroka town.

Objective of the Study

The objective of the paper was to establish the effect of the size of the retail business on performance small retail enterprises in Keroka town.

Research Hypothesis

H₀₁: Size of the retail business does not have a significant effect on the performance of SRE's in Keroka town.

2.0 Literature Review

Theoretical Review

Finance and Growth Theory

King and Levine (1993) were among the first to demonstrate the finance and growth debate. King and Levine found not only a consistent contemporaneous relationship between measures of financial depth and growth, but also a strong predictive component. They argue that current financial depth can predict economic growth over the consequent ten to thirty years and concluded that better financial systems stimulate faster productivity growth. Berger and Udell (1998), proposed a Finance Growth Theory for small business where the financial needs and financial options change as the business grows. The growth cycle model predicts that as firm grows it will gain access to venture capital (VC) as stage of growth paradigm, as the firm becomes older, more experienced and more information- ally transparent,

it will likely gain access to public equity (PE) or long term debt.

Problems related to financing are dominant in the literature with small firms. There are numerous empirical studies, describing inadequate financing as the primary cause of MSMEs failure (Owilalah, *et al.*, 2007). The capital structure of small firms is different from large firms because small firms rely more on informal market to access loans limiting the type of financing they can receive. Also, most small retail enterprises use internal finance for example from the owner of the business creating a capital structure decision based on limited financing options. Berger and Udell, (1998) further highlighted that small firms have different optimal capital structures and are financed by various sources at different stages of their organizational lives.

Romano et al, (2001) also found that certain characteristics of small firms influence the type of funds available to finance their operations. There has been some criticism of the theory on the link between financial and growth of business. From the Mckinnon-Shaw framework, (1973) in an environment of perfect competition with symmetric information, there shall be efficient allocation of scarce resources to all areas and growth shall be achieved. In the event that imperfect competition and asymmetric information allocation of resources will not in general result to growth of businesses.

Levine, (2005), noted that empirical methods and measures of financial development in this theory that each of the different econometric methodologies that were used to study the finance-growth nexus had serious shortcomings. The bulk of existing research suggests that countries with better functioning banks and markets grow faster, but the degree to which a country is bank-based or market-based does not matter much. Also, better functioning financial systems ease the external financing constraints that impede firm and industrial expansion, suggesting that this is one mechanism through which financial development matters for growth. This theory is relevant to the study in that, the link between access to loans by small retail enterprises shall result to growth. Also, it shows that a better developed financial system would ease external financing constraints facing small retail firms which shall influence economic growth of the nation.

Empirical Review

Size of Retail Business and Performance of SRE's

Various enterprises depending on their size possess and adopt different strategies of utilizing their short-term resources to enhance their performances. Jensen and Meckling (1976) stated that firms do enjoy the benefits brought about by economies of scale and on the other hand an increase in a firm's size exposes it to higher agency costs which are expected to further increase in extensively held companies because of agency conflicts and differences in interests among contracting parties. This brings two conflicting issues between scale economies and agency problems. Dalbor *et al* (2004) used total assets, total sales, number of owners, and number of employees as proxies of firms' size.

Through this method he found out that the number of owners and total assets as the most influential variables with maximum explanatory power. Basin it on the number of owners and total assets, they studied the effect of the size on use of debt by restaurant firms and found that owners often use loans as a basis to minimize agency costs in large firms. By using number of employees as firms' size, Du & Girma (2009) found out that financing source influences growth more in small firms as compared to large firms and that internally generated funds are more effective for promoting small firms whereas external finance is effective for large firms.

Large retail enterprises have an edge over small retail enterprises in terms of financial performance due to their resource base, better quality of product lines due to division of labor and specialization, research and development. But at the same time, these large retail enterprises are also facing some problems as higher operational costs and agency problems. Small retail enjoys some benefits over large retail enterprises for example close supervision of business, low requirement of capital to commence business and close relation with their customers. At the same time, these small retail enterprises face problems like difficulty in getting loans, lack of market expansion and use of old techniques in trading.

