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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 6, Iss. 2, pp 296 - 310, April 15, 2019. www.strategicjournals.com, ©Strategic Journals

INFLUENCE OF CREDIT AWARENESS AND COLLATERAL SECURITY ON ACCESS TO FINANCIAL CREDIT BY WOMEN OWNED ENTERPRISES IN KAKAMEGA COUNTY, KENYA

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Accepted: April 13, 2019

ABSTRACT

This study sought to investigate the influence of credit awareness and collateral security on access to financial credit by women owned enterprises in Kakamega County, Kenya. The study targeted 303 officials of the women owned enterprises in Kakamega County. Data was collected using structured questionnaires and piloted on women owned enterprises in Bungoma County (15 respondents). Descriptive analysis was used to compute frequencies, percentages, means and standard deviations while for variable relationships, inferential analysis was computed. SPSS version 24 was used to compute descriptive and inferential statistics. Data was presented in form of tables and graphs. The study provided empirical data on significant factors that really hindered access to financial credit by women owned enterprises. A total of 105 out of 172 respondents returned completely filled questionnaires representing a response rate of 61.05% which was good for generalizability of results to a wider population. All conceptualized independent variables significantly influenced access to financial credit by women owned enterprises in Kakamega County. The study concluded that credit awareness significantly determines access to finance by women owned enterprises in Kakamega County, Kenya. Secondly, collateral security significantly influences financial access thus stringent collateral securities by financial lending institutions can discourage access to finance by women owned enterprises. The study recommended that financial lending institutions should have more marketing programs to reach more women owned enterprises who could not be aware of financial lending. Secondly, financial lending institutions should craft lenient collateral security measures so as to attract borrowing from women owned enterprises.

Key Words: *Credit Awareness, Collateral Security, Financial Credit, Women Owned Enterprises*

CITATION: Muyaka, C., & Otinga, H. N. (2019). Influence of credit awareness and collateral security on access to financial credit by women owned enterprises in Kakamega County, Kenya. *The Strategic Journal of Business & Change Management,* 6 (2), 296 – 310.

INTRODUCTION

Most women owned enterprises have little access to credit, which thus hampers their emergence and eventual growth. Their main source of capital are their retained earnings and informal savings and loan associations, which are unpredictable, not very secure and have little scope for risk sharing because of their regional or sectoral focus (Schiffer & Weder, 2001).

Credit access can be defined as the supply side phenomenon of credit markets, because it is the financial lenders who decide whether borrowers can access credit or not. The credit process involves two distinct stages. In the first stage, borrowers who have demand for credit decide how much funds to apply for and from which particular lender (formal or informal sector) at the prevailing market interest rates. This process constitutes the demand side. In the second stage, the lenders decide who accesses credit and what amount, which constitutes the supply side (Zeller, 2004).

The financial sector, comprise of the formal and informal sectors, which plays a key role in financial intermediation in developing countries. The banks are major players in formal credit markets, while informal institutions (such as relatives, friends, moneylenders, rotating savings and credit associations, microfinance institutions) are active in informal financial markets (Zeller, 2004).

Access to formal credit is poor for small and medium enterprises because many small and medium enterprises do not maintain proper book of accounts or have weak financial statements and hence making it difficult for financial institutions to access their creditworthiness. Accessing credit is considered to be an important factor in increasing sales, profitability and employment. Further, the poor are argued to have constrained access to formal sector credit due to both institutional and household level factors (Nwanna, 2005). At the institutional level, the banks incur high information costs to assess the creditworthiness of small borrowers, and low returns due to the small loan amounts involved. This motivates the formal lenders to adopt strict collateral requirements as a screening mechanism to minimize default risk, hence rationing out the poor from the formal credit market. However this should not always be assumed to be so Nwanna, 2005).

Schiffer and Weder (2001) asserted that women owned enterprises find accessing finance more difficult than larger firms. They rank all the obstacles firms face in doing business and find that financing is a top problem for small and medium enterprises, which rate is higher than larger firms.

