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INFLUENCE OF FINANCIAL INCLUSION ON THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KIBERA SLUMS, NAIROBI COUNTY, KENYA

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ABSTRACT

The general objective of this study was to analyze the influence of financial inclusion on the growth of small and medium enterprises in Kibera slums. Specifically, the study sought to establish the effect of Financial Usage, Financial Access, Financial Credit Availability, and Financial Quality on the Growth of SMEs in Kibera Slums. The analysis adopted a descriptive research design. The study population was all the 1287 registered SME owners. The sample was the owners of 362 SMEs. The study utilized primary data that was collected using structured questionnaires. Data was then analyzed using descriptive statistics (mean and standard deviation), correlation analysis, and regression analysis. The SPSS software version 25 was used to analyze the data. The study issued a total of 400 questionnaires to the owners of the SMEs to be filled. Only a total of 362 were picked by the researcher after a period of one week of issuing. Financial quality had an aggregate mean score of 3.556 and a mean spread of 1.034, financial credit availability had an aggregate mean score of 3.538 and a spread of 1.000, financial accessibility had an aggregate mean score of 4.189 and a spread of 1.140, financial usage had an aggregate mean score of 3.892 and a spread of 0.982 with the growth of SMEs having an aggregate mean score of 3.981 and a spread of 0.897. Since there was a significant correlation, then whenever there was an increase in financial accessibility, financial credit availability, financial usage, and financial quality there was also a related and adjacent increase in the Growth of SMEs in Kibera Slums. The adjusted R square for the model was 0.654. The model used was reliable (a good fit for data) as supported by 218.32 F statistics and a p-value of 0.000<0.05. For the regression coefficient, with all factors held constant, an increase of a unit of financial accessibility, financial credit availability, financial usage, or financial quality would increase the growth of SMEs in Kibera Slums by .493, .509, .770 or .584 respectively. This study concluded that financial accessibility, financial credit availability, financial usage, or financial quality influence the growth of small and medium enterprises (SMEs) in Kibera slums. The study recommends that the government, especially the county government should ensure that there is ease of access to credit to SMEs as most of them are affected by a lack of collateral

Keywords: *Small Enterprises, financial literacy, financial access, financial quality, financial usage*

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INTRODUCTION

In all countries around the world financial inclusion has gained prominence. Studies have shown that financial inclusion not only helps individuals grow strong economically but also helps the nation grow strong economically. Despite so many attempts over the years, the goal of achieving 100 percent financial inclusion remains unfulfilled.

Financial inclusion is a key component of any country's all-inclusive social, political, and economic development. In addition, an all-inclusive financial system helps to reduce the proliferation of informal credit sources, which can not only be exploitative but also undermine the stability of the financial system of a country as a whole. Advancing balanced economic growth and financial inclusion is vital to sustainable development as it encompasses the majority of the population in developing countries, such as the poor and the vulnerable (Agyemang-Badu et al., 2018) communities in both urban and rural populations.

Financial inclusion allows for a country's enhanced and more sustainable economic and social development (Were & Wambua, 2013). This also recognizes the participation of disadvantaged groups, such as poorer portions of the population and low-income families, depending on their degree of access to financial resources such as savings and loan plan, credit protection, pensions, among others (Kathuo et al., 2015). In addition, the goal of financial inclusion is the simple availability of financial resources that require maximum investment in business opportunities, schooling, retirement savings, rural citizens and businesses to insure against risks (Mwangi & Muturi, 2016).

Furthermore, the gaps in financial exposure between the wealthy and the poor, men and women, and rural and urban areas have substantially deteriorated. Key drivers of those changes included; mobile money growth, government initiatives and funding, and information and communications technology innovations. FinAcess (2019) survey recorded a significant reduction in the proportion of adults totally excluded from financial services and products that support government policies, initiatives and reforms, as well as the widespread adoption by financial sector players of digital technology and innovations. These have helped to deepen financial inclusion by enabling people to overcome infrastructural constraints, particularly in rural areas. As much as progress has been made, problems of affordability and consumer protection such as unexplained charges remain obstacles to structured access to the service.

Most Kenyans have formal accounts in various forms, but these accounts are seldom used because most families, smaller and micro-scale enterprises and farmers do not solve real day- to-day problems. The use of informal instruments remains considerably dependent. Kenya has taken measures to raise the level of financial inclusion in the world and to improve trust in the country's financial market in the past decade.