Liedholm and Mead (2005) in their study of surveys done in African countries estimated that between 17% - 27% of the working population was employed in SMEs, being nearly twice the employment of large-scale enterprises and public sector. Idowu

(2010), in his study highlighted that the major barrier to rapid development and growth of the small and medium enterprises sector is the shortage of both debt and equity financing. Loan has been identified as a key element for small and medium enterprises to flourish in their drive to compete and to contribute to poverty alleviation in developing countries. He also highlighted that small business especially in Africa can rarely meet the conditions set by financial institutions to access loans as a result of poor guarantees and their ability to repay loans.

In the same study, Idowu (2010), also cited that without finance, small and medium enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms. There are many reasons why size of the retail business is a key determinant of its performance is that a firm's size itself is an important indicator of its financial performance. Assuming balance sheet's size as a proxy of firms' size, an increase in it indicates growth in earnings. Also, selecting the size of an enterprise will answer certain questions from the owner(s) such as how much funds are available to establish a business concern.

Majumdar (1997) investigated the impact of size (measured by natural log of sales) and age of firms on their productivity and profitability using 1,020 Indian firms and found that larger firms are more profitable and less productive. Penrose, (1959), found that the performance of large firms is superior to

small firms. On the basis of regression analysis, and using natural log of sales as proxy of firms' size, Padachi (2006) found out that with the growth in size of a firm, its agency problem increases leading to inefficient management of working capital. The studies on the firms' size referred agree on a positive relationship between firms' size and profitability. Driver (2006) used number of employees as proxy of firm's size and found similarities in all the sizes except medium size to have been unusually affected by real interest rates and that medium and large firms invest less as compared to small firms. As firm size expands it becomes more complex and therefore, there is need for adequate funds and good management practices to enable the enterprises performs better in terms of increased profitability and increase in market share among others.

Conceptual Framework

McGaghieet *al.*, (2001) described the conceptual framework as stage for the presentation of the particular research question that drives the investigation being reported based on the problem statement. Performance of the SREs depends on certain factors as set out into two categories as dependent and independent variables. Independent variables include: size of the business, that is number of employees, number of total assets, economies of scale and extent of the market. The relationship of the variables is displayed in the figure 2.1.

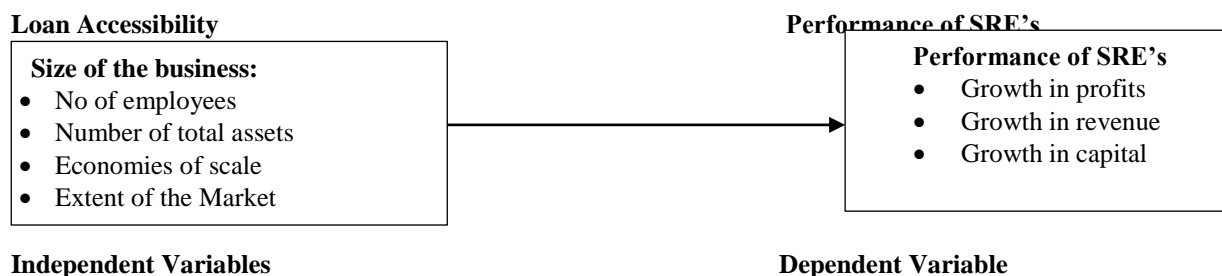


Figure 2.1: Conceptual Framework

**3.0 Research Methodology
Research Design**

According to Sreevidya & Sunitha (2011) a research design is an outline for collection, measurement and analysis of data. It guides the entire research. The

Index Copernicus Value (2018): 63.87

study will use descriptive survey research design. It is suitable for description and measurement of phenomena at a point without manipulation.

Target Population

The target population of the study will consist of all the retail enterprises operating within the Keroka town. From the records of Nyamira County, there are 800 registered business operators in Keroka town and its environs according to the Nyamira County office for business registrations. The businesses in operation are mainly in retail shops, cereals stores, beverages, fruit and vegetable vendors, cloths and footwear stores. The accessible population will be all the 800 small retail enterprises owners.

Sample and Sampling Technique

The study used stratified random sampling to sample the small retail enterprises. Therefore, Yamane's

formula (1967) was used to determine the sample size. For a 95% confidence level and $e = 0.05$, size of the sample was determined by the formula below.