In a study by Vos *et al.* (2007), using UK and US data, they find that SME financial behaviour demonstrates substantial financial contentment, or 'happiness', mainly due to the fact that most SMEs in the UK do not seek high growth while US SMEs do not have problems in accessing working capital. Their analysis also finds that financial performance indicators (such as growth, return on assets and profit margin) are not determinants of SME financing activities. They also find that younger and less educated SME owners more actively seek external financing, while older and more educated SME owners are less likely to seek external funding. Growth oriented SMEs are more active in the use of and access to external sources of funds in comparison to low growth firms. In addition, they find that social networks (connections) are important to accessing finance. The findings of this study are consistent with the view that in developed economies the issue of access to finance is a less pressing than for SMEs operating in emerging or developing economies.

Lack of access to financial services is one of the main constraints facing women owned enterprises in Kenya. Studies on the informal sector have indicated that despite the proliferation of small and medium enterprises activities, many of them not grow

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

because most of them are characterized by small size of activities and employees. The slow growth of firms has been attributed by some researchers to the lack of access to financial resources Nkurunziza (2005).

Statement of the problem

Finance is at the core of the development process and development practitioners are becoming increasingly convinced that efficient, well-functioning financial systems are crucial in channeling funds to the most productive uses and in allocating risks to those who can best bear them, thus boosting economic growth, improving opportunities and income distribution, and reducing poverty through use of small and medium business enterprises. Thus, to the extent that access to finance and the available range of services are limited, the benefit of financial development is likely to elude many individuals and small or medium enterprises, leaving much of the struggling population in absolute poverty (Perterson, 2012).

In this regard, lack of access to financial services is one of the main constraints facing women owned enterprises in Kenya. Studies on the informal sector have indicated that despite the proliferation of small and medium enterprises activities, many of them not grow because most of them are characterized by small size of activities and employees. The slow growth of firms has been attributed by some researchers to the lack of access to financial resources (Nkurunziza, 2005).

In regard to women owned enterprises, Otero and Downing (2009) argued that women's lack of control over economic resources and the nature of their economic activities restrict their access to formal credit more than men's. Other factors pointed out as constrains for women in accessing credit are related to institutional requirements, cultural and social norms and to the type of development activities that women are engaged; Weiss (2001); Zeller (2004); Kochar (2007); Chakrabarty (2011). Therefore there is little empirical evidence to support the assertion that women lack economic resources that normally restrict their access to finance, a gap that motivated this study to investigate the influence of credit awareness and collateral security on access to financial credit by women owned enterprises in Kakamega County, Kenya.

Objectives of the study

The general objective of the study was to investigate influence of credit awareness and collateral security on access to financial credit by women owned enterprises in Kakamega County, Kenya. The specific objectives were:-

- To determine the influence of credit awareness on access to financial credit by women owned enterprises in Kakamega County, Kenya
- To determine the influence of collateral security on access to financial credit by women owned enterprises in Kakamega County, Kenya.

Research hypotheses

H_{01}: There is no significant relationship between credit awareness and access to financial credit by women owned enterprises in Kakamega County, Kenya.

H_{02}: There is no significant relationship between collateral security and access to financial credit by women owned enterprises in Kakamega County, Kenya.

LITERATURE REVIEW

Theoretical review

Financial Inclusion theory

This theory refers to the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner, by mainstream financial institutional players (Chakrabarty, 2011). In this regard the theory reinforces that inclusive financial sector that provides 'access' to credit for all 'bankable' people and firms, to insurance for all insurable people and firms, to savings and payment services for everyone. Inclusive finance does not require that everyone who is eligible use each of the services, but they should be able to choose them if desired (United Nations, 2006).

Kempson et al. (2004) supported the theory by asserting that financial exclusion is most prevalent amongst those on low incomes. Unemployed people living on social security payments from the state are therefore especially vulnerable, as are low income households from ethnic minority communities who may also have relatively low levels of engagement with the financial services industry.