The Kenyan government is on a plan to ensure quality financial services particularly for the society's lowest carders. Findings from the FinAcess (2019) and the Kenya Economic Report (2020) survey explicitly indicate that the financial inclusion environment in Kenya has undergone a transition since 2006. Formal financial inclusion has grown to 82.9% from 26.7% in 2006, while overall exclusion has shrunk from 41.3% in 2006 to 11.0% (FinAcess, 2019).

Proximity to financial providers, level of trust of financial providers, excessive documentation, financial literacy and the cost of accessing financial services are the main barriers to greater financial inclusion in Kenya. Though these barriers have persisted over the last decade, the mobile-based financial services advent has transformed financial systems in helping more people to access financial services (Kenya Economic Report, 2020).

According to the Govindarajan (2012), the main goals of inclusive finance are; Access at a reasonable cost for all households and enterprises to the range of financial services which are

"bankable," including savings, short and long-term credit, leasing, mortgages, insurance, pensions, payments, local money transfers and international remittances; Sound institutions, guided by appropriate internal management systems, industry performance standards, and performance monitoring by the market, as well as by sound prudential regulation where required; Financial and institutional sustainability as a means of providing access to financial services over time and multiple providers of financial services, wherever feasible, so as to bring cost-effective and a wide variety of alternatives to customers.

Small and Micro Enterprises in Kenya

Micro enterprises refer to firms having between 1 to 9 employees while small enterprises are those having 10-49 employees (GOK, 2012). According to the Economic Survey (GOK, 2012), the SME sector contributed 79.8% of new jobs created in the year 2011 in Kenya. 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). However, one of the most significant challenges facing SMEs is lack of access to appropriate financing (Amyx, 2005).

The small and micro enterprises lack collateral (Kamweru, 2011) and are unable to comply with the bank long procedures (Macharia, 2012) and hence hindering the SMEs from accessing formal financial services forcing them to opt to informal and semi-formal financing. However, the effect of this decision remains unknown with minimal studies carried out to determine the effect of financial access on the profitability of small and micro enterprises. Economists agree to the fact that financing (formal, informal and semiformal) enhances credit access which in turn enhances SMEs innovation, growth and overall profitability (Gennaioli, Shleifer & Vishny, 2012).

According to an undated G20 Financial Inclusion Indicator, financial inclusion is measured in three dimensions: (i) access to financial services; (ii) usage of financial services; and (iii) the quality of the products and the service delivery.

Statement of the Problem

Most 3rd world nations like Kenya have Small and Micro Enterprise (SMEs) playing a central role in contributing to sustained economic growth and development. The Kenyan government through sessional paper No 2 of 2005 on development of MSEs for employment creation, provides establishment of SMEs and emphasizes the need for the enterprises to be supported since they contribute much to growth of the economy and creation of employment. The government of Kenya, on its Vision 2030 ranks SMEs development as one of the modes of realizing the vision.

Kithae et al. (2012), stated that SMEs in Kenya offer 80 percent of employment while the sector contributes only 18 percent of the GDP of the country hence there is a need for more support so as to enhance the performance of MSEs

Financing has been identified as a key element for micro and small enterprises to thrive in their drive to build productive capacity, to compete, create jobs and to contribute to poverty alleviation in developing countries. In line to the various effects caused by lack of financing, different stakeholders in our country are affected in one way or another, positively or negatively (Xu & Zia, 2012).

However, most arguments have given broad aspects of financing leaving a gap in identifying how inclusion can affect each stakeholder individually. Empirical studies have conducted individual aspects of financing for instance accessibility on performance, others on financial literacy leaving a gap on inclusion and how it can affect the performance of the micro and small enterprises.

Despite so many attempts over the years, the goal of achieving 100 percent financial inclusion remains unfulfilled. Work on solutions that promote financial inclusion is still needed because around two billion people are financially excluded across the globe (Grandolini, 2015). Several studies conducted on factors affecting financial inclusion

used different variables while others did not have a clear methodology.

Wafula (2017) and Njehia (2014) conducted research in Trans Nzoia and Mumias County on the impact of financial literacy on financial inclusion, respectively. All studies found the relationship between the variables to be positive and important. A similar study conducted by Chepkemoi et al. (2017) to identify the effects of financial literacy training on business profitability by SMEs in the coastal region found all variables to be statistically significant although there were negative relationships between bookkeeping and savings.

Willis (2017) also observed that there is no significant difference between those who are financially literate and those who are not. Ramakrishna and Trivedi (2018) found that there was no correlation between age and financial inclusion while Magweva and Marime (2016) and Kiai et al. (2016) considered age to be a relevant factor affecting financial inclusion.