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

In the above formula, n is the sample size, N is the accessible population size and e is the level of precision. Accordingly, the sample size is shown below.

$$n = \frac{800}{1 + 800(0.05^2)} = 266.666 = 267$$

This gives 267 SREs which form the sample size. The simple random sampling was used to identify the 267 SREs for research as shown in the table below. Therefore, the sample size for the study was 267 respondents as indicated in Table 3.1

Table 3.1 Sample Size

Type of Business	Total	Proportion	Sample Size
Retail Shops	300	30%	90
Cereals	50	50%	25
Beverage Shops	50	40%	20
Grocery Stores	200	27.5%	55
Cloths and Apparel Stores	50	60%	30
Footwear stores	50	34%	17
Fruits Vendors	100	30%	30
TOTAL	800		267

Data Collection Instruments

Data collection is the process of gathering raw and unprocessed information that can be processed into meaningful information following the scientific process of data analysis, Gall & Borg, (2007). The researchers employed Saunder (2003)'s strategies on gaining access to collect data where time will be allowed for requests to be received and considered at a convenient time by the respondent. The questionnaires were structured in Likert format to get the holistic view of the respondent's opinion.

Reliability and Validity of the research instruments

In research, reliability and validity of the research instruments is of great importance and the definitions and usage is as shown below.

Validity

Validity is the accuracy, truthfulness and meaningfulness of inferences that are based on the data obtained from a tool or a scale for each construct in the study (Mugenda, 2008). Content validity of research questionnaire was ensured by consulting the supervisor. This assisted in evaluation of the questionnaire to check on whether the set of items accurately represented the concepts.

Reliability

Reliability is the consistency with which a research instrument measures the construct or content area it is intended to measure. It is reported as a coefficient ranging from 0.00 (low) to +1.00 (high). According to Sreevidya & Sunitha, (2011), a coefficient above or equal to 0.70 is considered sufficient for most cases. Therefore, reliability of the questionnaire was

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tested using Cronbach’s alpha coefficient where a threshold value of ≥ 0.7 was used.

Description of Data Analysis Procedure

The data collected was analyzed using descriptive and inferential statistics to establish relationship between the independent variables and the dependent variables. For descriptive statistics, the study used mean, frequencies and standard deviation for analysis while for inferential statistics; the study used correlation coefficient and multiple regression models. The data that was collected relating to size of business, value of collateral, owner contribution and type of business and analysis was enhanced by Statistical Package of Social Sciences (SPSS). The regression model is as shown below;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots\text{Equation 3.2}$$

Where;

Y = Performance of SREs (Dependent Variable)

X1 represents Size of the business
 β_0 = Co-efficient of the model
 ϵ = Stochastic Error Term

The tests that were performed are f-test and t-test. F-test was used to test the overall significance of the regression model while the t-test used to test the significance of the independent variables in the model.

4.0 Research Findings and Discussions

Response Rate

The researcher distributed a total of 267 questionnaires to various businesses within the area of study. From the collection of the questionnaires a total of 224 questionnaires were filled and returned as summarized in table 4.1. This represented a percentage return rate of 83.9%. With reference Baruch and Holtom (2008), a response rate of more than 80% is sufficient to provide the needed responses for a study.

Table 4.1: Response Rate

Responses	Frequency	Percentage
Returned Questionnaires	224	83.9
Questionnaires not returned	43	16.1
Total	267	100.00

instruments used and the coefficient alpha of these variables were reported in Table 4.2.

Pilot Study Results

After pilot study, the Cronbach alpha coefficient test was used to measure the internal consistency of the

Table 4.2 Reliability Test Results

Variables	N of Items	Cronbach’s Alpha
Size of Business	6	0.875

The results indicated that Cronbach’s alpha coefficient of 0.892 with 23 test items. This implied that the questionnaire met the threshold as all the four constructs had Cronbach’s alpha coefficients greater than 0.7.

period in which their business has been in existence and level of education attained – to determine if they were suitable to participate in the study and provide the required sets of information as summarized in Table 4.3.

Demographic of the Respondents

The study sort to determine the various characteristics of the respondents – gender, age,

Gender of the Respondents

The study sought to establish the gender of the respondents. The findings are presented in Table 4.3.