Prospect theory

This theory was crafted by Kahneman and Tversky (1979) and is concerned with behavior of decision makers who face a choice between two alternatives. Decision making under risk can be viewed as a choice between prospects or gambles. Decisions subject to risk are deemed to signify a choice between alternative actions, which are associated with particular probabilities or gambles. The theory states that we have an irrational tendency to be less willing to gamble with profits than with losses. Prospect theory is based on the idea that people evaluate gains or losses from some neutral or status quo point, an assumption consistent with the adaptation level findings that occur not just in perception but in virtually all experience. That is, we adapt to a constant level of virtually any psychological dimension and find it to be neutral.

In this regard the prospect theory with the way we frame decisions, the different ways we label outcomes, and how they affect our attitude towards financial risk. It helps explain how loss aversion, and an inability to ignore sunk costs, leads people to take actions that are not in their best interest. The sting of losing money, for example, often leads investors to pull money out of the stock market unwisely when prices decline. The prospect theory assumes that investors' utility functions depend on changes in the value of their portfolios rather than the value of the portfolio and thus informs this study by assessing an interplay between the lenders financial risk to riskier borrowers; and the borrowers assertion that failure to pay procured credits makes the business enterprise susceptible to financial risk; thus affecting accessibility to financial credits with harsh lending terms.

Credit rationing theory

This theory was proposed by Stiglitz and Weiss (1981) who argued that that agency problems (a conflict of interest between management (agents) and the shareholders (owners) of the organization) and information asymmetries are the major reason why SMEs have constrained access to finance. They argued that only SMEs know their real financial structure, the real strength of the investment project and the effective intention to repay the debt, that is, firms have superior private information (asymmetric information). Hence, the financial lending manager makes decisions under asymmetric information, and operates under a moral hazard and adverse selection risk.

Review of study variables

Credit awareness and financial access

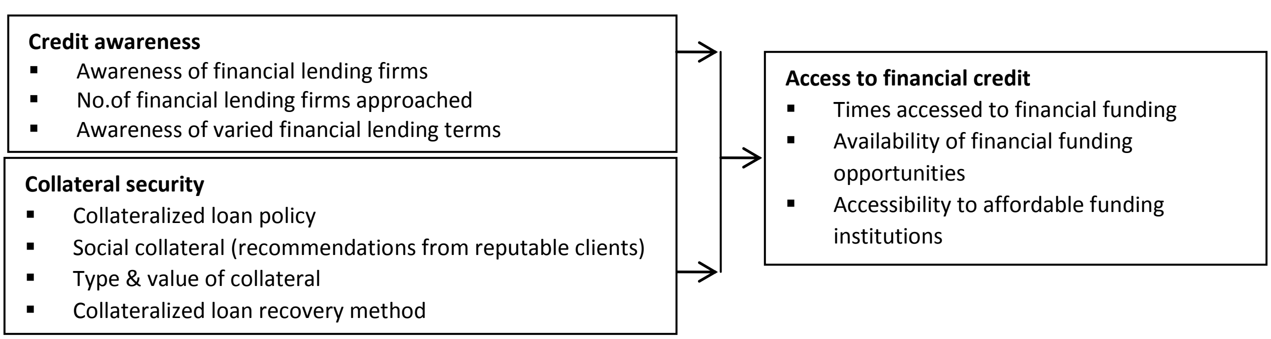
This assessed whether women owned enterprises in Kakamega County have credit awareness issues such as awareness of financial lending firms, number of financial lending firms approached, and awareness of varied financial lending terms of financial lending institutions whether within or outside Kakamega County, Kenya. For instance, Petersen and Rajan (2004) argue that the amount of information banks can acquire is usually much less for the case of small firms, due to limited information about their managerial capabilities and investment opportunities. In addition, the extent of credit rationing applied to small firms may occur simply because they are not well collaterised and also attribute hindrances of small and medium enterprise access to finance to ''opaqueness", making it difficult to ascertain if firms have the capacity to pay (by investing in viable projects), and/or the willingness to pay (due to moral hazard) or even aware of credit conditions. This opaqueness particularly undermines credit access from institutions that engage in more impersonal or arms-length financing that requires hard, objective, and transparent information.