Several studies conducted considered factors affecting financial inclusion and gave mixed results while others did not have a clear methodology. Most Kibera residents survive on menial jobs and those who engage in SMEs consider themselves a little better placed financially. However, what is left to be determined is whether they are exposed to financial services and have knowledge about it. It is from this point that the current study endeavored to analyze the influence of financial inclusion on the growth of small and medium enterprises in Kibera slums. The study took into consideration the whole inclusion aspect of financing which will include accessibility, credit availability, usage, and quality, and how each feature in turn influences performance.

Objective of the Study

To analyze the influence of financial inclusion on the growth of small and medium enterprises (SME) in Kibera slums

Specific Objectives

- To determine the influence of financial accessibility on the growth of small and medium enterprises (SMEs) in Kibera slums
- To assess the influence of financial credit availability on the growth of small and medium enterprises (SMEs) in Kibera slums
- To evaluate the influence of financial usage on the growth of small and medium enterprises (SMEs) in Kibera slums
- To ascertain the influence of financial quality on the growth of small and medium enterprises (SMEs) in Kibera slums

LITERATURE REVIEW

Diffusion of Innovation Theory

The Diffusion of Innovation Theory (DOI) approach has its primary focus on how potential adopters perceive an innovation in terms of relative advantage/disadvantage; hence some of the factors of the DOI approach help form a framework: innovativeness, complexity, compatibility and relative advantage. Furthermore, firms that intensely use a particular technology are often prime candidates for early adoption of the next generation of that technology. The diffusion of innovations approach in this study is important to understanding the dynamics at play in relation to adoption and use of innovations in SMEs. There are discourses focusing on adoption by organizations and also by individuals. These two types of adoption both play a role when investigating the diffusion and adoption of innovations by SMEs. After all, in SMEs many of the primary decisions are made by the owner-manager. The organizational decision to adopt technology becomes intertwined with personal perceptions and attitudes of the owner-manager towards that technology. Diffusion in SMEs is largely by way of interpersonal/inter-firm networks (Chamwanda, 2015).

Vulnerable Group Theory

The vulnerable group theory of financial inclusion argues that financial inclusion programs in a country should be targeted to the vulnerable

members of society who suffer the most from economic hardship and crises, such as poor people, young people, women, and elderly people. The theory argues that vulnerable people are often the most affected by financial crises and economic recession, therefore, it makes sense to bring these vulnerable people into the formal financial sector. One way to achieve this is through government-to-person (G2P) social cash transfers into the formal account of vulnerable people. Making G2P social cash transfer payments into the formal account of poor people, young people, women, and elderly people can encourage other vulnerable people – poor people, young people, women, and elderly people – to join the formal financial sector to own a formal account to take advantage of the G2P social cash transfer benefits, thereby, increasing the rate of financial inclusion for vulnerable groups. Also, when social cash transfer is working, and other tools for achieving financial inclusion are provided to vulnerable people in society, it can make vulnerable people feel that they are being compensated for the existing income inequality that affect them, and it gives them an opportunity to catch up with other segments of society. The implication of theory is that financial inclusion efforts should be the targeted to vulnerable people in society. The vulnerable group theory of financial inclusion has some merits. Firstly, the theory makes an attempt to reduce the financial exclusion problem by targeting vulnerable groups to bring them into the formal financial sector. Secondly, under this theory, it is easy to identify the financially-excluded members of the population. The vulnerable members of the population can be identified by their degree of vulnerability in terms of income level, gender, age, and other demographic characteristics. Thirdly, it may be cost-effective to target only the vulnerable members of the population for financial inclusion compared to achieving financial inclusion for the entire population. The vulnerable group theory of financial inclusion has some demerits. Firstly, the theory does not prioritize financial inclusion for everybody in the population. Secondly, it ignores non-vulnerable people outside the formal financial sector. Non-vulnerable people also need access to formal financial services. Thirdly, it assumes that women are a vulnerable group, which implies that men are not a vulnerable group. This idea is critical because in modern societies women and men compete for equal opportunities, therefore, labelling women as a vulnerable group to the exclusion of men may have unintended consequences for financial and social inclusion. It could lead to societal resentment among the men towards women. Finally, achieving financial inclusion by targeting only vulnerable people may increase social inequality when social policies, and financial policies, are designed to favor vulnerable people over others. It may also lead to income inequality if vulnerable people receive better access to formal financial services for a sustained period of time than others.