Table 4.3 Gender of the Respondents

Gender	Frequency	Percentage
Valid	Male	133 59.4
	Female	91 40.6

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Totals	224	100
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The study found that 59.4% (133) of the respondents were male while 40.6% (91) of the respondents were female.

Distribution of Respondents by Age Bracket

The respondents were requested to give their age and on that note the results were analyzed in table 4.4.

Table 4.4 Age Bracket of the Respondents

Age Brackets	Frequency	Percent
20-25 Years	46	20.5
26-35 Years	67	29.9
36-45 Years	45	20.1
46-55 Years	22	9.8
Over 55 Years	44	19.6
Totals	224	100

The study sort to find out the age of the respondents and it was found that majority of the respondents 29.9% (67) were aged between 26 – 35 years, 20.5% (46) of the respondents were aged between 20 – 25 years, 20.1% (45) of the respondents were between the ages of 36 – 45 years while 19.6% (44) of the respondents were above the age of 55 years and 9.8% (22) of the respondents were aged between the ages

of 46 – 55 years. This shows that the all age sets of people were represented.

Period the Business has been in Existence

The respondents were asked to give the period in which they have operated their business and the responses are as shown on Table 4.5.

Table 4.5 Period of Business

Period	Frequency	Percent
Less than 1 year	39	17.4
Between 1-3 years	46	20.5
Between 3-6 years	53	23.7
Between 6-10years	63	28.1
Over 10 Years	23	10.3
Totals	224	100

The study sort to determine the period the respondents had been in business and the findings showed that 28.1% (63) of the respondents had been in the business for a period of between 6 – 10 years, 23.7% (53) of the respondents had been in business for a period of between 3 – 6 years, 20.5% (46) of the respondents had been in business for a period of between 1 – 3 years while 17.4% (39) of the respondents have been in business for a period of less

than 1 year and 10.3% (23) of the respondents had been in business for a period of more than 10 years as shown on Table 4.6 .

Education Background

Respondent education level was categorized into three sub-groups; certificate, diploma and undergraduate. The results are presented in Table 4.6.

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Table 4.6. Education Level

Level of Education	Frequency	Percent
Diploma	68	30.4
Degree	111	49.60
Post Graduate	45	20.10
Totals	224	100

The study further sorts the educational level of the respondents and 30.4% (68) of the respondents had attained diploma level, 49.6% (111) had a degree (Bachelor's) while 20.1% (45) had attained post graduate level of education. This information was important in understanding the ability of the respondents to comprehend and understand the items that the researcher was investigating as shown on table 4.7 above.

Descriptive Statistics Results

This section represents the descriptive statistics of the four study objectives and the dependent variable. The

Table 4.7 Size of the business and performance small retail enterprises

Statement	SA		A		UD		D		Mean	Std. Dev
	N	%	N	%	N	%	N	%		
i. The size of the business affects the performance of small retail enterprises	128	57.1	64	28.6	32	14.3	-	-	4.43	0.73
ii. The number of employees affects the performance of the small retail enterprises	112	50.0	96	42.9	16	7.1	-	-	4.36	0.81
iii. The number of total assets affect the performance of the small retail enterprises	112	50.0	64	28.6	32	14.3	16	7.1	4.21	0.94
iv. The extent of the market influences the performance of small retail enterprises	128	57.1	64	28.6	32	14.3	-	-	4.30	0.73
Valid	N	224							4.33	

Findings represented in table 4.7 show that 57.1% (128) of the respondents strongly agreed that business size affected performance of the small retail enterprises, 28.6% (64) of the respondents agreed that business size affected the performance of small retail enterprises while 14.3% (32) of the respondents were

study determined the respondents' level of agreement on a five-point Likert scale. The Likert scale used ranged from strongly disagree (1) to strongly agree (5).

Size of the Business and Performance Small Retail Enterprises

The study sought to establish the effect of size of business on the performance of retail business enterprises. Table 4.7 presents the study results.

undecided. From the findings it was evident that the size of any business affected the performance of small enterprises (Mean = 4.43; Std. dev = 0.730). The findings found that 50.0% (112) of the respondents strongly agreed that employee size affected the performance of the small enterprises. This was supported by 42.9% (96) of the respondents who agreed while 7.1% (16) of the respondents were

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undecided. The findings showed that indeed the number of employees within an organization had effects on the performance of the organization (Mean = 4.36; Std. dev = 0.813). The findings agreed with Driver (2006) who attributed the performance of firms to number of staffs in that as the firm size increased it become more complex thus the need to have enough staff to assist in realization of the firm's objectives thus performance.