Collateral security and financial access

This assessed whether collateralized loan policy, social collateral (recommendations from reputable clients), type & value of collateral, collateralized loan recovery method influence access to finance by women owned enterprises in Kakamega County. For instance, Okech et al. (2005) conducted a study on 16 financial institutions to determine the demand and supply of credit to the small and medium enterprises. The study revealed that the demand and supply for credit have been on the increase since 1991. It also revealed that the demand has only been met by 16 percent of what is required. The study also revealed that although financial institutions lend to prime borrowers with collateral security, there is need for these institutions to increase their lending to small and medium enterprises.

Zeller (2004) found that access to credit from the Gambian Co-operative was positively and significantly influenced by age and household income, while being female had a negative and significant effect. What these results suggest is that older persons who control household resources may be rated to be more creditworthy, while women are discriminated against in the credit market. The study further indicated that collateral requirements are a major factor that influences credit access, especially in the formal sector; thus the low levels of collateral among the poor women to a great extent explained their limited access to financial instruments in the formal banking sector.

Conceptual Framework



Independent variables **Dependent variable**

Figure 1: Conceptual Framework

Source: Author (2019)

Empirical review of related studies

Credit awareness and financial access

Petersen and Rajan (2004) argue that the amount of information banks can acquire is usually much less for the case of small firms, due to limited information about their managerial capabilities and investment opportunities. In addition, the extent of credit rationing applied to small firms may occur simply because they are not well collaterised and also attribute hindrances of small and medium enterprise access to finance to ''opaqueness", making it difficult to ascertain if firms have the capacity to pay (by investing in viable projects), and/or the willingness to pay (due to moral hazard) or even aware of credit conditions. This opaqueness particularly undermines credit access from institutions that engage in more impersonal or arms-length financing that requires hard, objective, and transparent information.

Velbson (2013) also found that credit to small business producer groups also plays a major role in social economic development which is the case also in Kenya. Increase in economic activities within the small business producer groups and acquisition of new modern technologies has made them gain more competitive edge towards other competitors in the market. It is therefore this competitive edge that leads to more wealth creation and development of small business producer groups. In contributing to employment creation, credit extension has improved infrastructure and general performance of the small business producer groups in many parts of the country and hence creating chances to engage the efforts of the unemployed. Through credit, there is also income generation and stimulation of growth in rural areas and in-turn contributing to the development of the country as a whole economically, socially and even politically but surprisingly some small business groups are not aware of where to access affordable credit.

Collateral security and financial access

Okech et al. (2005) conducted a study on 16 financial institutions to determine the demand and supply of credit to the small and medium enterprises. The study revealed that the demand and supply for credit have been on the increase since 1991. It also revealed that the demand has only been met by 16 percent of what is required. The study also revealed that although financial institutions lend to prime borrowers with collateral security, there is need for these institutions to increase their lending to small and medium enterprises.

Zeller (2004) found that access to credit from the Gambian Co-operative was positively and significantly influenced by age and household income, while being female had a negative and significant effect. What these results suggest is that older persons who control household resources may be rated to be more creditworthy, while women are discriminated against in the credit market. The study further indicated that collateral requirements are a major factor that influences credit access, especially in the formal sector; thus the low levels of collateral among the poor women to a great extent explained their limited access to financial instruments in the formal banking sector.

Abor and Quartey (2010) found that financial intermediaries that uses the asset based lending techniques looks at the underlying assets of the firm which are taken as collateral as the primary source of repayment. For working capital financing, banks use short-term assets, such as accounts receivable and inventory. For long-term financing, they use equipment. He noted that the pledging of collateral by itself does not distinguish asset-based lending from any of the other lending technologies. Collateralization with accounts receivable, inventory and/or equipment is often associated, for example, with financial statement lending, relationship lending, and credit scoring where collateral is used as a secondary source of repayment. Ideally, small businesses should have well-established systems for

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

gathering information and forecasting, and also addressing several constraints to minimize the access to credit problem (Abor and Quartey (2010).