Credit Rationing Theory

According to the strategic literature, the 'financing gap analysis' is the credit rationing theory by Stiglitz and Weiss (1981), and is one of the major theories that argues the agency problem (a conflict of interest between bank (agent) and the owners of the enterprise, and the information asymmetries, as significant reasons why SMEs are constrained in terms of access to finance. Stiglitz and Weiss (1981) argued that the presence of financial constraints on SME businesses is due to informational problems (that is, principal–agent issues) and transactional costs. Therefore, this paper assumed that due to the lack of collateral/income, most banks classify SMEs as 'non-bankable' enterprises and high-risk borrowers that are likely to be less interested in programs that favor them.

Further analysis shows that rationing discourages most SMEs, even in a competitive credit market using interest rates and bank charges as weapons that affect demand and the risk profile of the bank's customers (Kremp & Sevestre, 2013). Despite this, Stiglitz and Weiss' analysis focuses on the 'informational problem and transactional cost' paradigms. Both paradigms are skewed to the

borrower's capabilities to repay the loan. This suggests that asymmetrical information exists when the credit officers do not have 'perfect' information of the funding proposal base.

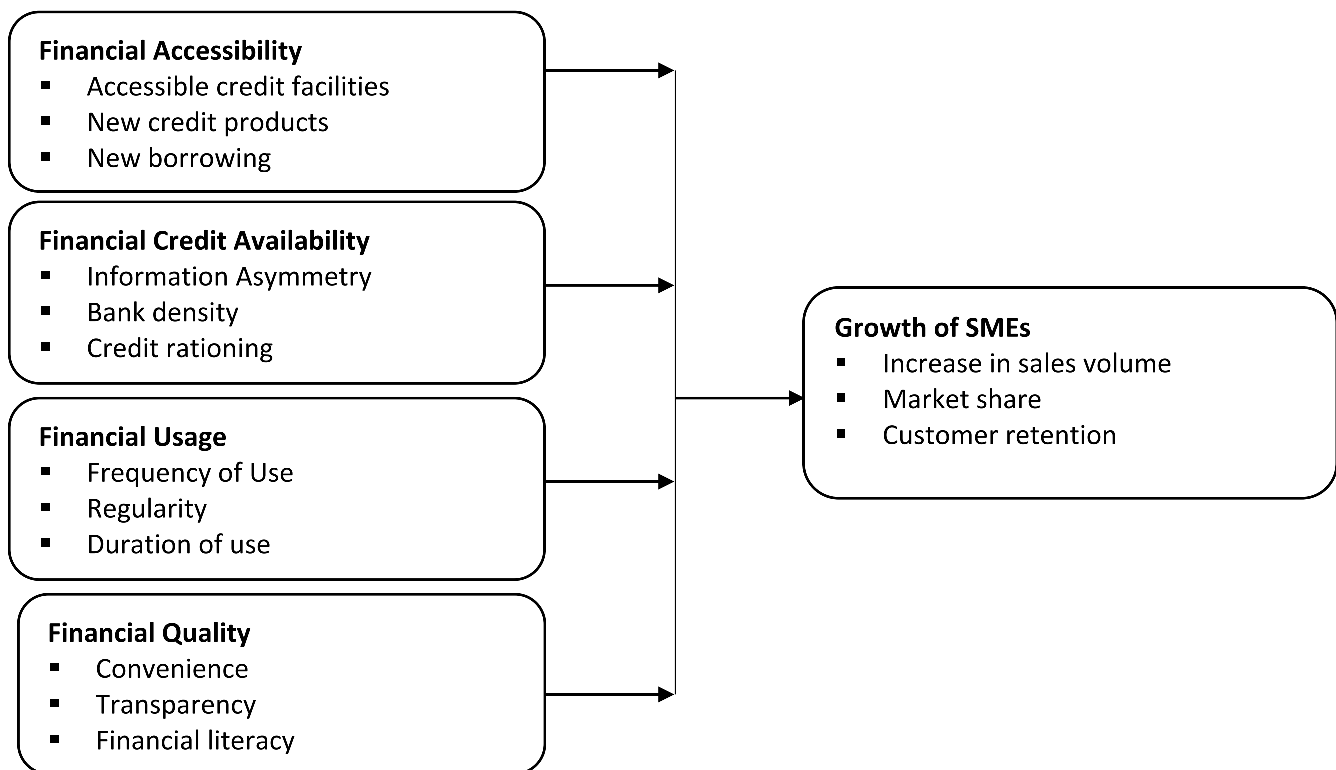
Although Stiglitz and Weiss (1981) provided compelling explanations of why credit rationing behavior still exists with financial institutions, the theory has not addressed the pecuniary issues of access to finance, such as bank and business support services, the structure of banks and the collateral requirement that may have caused banks to ration potential customers, even in a competitive credit market. Hence, banks insisting on high interest rates and bank charges may have affected demand and the risk profile of the bank's customers. Subsequently, the fact remains that, in many developing economies like Lesotho, most banks may not have perfect information about the creditworthiness of prospective borrowers. Thus, there is a likelihood of the supply of loans to be backward bending at rates above the bank's optimal rate (Mazanai & Fatoki, 2013). This implies that financial exclusion may persist even in optimal markets. Whether such an enterprise is excluded based on the price barriers, or financially excluded due to high idiosyncratic risk or poor project quality could be due to a market imperfection such as asymmetric information. Mazanai and Fatoki (2013) indicated that there are four peculiar factors of availability to finance: financial information access, bank and business support services, the structure of banks, and collateral requirement as constraints to SMEs' access to bank loans.