The study sort to establish if the number of total assets affected performance of the small retail enterprises. The findings showed that 50.0% (112) of the respondents strongly agreed that the contributed to the performance of the small retail enterprises, 42.9% (96) of the respondents agreed to the statement while 7.1% (16) of the respondents were undecided. From the findings it was found that the nature of the enterprise was critical in the performance of the small enterprises as showed by majority of the respondents (Mean = 4.21; Std. dev = 0.62409).

Further, the findings from the study showed that market spectrum had huge effects on performance of the small retail enterprises as supported by 57.1% (128) of the respondents who strongly agreed to this

Table 4.8: Pearson Product Moment Correlation

		Business size	Performance
Business size	Pearson Correlation	1	
	Sig. (1-tailed)		
Performance	Pearson Correlation	.594**	1
	Sig. (1-tailed)	.000	

** . Correlation is significant at the 0.01 level (1-tailed).

From the analysis the findings show that the size of the business and performance of the small retail enterprises was

found to be strong ($r = 0.594$) thus the effect was statistically significant since $p - \text{value}$ ($p < 0.05$) therefor business size affected the performance of small retail enterprises, the relationship between collateral business ownership and performance of small retail enterprises had a strong positive correlation ($r = 0.711$) which was statistically significant since the $p - \text{value}$ ($p < 0.05$) thus collateral ownership affected the performance of the small retail enterprises.

Table 4.9 Multiple Regression Model Summary

argument, 28.6% (64) of the respondents agreed to this while 14.3% (32) of the respondents were undecided. From the findings it was noted that when the market expands the small retail enterprises tent to improve on their performance as more customers are reached thus maximizing on their profitability as supported by majority of the respondents (Mean = 4.30; Std. dev = 0.730).

Inferential Statistics

This section presented the results of correlation and regression analysis. The section was meant to achieve both general and specific objectives in establishing relationships that exists between study variables.

Correlation Analysis

The researcher conducted correlation analysis in order to establish the relationship between variables. To achieve this Pearson's correlation product moment was carried out because all the variables were in interval scale. Correlation coefficient showed the magnitude and direction of the relationship between the study variables and results presented in Table 4.8.

Multiple Regression Analysis

Since the procedures that are used to evaluate the primary hypotheses in the model are quantitative scales, regression analysis is used to accomplish this task. Regression analyses are a set of methods that can empower the researcher to evaluate the aptitude of an independent variable(s) to predict the dependent variable(s). As part of the analysis, Regression Analysis was done. The results are as seen on Table 4.9.

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R	R Square	Adjusted R Square	Std Error of the Estimate
.746 ^a	.557	.549	.47512

a. Predictors: (Constant), business size

b. Dependent Variable: Performance of the small retail enterprises

From Table 4.9 it can be observed that the R value was .746 exhibiting a positive direction of the results. R is the correlation linking the observed and predicted scores that characterize the dependent variable. The values of R extend from -1 to 1 (Wong and Hiew, 2005). The symbol of R designates the direction of the relationship (positive or negative). The total unqualified value of R designates the strength, with superior unqualified values demonstrating stronger relationships. Hence, the R value at .746 shows a stronger relationship amid observed and predicted values in a positive direction.

Table 4.10: Model Fitness Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	62.204	4	15.551	68.889	.000 ^b
Residual	49.437	219	.226		
Total	111.641	223			

a. Dependent Variable: Performance of the small retail enterprises

b. Predictors: (Constant), business size

The F-statistics produced (F =68.889) was significant at 5 per cent level (Sig. F< 0.05), hence confirming the fitness of the model and consequently, there is statistically significant relationship business size and Performance of the small retail enterprises.

The coefficient of determination R² value was 0.549. This shows that 54.9 per cent of the alteration in dependent variable (Performance of the small retail enterprises) was explained and predicted by independent variables (type of business, business size, owner contribution, collateral ownership). Multiple regression analysis was conducted to test the influence among predictor variables on performance of the small retail enterprises. All the four null hypotheses were tested using F statics. The test results are shown in table 4.10.