METHODOLOGY

The study adopted descriptive research design. The major purposes of descriptive research design is to describe the current state of affairs as it exists at present (Kothari, 2007). The target population for this study was 301 respondents comprising of chairpersons, secretaries and treasurers of 101 women owned business enterprises in Kakamega County, Kenya. Primary data was collected from respondents directly using self-administered structured questionnaires (closed ended questions). For modeling the relationship between the dependent variable and Independent variables, the following multiple regression equation was applied;

$$Y=\alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where **γ**= Dependent variable [access to financial credit]

α=Constant; the y intercept or the average response when both predictor variables are 0

X_1= Independent variable 3 [credit awareness]

X_2= Independent variable 1 [collateral security]

ε= error term

$\beta_{1....}$ B_2 = Beta Coefficients

3.9.2 Assumptions of multiple regression analysis models

The following regression model assumptions as summarized by Hair et al., (2006) were put into consideration;

Normality tests was carried out using histograms with normal curve. The results showed a bell-shaped curve indicating that data is approximately normally distributed.

Multicollinearity was checked by computing correlations between all pairs of independent variables, If correlation coefficient, r is close to 1 or -1, then there is multicollinearity but if r is not above 0.9, then there is no multicollinearity (Hair et al., 2006).

Test of Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent. That is the independent and dependent variables must have a linear relationship because regression tests linear relationships. In this study all predictor variables were examined to confirm if they have significant correlation with the dependent variable.

FINDINGS

Descriptive statistics: Credit awareness

These were responses based on statements measured on Likert scale where; 1. Strongly disagree, 2. Disagree, 3. Uncertain, 4. Agree, 5. Strongly agree based on whether credit access influences financial access by women owned enterprises. The results in table 1 were thus frequencies, their corresponding percentages in brackets, means and standard deviations.

Table 1 : Descriptive statistics; Credit awareness

	Frequency and percentages (%)						
Statement	**5**	**4**	**3**	**2**	**1**	**mean**	**Std.dev**
1 The business enterprise has awareness of financial lending firms	11(10.5)	52(49.5)	10(9.5)	24(22.9)	8(7.6)	3.32	0.864
2 The business enterprise has approached a fairly good number of financial lending firms for financial credit	10(9.5)	49(46.7)	9(8.6)	27(25.7)	10(9.5)	3.21	0.907
3 Awareness of varied financial	13(12.4)	54(51.4)	9(8.6)	21(20.0)	8(7.6)	3.40	0.882

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lending terms influence the businesses enterprise access to finance							
4 Awareness of strict financial lending terms and conditions influence the businesses enterprise access to finance	12(11.4)	51(48.5)	11(10.5)	22(21.0)	9(8.6)	3.33	0.783
5 Generally credit awareness influence businesses enterprise access to finance	14(13.3)	58(55.2)	7(6.7)	21(20.0)	5(4.8)	3.52	0.802
Valid listwise 105							
Grand mean = 3.36							

From table 1, most respondents agreed (49.5%) and strongly agreed (10.05%) that the business enterprise had awareness of financial lending firms, implying that some women owned business enterprises have secured loans thus is aware of operations of financial lending institutions. Similarly, most respondents agreed (46.7%) and strongly agreed (9.5%) that the business enterprise has approached a fairly good number of financial lending firms for financial credit, thus showing a high level of awareness, while 51.4% and 12.4% agreed and strongly agreed respectively that awareness of varied financial lending terms influence the businesses enterprise access to finance.

More so, 48.5% and 11.4% of respondents agreed and strongly agreed respectively that awareness of strict financial lending terms and conditions influence the businesses enterprise access to finance; this implies that some women owned enterprise shy away from some financial lending institutions with perceived high lending terms and conditions.