Financial Literacy Theory

Financial literacy theory of financial inclusion states that financial literacy will increase people's willingness to join the formal financial sector. It argues that financial inclusion can be achieved through education that increases the financial literacy of citizens. When people become financially literate, they will seek formal financial services wherever they can find it. The financial literacy theory of financial inclusion has some merits. One, financial literacy can make people aware of formal financial services that are available to them. When they become aware of existing formal financial services that can improve their welfare, they will join the formal financial sector by owning a formal account. Secondly, through increased financial literacy, people can take advantage of other benefits in the formal financial sector such as investment and mortgage products. Thirdly, financial literacy can also help people become self-sufficient and help them have some stability in their personal finance. Financial literacy can help people to distinguish between needs and wants, helping them to create and manage a budget, teaching them to save so that they can pay bills when due, and to plan for retirement. Finally, governments that have limited public funds, or limited tax revenue, to fund financial inclusion programs may prefer to use financial literacy as a national strategy for financial inclusion because it is relatively cheaper to educate the population about financial management and the benefits of using formal financial services. The demerits of the financial literacy theory of financial inclusion include the following. One, it addresses the 'willingness' not 'capacity' to join the formal financial sector. Financial literacy through education can improve the willingness of people to join the formal financial sector but it does not necessarily improve 'capacity' to join the formal financial sector, where capacity is measured as having money which can be used to perform one or more financial transactions. This means that people who do not have money (that is, lack of 'capacity') cannot actively participate in the formal financial sector even if they are financially literate

Conceptual Framework

Reinchel and Ramey (2007) define a conceptual framework as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation. In carrying out of this study, a conceptual framework was developed to show the relationship between the independent variables and dependent variable as illustrated in the following figure below:



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Financial Accessibility

According to Gathungu and Sabana (2018), financial access is defined as the ability of individuals, households, entrepreneurs and firms to access and utilize a range of financial services if they choose to do so (Rojas Suarez et al., 2010). Financial access is an important determinant of the performance of microenterprises as it provides them working capital, fosters greater firm innovation and dynamism, enhances entrepreneurship, promotes more efficient asset allocation and enhances the firm's ability to exploit growth opportunities (Beck & Demirgüç-Kunt, 2006).

In the study by Chepsang et al. (2018) on the effects of access to credit on financial performance of small and medium enterprises in Nairobi County, it contributed as a wakeup call to the financial system to be more and more SMEs' sensitive and offer financial services that are all inclusive. The financing gap, in the credit market, that exists between large and small companies need to be abridged. This can be achieved by creating an enabling environment for SME, formulating regulatory framework that is SMEs friendly, segmenting NSE for SMEs' listing. SMEs are also called up to keep good financial reports and to form linkages or associations to ease the burden of accessing funds. The study was motivated by the increasing importance in Kenya's economy of SMEs, and the continuing constraints they face in their activities.

The development of SMEs has been identified as one of the strategies in the Kenyan economic blueprint of vision 2030 as one of the pillars for addressing key economic issues for generating industrialization, employment generation and poverty reduction in Kenya and in working towards a sustainable economy that achieves the Millennium Development Goals like solving the problem of unemployment. The government in its goal through Economic Recovery Strategy (ERS) is employing all players to make this dream come true. The research is also resourceful for prospective entrepreneurs wishing to start a small business. It is also a wakeup call on the lending

institutions to work up a strategy that would have a wider financial inclusion (Chepsang et al., 2018).