Regression Coefficients

The t-test was conducted to determine whether the individual regression coefficients of the study were statistically significant. These results were presented in Table 4.11.

Table 4.11: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.544	.130		4.188	.000
Business size	.111	.095	.078	1.167	.004

a. Dependent Variable: Performance of the small retail enterprises

From Table 4.11, the t-value of constant produced (t = 4.188) was significant at .000 per cent level (Sig. F< 0.05), thus confirming the fitness of the model. Consequently, there is statistically significant relationship between business size and performance of the small retail enterprises. Business size with sig of .004 had a strong significance to Performance of

the small retail enterprises and was thus statistically significant.

This implies that business size affected Performance of the small retail enterprises. The researcher conducted a multiple regression analysis so as to determine the relationship between Sustainability and the four variables. The SPSS generated the equation; (Y= β₀ + β₁X₁ + ε)

$$Y = 0.544 + 0.111X_1 + \epsilon$$

Where Y is the depend variable (performance of small retail enterprises), X_1 is the size of the business. According to the regression equation established, taking all independent variables to be at zero, (Business size) performance was at a constant which equals 0.544.

Hypotheses Testing

The research hypotheses were tested using the significance level of the coefficients. The research aimed to test the hypothesis with an aim of failing to reject or rejecting the relationship between independent and the dependent variables as shown in Table 4.11.

From table 4.11, it can be noted that the first hypothesis which stated that Size of the retail business does not have a significant effect on the performance of SRE's in Keroka town was accepted due to the fact that it was more than $\alpha = 0.05$, on the second hypothesis which stated that Collateral ownership does not have a significant effect on the performance of SRE's in Keroka town was rejected as α was less than 0.05 as was the owners contribution and the concurrent hypothesis was accepted as it stated that type of business has a significant effect on the performance of SRE's in Keroka town.

5.0 Summary of Findings, Conclusion and Recommendations

Summary of Findings

This area contains the summary of the study findings.

Size of the Business and Performance Small Retail Enterprises

The study sort to determine size of the business influenced the performance on the small retail enterprises. The findings indicated that indeed the size of the business contributed to the performance of the small retail enterprise as agreed by majority of the respondents. It was also found that the number of employees. The amount of capital injected into the business, accessibility to loan facilities and extent of market for the small retail enterprises played a crucial role in the performance of these small retail enterprises in Keroka Town. From the regression model it was evident that a change in the size of the business had an increment on the performance of the

performance of these SREs. However, hypothesis testing found that there the size of the business had no significant effect on the performance of the SREs in Keroka thus the hypothesis was accepted.

Conclusion

The study concludes that, when the business increases in size it affects its performance either positively or negatively in terms of its customer base, number of persons employed in the small retail enterprises. The study also concludes that the amount of capital one injects into the SRE determines the nature and the type of market they tent to offer their services. Accessibility to loans by these SREs has been found to improve the performance of these SREs although it can be noted that the loans to some extent especially when the SREs faces uncertainties have contributed to their closure due to the inability of the SREs to pay back the loans advanced to them. Market spectrums have been found to also contribute to the size of the business in that when the market becomes

Recommendations of the Study

Based on the findings of the study, the following recommendations can be made;

That financial institution should develop different guidelines for the different tiers of businesses so as to enable them access the required loan facilities to boost their businesses and ventures. SREs need to invest in proper book keeping practices as this will assist them when applying for loan facilities in financial institutions of their choice. Most of the SREs need to invest in training and development for all their staff as this enables the staff get the required skills to handle various customer problems and how to handle them. Financial institutions need to be lenient on SREs that are experiencing turbulences due to various aspects that are beyond their control. Through such gestures these SREs are able to continue utilizing these facilities and also contribute to their longevity and expansion thus improved performance is experienced.

Recommendations for further Research

The study looked at the effect of loan accessibility on the performance of small retail enterprises in Keroka

town, Nyamira County, with specific interest in Keroka Town. However, more studies need to be undertaken in other towns within Nyamira County so as to establish which other factors are contributing to the low uptake of loan facilities by SREs in those towns.

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