In summary, most respondents agreed (55.2%) and strongly agreed (13.3%) that generally credit awareness influence businesses enterprises' access to finance. This is supported by Petersen and Rajan (2004) who argued that the amount of information banks can acquire is usually much less for the case of small firms, due to limited information about their managerial capabilities and investment opportunities. In addition, the extent of credit rationing applied to small firms may occur simply because they are not well collaterised and also attribute hindrances of small and medium enterprise access to finance to ''opaqueness", making it difficult to ascertain if firms have the capacity to pay (by investing in viable projects), and/or the willingness to pay (due to moral hazard) or even aware of credit conditions. This opaqueness particularly undermines credit access from institutions that engage in more impersonal or arms-length financing that requires hard, objective, and transparent information.

Descriptive statistics: Collateral security

These were responses based on statements measured on Likert scale where; 1. Strongly disagree, 2. Disagree, 3. Uncertain, 4. Agree, 5. Strongly agree based on whether collateral security influences financial access by women owned enterprises. The results in table 2 were thus frequencies, their corresponding percentages in brackets, means and standard deviations.

From table 2, most respondents agreed (46.6%) and strongly agreed (6.7%) that the business had secured collaterized loans implying that the women owned enterprises have at least gone for collateralized loans thus understand the terms and conditions of collaterized loans. Secondly most respondents agreed (49.5%) and strongly agreed (10.5%) that the type of collateral security influences access to finance, thus understands which type of business collateral can be used to secure which type of business loan.

More so, most respondents agreed (48.6%) and strongly agreed (11.4%) that the type and value of collateral security influence access to finance; implying that managers of women owned enterprises understand their assets that can be used to secure which type of business loan. Similarly, 50.5% and 12.4% of respondents agreed and strongly agreed respectively that collateralized loan recovery method influence access to finance, thus understands which loan recovery method can be humiliating to the business enterprise.

Table 2:Descriptive statistics; Collateral Security

	Frequency and percentages (%)						
Statement	**5**	**4**	**3**	**2**	**1**	**mean**	**Std.dev**
1 The business enterprise secured collateralized loans	7(6.7)	49(46.6)	11(10.5)	25(23.8)	13(12.4)	3.11	0.811
2 The type of collateral security influences access to finance	11(10.5)	52(49.5)	10(9.5)	24(22.9)	8(7.6)	3.32	0.864
3 The type & value of collateral security influence access to finance	12(11.4)	51(48.6)	9(8.6)	23(21.9)	10(9.5)	3.30	0.210
4 Collateralized loan recovery method influence access to finance	13(12.4)	53(50.5)	8(7.6)	20(19.0)	11(10.5)	3.35	0.225
5 Generally, collateral security conditions influence access to finance	16(15.2)	57(54.3)	7(6.7)	17(16.2)	8(7.6)	3.53	0.161
Valid listwise 105							
Grand mean = 3.32							

In summary, most respondents agreed (54.3%) and strongly agreed (15.2%) that generally, collateral security conditions influence access to finance. This is supported by Okech et al. (2005) conducted a study on 16 financial institutions to determine the demand and supply of credit to the small and medium enterprises. The study revealed that the demand and supply for credit have been on the increase since 1991. It also revealed that the demand has only been met by 16 percent of what is required. The study also revealed that although financial institutions lend to prime borrowers with collateral security, there is need for these institutions to increase their lending to small and medium enterprises.

Inferential statistics

Before running inferential analysis, mandatory model assumptions of multiple regression analysis were checked and met.

Assumptions of multiple regression analysis

First, normality test affirmed that data must have a normal distribution and this was tested by the use histograms with normal curve. The results thus showed histograms with bell-shaped normal curves indicating that data was approximately normally distributed, thus met this assumption.

Secondly linearity of the study variables was checked using Pearson's product moment correlation coefficient so as to show that independent variables provide significant predictions which were considered prerequisite for running regression analysis. Since the items in the questionnaire had an admissible Cronbach alpha coefficient that reliably measured the study variable, the summation scores of the items for the study variable were computed and used in correlation analysis. Therefore, the correlation analysis in table 2 showed that all independent variable (Credit awareness and Collateral security) had significant bivariate relationship with the dependent variable (financial access by women owned enterprises).