In the study conducted by Samuel et al. (2019) on the Influence of Access to Enterprise Finance and Performance of Coffee Smallholders‟ Micro and Small Agribusinesses in Murang'a County, Kenya. The study established the access to enterprise finance had a positive and significant determination on performance of micro and small agribusiness owned by coffee smallholder agribusinesses in Kenya. The study concluded that since majority of the coffee smallholder agribusinesses in Kenya do not access enterprise finance they have opted for own savings as a mean of financing their micro and small agribusiness enterprises. Further, the Study concluded that access to enterprise finance had a positive but insignificant determination on performance of micro and small agribusinesses owned by coffee smallholders in Kenya. Further, the study concluded that access to enterprise finance showed insignificant determination on performance of MSAEs since majority of the respondents had no access to such funds. The study observed that because of the many hindrances and challenges experienced in accessing credit from financial institutions among the coffee smallholders‟ agribusinesses, hence concluding that this is why majority have resorted to different means available for financing. However, ensuring access to enterprise finance by micro and small agribusinesses is likely to increase agribusinesses performance (Samuel et al., 2019).

Koitamet and Ndemo, (2017) conducted a study on the effects of financial access on the performance of social entrepreneurship firms in Kenya where the general objective of the study was to establish the effect of financial access on the performance of social entrepreneurship firms in Kenya. The study adopted a descriptive research design. The total population was 448 employees of Iko toilet and Care Kenya. The sample size was 79 employees of Iko toilet and CARE Kenya who were selected using stratified random sampling. This sample was selected using R software. The study found that financial access has a positive and significant relationship with performance of social entrepreneurship firms. Unique contribution to theory, practice and policy: The study recommended that the government should formulate measure to ensure that social entrepreneurship firms are facilitated to gain financial access. In addition, the banking institutions should prolong the loan repayments periods so that the entrepreneurship firms can get enough financial access. The study found that financial access and performance of social entrepreneurship firms are positively and significant related (Koitamet & Ndemo, 2017). Based on the study findings the study concluded that financial access had a positive and significant relationship with performance of social entrepreneurship firms. The study also concluded that ability to access credit, short term repayment period greatly affected social entrepreneurship firms to access finance. In addition, collateral affect social entrepreneurship firms to access finance (Koitamet & Ndemo, 2017).

Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. SMEs identify financing, especially medium to long-term finance, as their topmost obstacle to growth and investment. In many developing economies, banks prefer to lend to governments, which offer less risk and higher returns, crowding out most of the private sector from the financial system (Kamunge et al., 2014).

Kamunge et al. (2014) also found the problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. Because of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders

from customers. Capital is therefore necessary for the long-term survival and growth of small enterprises. It should also be noted that more money than required can be much of a problem as less money. More money means high cost for money in terms of interest and may lead to un-worthwhile investments.

Financial access enhances financial inclusion thereby contributing to financial sector deepening and overall economic growth. Financial inclusion aims at drawing the unbanked population) into the formal financial system to enable them access a wide range of financial services including savings, payments, money transfers and credit and insurance (Mehrotra & Yetman, 2015).

Financial Credit Availability

Financial credit availability refers to the amount of credit to which a borrower has access at a given time. Harelimana (2017) described access to finance as the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. Those who have only limited access to financial services are referred to as the unbanked or under banked, respectively. Abiola (2012) has viewed access to finance as a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date. The financial services provided to SMEs include financial products and services such as savings, credit, insurance and payment systems (Nyakado & Okello, 2016).

Peek and Rosengren (2004) showed that the mergers of commercial banks tended to reduce lending to small businesses more than to other borrowers. Hancock and Wilcox (2002), estimating the effects on small businesses of several aspects of the financial sector, found that the widespread bank capital crunch around 1990 had larger effects on smaller banks than on larger banks. Since smaller businesses tend to deal more with smaller banks, capital-related reductions in lending were greater at smaller businesses.

Berger and Udell (2000) argued that financial innovation and changes in bank regulations during the 1980s and 1990s may have made banks less willing to lend to small firms. The Federal Reserve's monetary tightening that began in the late 1980s, in the middle of the 1990s, and again in the late 1990s may well have impinged more on small businesses. Small businesses also may have reacted more than did large businesses to changes in other costs, terms, and availability of bank credit. In fact, small businesses did seem to have been affected more by shocks to bank capital and by changes in banks' lending standards during the 1990-1991 recessions (Hancock and Wilcox 1998). In addition, adverse conditions at small banks may have impinged more on small businesses than on large businesses.

Ganbold (2008) highlighted that SMEs also produce financial statements with large discrepancies and unreliable as they are not required to adopt international accounting standards. It is also reported that banks also need to rely heavily on third party information especially from credit bureaus in order to get histories and credit profiles of SMEs.

Nega and Hussein (2016) have indicated that the existence of information asymmetry issues between banks and the potential SME borrowers have severe implications in the lending methodologies used by loan officers, i.e., bank loans depend highly on high collateral values. Firms that hoard information or have a low credit standing require close monitoring by a financial intermediary hence may not have direct access to the credit markets (Karlan & Morduch, 2009).

Verrecchia (2001) has opined that information asymmetry is the difference in the cost of capital in the presence or absence of an adverse selection problem that arises from information asymmetry. Information asymmetry is comprised of a situation where in a contract the two parties involved does not have the full information about the contract. According to Wu, Song, and Zeng (2008), information asymmetry is a core reason commercial banks are generally reluctant to provide loans to

SMEs. In most instances, SMEs are unable to provide information on their creditworthiness.

Bank density according to Olatunji and Ibukun-Falayi (2018) is the value of total assets of deposit money banks. Bank density could be termed as a capital ratio which is measured using Tier 1 ratio, where the ratio of tier-1 capital to total risk-weighted assets. Olatunji and Ibukun-Falayi (2018) further asserted that bank density is the asset value ratio represents the ownership of assets by banks and high asset ownership enables banks to offer more financial services at low cost. Bank density otherwise regarded as number of financial institutions also determines credit accessibility by SMEs. The number of financial institutions offering credit in an economy has an impact on the overall growth of an economy. As observed by Schoof (2006) an inadequate number of financial institutions offering credit services to SME's would constrain development of the industries.

When there are many small-scale traders and the financial institutions with the services customized to them are few (demand exceeds supply), the price of the loan will be high therefore not affordable and hence low uptake by SMEs. The issue of bank density is crucial to ensuring stability of financial sector to finance SMEs activities in an economy because, bank serves as the blood veins of the SMEs economy drive (Muriithi, 2017). Muriithi (2017) further showed that in today's global economy, bank density is very critical to performance due to the phenomenon of economies of scale. Essentially, it means larger deposit money banks can obtain cost leadership relative to smaller banks. A firm's size is seen in the banking industry as a resource in obtaining sustainable competitive advantage in terms of profit and market share which determine credit extension to economic sectors.

Financial Usage

Financial usage refers to the actual consumption of financial services. In a standard supply-demand framework, usage would be given by the intersection of the supply and demand schedules (Claessens, 2006). Use of financial products is related not only to the quality, but also to the regularity and duration of use over time (AFI, 2014). Usage is also subject to voluntary and involuntary exclusion, with the latter perhaps more influenced by supply side factors related to information asymmetries (adverse selection and moral hazard), contractual issues, transaction costs, institutional factors, or even country characteristics (Claessens, 2006; Beck & De La Torre 2007).

AFI (2011) explains "Usage" as the depth or extent of financial services and product use. Determining usage requires gathering details about the regularity, frequency and duration of use over time: the way in which clients use financial services, such as the regularity and duration of the financial product/service over time (for example, average savings balances, number of transactions per account, number of electronic payments made). In order to use financial products, firms or households must have access to them (Camara and Tuesta, 2014)

However, Sarma (2008) opined that having access does not mean that everybody will use financial products. Thus, not every firm or individual who does not use financial services should be classified as "excluded" or "unbanked" and likewise every firm or individual that has theoretical access to financial services is not automatically financially included. Usage indicators can be developed from demand-side information, which can also capture financial services provided by informal financial providers.

Bettioui and Douma (2014) investigated the function of financial usage in strengthening the bank performance during 2004-2012 by using GMM method and the panel data. The findings under dynamic or static panel data analysis on profitability indicators reveal a positive impact of financial usage. The study concludes that financial usage increases the banks' profitability. The result emphasizes the function of the absence of financial exclusion or financial inclusion in the banking sector's non-development and non-promotion of

economic growth during the study period in Algeria and Tunisia.