Lastly, multicollinearity was checked using correlations between all pairs of independent variables (Credit awareness and Collateral security). Most scholars posit that if correlation coefficient, (r) was close to 1 or -1, then there is multicollinearity but if correlation coefficient (r) is not above 0.9, then there is no multicollinearity In this study (table 3 on correlation analysis), the highest correlation coefficient between all pairs of independent variables (Credit awareness and Collateral security) was 0.827, which was below the threshold of 0.9, thus multi collinearity assumption was checked and met.

Table 3: Correlation Analysis results

		Collateral Security	Credit Awareness	Financial Access
Collateral Security	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	105		
Credit Awareness	Pearson Correlation	.643**	1	
	Sig. (2-tailed)	.000		
	N	105	105	
Financial Access	Pearson Correlation	.827**	.757**	1
	Sig. (2-tailed)	.000	.000	
	N	105	105	105

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

Linear regression Results

This tested the direct influence of each independent variable (Credit awareness and Collateral security) on financial access by women owned enterprises (the dependent variable).

Table 4: Direct influence of credit awareness on financial access

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.757[a]	.573	.569	.77095	.573	138.459	1	103	.000

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	82.295	1	82.295	138.459	.000[a]
	Residual	61.219	103	.594		
	Total	143.514	104			

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.

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Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.608	.231		2.633	.010
	Credit Awareness	.809	.069	.757	11.767	.000

a. Dependent Variable: Financial Access

Table 5: Direct influence of collateral security on financial access

Model Summary

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.827[a]	.683	.680	.66427	.683	222.241	1	103	.000

ANOVA[b]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	98.065	1	98.065	222.241	.000[a]
	Residual	45.449	103	.441		
	Total	143.514	104			

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	.714	.178		4.023	.000
	Collateral Security	-.777	.052	.827	14.908	.000

a. Dependent Variable: Financial Access

Table 6: Multiple regression analysis

Model Summary

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.903[a]	.815	.807	.51566	.815	109.931	4	100	.000

ANOVA[b]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	116.924	4	29.231	109.931	.000[a]
	Residual	26.590	100	.266		
	Total	143.514	104			

a. Predictors: (Constant), Credit Awareness, Collateral Security

b. Dependent Variable: Financial Access

The results in table 6 showed that the F-statistics produced was significant (F=109.931, *significant* at *p<.001*), thus confirming the fitness of the model. For an R square of 0.815, we can say that the study model explained 81.5% of the variations in the access to financial credit by women owned enterprises in Kakamega County, while other factors not in this study model accounted for 18.5%, thus, it was a good model.

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis in table 6, both independent variables were significant predictors of access to financial credit by women owned enterprises in Kakamega County (dependent variable). Therefore, the multiple regression equation for overall significant multiple influence of the independent variables (credit awareness and collateral security) on access to financial credit by women owned enterprises in Kakamega County (dependent variable) is;

$Y= 0.408 + 0.337X_3 - 0.325X_1$

Where;

Y= access to financial credit by women owned enterprises in Kakamega County

X_1= credit awareness

X_2= collateral security

Table 7 : Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.408	.068		5.999	.000
	Credit Awareness	.337	.064	.315	5.256	.000
	Collateral Security	-.325	.071	-.346	-4.588	.000

a. Dependent Variable: Financial Access

Hypotheses Testing

Study **hypothesis one** stated that there is no significant relationship between credit awareness and access to financial credit by women owned enterprises in Kakamega County, Kenya. The multiple regression analysis indicates that there is a positive significant influence of credit awareness on access to financial credit by women owned enterprises in Kakamega County (β= -0.337(0.064); at $p<.01$. **Hypothesis one is therefore rejected.** The results therefore imply that a single increase in credit awareness will result to 0.337 unit increase in the access to financial credit by women owned enterprises in Kakamega County. The results are supported by Mohamed (2003),with empirical evidence of the study carried out among fishermen in Zanzibar indicates that age, gender, education, income levels, and degree of awareness on credit availability are factors that influence credit accessibility by smallholder business producer groups in Zanzibar, thus recommended a lot of credit awareness campaigns to many small business groups who could be having vibrant economic development ideas but lack seed capital to finance their activities.

Wanjoyhi (2011) also asserted that lack of awareness of access to long term credit for small enterprises forces them to rely on high cost short term finance. These difficulties stem from the more formal lending institutions which tend to rate all SMEs equally as un-credit worthy. However, the emergence of less formal institutions like MFIs and SACCOs do not ease this burden. These micro-credit institutions face limited expansion because of their limited funds. Their mainly short-term finance means they cannot easily turn the savings they collect into medium or long-term loans. They are also up against the cost of refinancing through the formal banking sector and

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have no access to refinancing either by the central bank.

Further, a survey on micro and small business sponsored by the Danish government and released in Kenya, on April 2010, found out that players in this sector are dissatisfied with access to finance especially from major financial institutions in Kenya. About 65% of micro, small and medium investors in Kenya, according to the survey, say that they did not receive any financial assistance from financial institutions during difficult economic times. Only 12% said they received financial help with good terms of repayment. Bankers, on the other hand, hold that borrowers with good credit ratings stand to benefit from reduced interest rates on loans, besides a waiver on other lending conditions such as collateral requirements. Defaulters, however, risk being blacklisted and locked out of the credit market and those with negative credit ratings will pay premiums on loans. The survey shows that lenders tend to shy from the SME market on fears of defaults despite the presence of financially sound firms. This suggests that there exists a 'financing gap' when it comes to awareness of SMEs' funding (Onyango, 2010).

Study **hypothesis two** stated that there is no significant relationship between collateral security and access to financial credit by women owned enterprises in Kakamega County, Kenya. The multiple regression analysis indicate that there is a negative but significant influence of collateral security on access to financial credit by women owned enterprises in Kakamega County (β= -0.325(0.071); at $p<.01$. **Hypothesis two is therefore rejected.** The results therefore imply that a single increase in tightening of collateral securities will result to 0.325 unit decrease in the access to financial credit by women owned enterprises in Kakamega County. The results are supported by Abor and Quartey (2010) who found that financial intermediaries that uses the asset based lending techniques looks at the underlying assets of the firm which are taken as collateral as the primary source of repayment. For working capital financing, banks use short-term assets, such as accounts receivable and inventory. For long-term financing, they use equipment. He noted that the pledging of collateral by itself does not distinguish asset-based lending from any of the other lending technologies. Collateralization with accounts receivable, inventory and/or equipment is often associated, for example, with financial statement lending, relationship lending, and credit scoring where collateral is used as a secondary source of repayment. Ideally, small businesses should have well-established systems for gathering information and forecasting, and also addressing several constraints to minimize the access to credit problem (Abor and Quartey (2010).

Mutua (2006) also asserted that since lender takes calculated risk, borrowers must demonstrate their good faith by showing that they too have something at stake in the deal. Most small business producer groups are new entities hence don't have enough assets to act as collaterals. In any case, it will take some time for them to develop their capital structure to be strong enough for them to use it (assets) as collaterals in future. For instance traders use personal contacts and existing trading relationships as a substitute for collateral, and to reduce the risk of side-selling.

CONCLUSIONS

First the study concluded that credit awareness significantly determines access to finance by women owned enterprises in Kakamega County, Kenya.

Secondly, collateral security significantly influences financial access thus stringent collateral securities by financial lending institutions can discourage access to finance by women owned enterprises.

RECOMMENDATIONS

First the study recommended that financial lending institutions should have more marketing programs to

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reach more women owned enterprises who could not be aware of financial lending.

Secondly, financial lending institutions should craft lenient collateral security measures so as to attract borrowing from women owned enterprises.

Areas for further research

First, a similar study can be done on utilization of loaned facilities by women owned enterprises. Secondly a similar study can be done to assess determinants of growth of women owned enterprises in Kenya.

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