Widarwati, Sari and Nurmalasari (2019) investigated the role of financial use for stability, the case of sharia banking in Indonesia. Financial inclusion is defined as public use of deposit-per oxidizing financial services, while Non-Performing Financial (NPF) measures the financial stability of Sharia banking. During the research period from 2011 to 2016, financial data from 5 sharia banks were analyzed using the regression test and classical assumption test. The research's results showed that financial inclusion proxy deposits positively affected financial stability.

Financial Quality

Financial quality is the ability of the financial service or product to meet the needs of the consumer. Quality measures reflect the degree in which financial products and services match clients' needs, the range of options available to customers, and clients' awareness and understanding of financial products. Indicators of quality proxy for convenience, product-fit, transparency, safety, consumer protection, and financial literacy. Hence, quality indicators can be developed with information from both demand- and supply-side surveys. However, to measure quality, these surveys must contain more complex information, such as detailed product characteristics, terms of the contract, or awareness of consumers.

National Strategy for Financial Inclusion (2019-2024) reported that the quality indicators describe the supporting pillars that ensure that the customers can use the financial services to their satisfaction. For example, financial literacy and capability is an important enabler to help customers make right choices. However, lack of proper service by the provider may result in dissatisfaction to the customer which may result in financial exclusion. Since quality also involves the dimension of subjectivity, it is essential to have a well-defined metric that allows for certain flexibility while capturing data. Measuring quality under financial inclusion can include financial literacy and capability, clarity and transparency in the communication of the service provider, customer satisfaction, availability of grievance redress process and timely redress mechanisms.

Quality should indicate whether the delivered products and services are in accordance with the needs of clients and if when financial products are being developed these needs are taken into considerations (Mehrotra & Yetman, 2015).

Affordability, especially the entry costs for accessing financial products and services, is a key element in assessing the quality of financial products and services. If services are easily accessible but the entry cost to the end-user is too high, then the services will be out of reach for low-income earners and SMEs (FinScope, 2020).

Growth Rate of SMEs

According to Janssen (2009), SMEs growth is an expansion of demands for products or services. It first results in a growth in sales and consequently in investments in additional production factors to adapt to new demands. The growth rate performance of SMEs output is a key driver and indicators for the level of industrialization, modernization, urbanization, employment generation, income per capital, equitable distribution of income, and standard of living by the citizenry (Abiodun, 2014; Aremu & Adeyemi, 2011).

Several studies established that the performance of SMEs sectors is associated and significantly determine by effective access to financial resources, infrastructural facilities and friendly government policies (Abiodun, 2014; Altenburg &Eckhardt 2006; Babajide, Adegboye & Omankhanlen, 2015). Considering the vital role of financial resources to SMEs output performance, Central Bank of Nigeria (CBN) in the early 2000s came up with SMEs financial inclusion programme emanating from the findings that increase in poor economic activities, fall in SMEs output and the collapse of SMEs is a direct outcome of financial exclusion of most SMEs investors in Nigeria (Babajide, Adegboye & Omankhanlen, 2015; SMEDAN, 2018).

Empirically, the studies of Hasan, Raymar, and Song (2015) and Adelekan, Eze and Majekodunmi (2019) found that information symmetric has a positive and significant effect on SMEs output and overall performance. On the other hands, Arachchi (2018) empirically established that Information asymmetry leads to the adverse selection and moral hazard. Not only it will make a large number of SMEs which have good potential of growth and have no access to loans but also cause banks and other financing institutions reluctant to lend to SMEs. Furthermore, they established that lenders such as banks and other financial institutes are restricted to grant credit facilities due to the asymmetry of information. Lenders are exposed to a huge risk in funding while the entrepreneurs manipulate financial figures and provide false information. All these lead to adverse selection and moral hazard occurring immense contractions in the industry Also, Simon, Stachel, and Covin (2011) found a positive relationship between information asymmetry and SME growth and output. Fowokan (2011), Okafor and Ogiedu (2011) and Modugu and Eragbhe (2013) examined the implications of financial knowledge on performance of SMEs and found positive effects between information asymmetry on SME output.

Obamuyi (2007) state some standard criteria to assess the creditworthiness of borrowers as follows; financial strength, financial information, profitability, network, track record, management quality, relations and payment records with other banks, business prospects, business risks and collateral securities. All the above criteria cannot be good assessments without adequate accounting. It is because of the deficiency in the record keeping of SMEs that compels the banks to insist on a collateral as a "must" for SMEs.

Similarly, Adetula and Owolabi (2014), Ojeka (2011), and Agarwal (2007) carried out a study on the effect of a mandatory financial literacy programme on output of urban female microfinance customers in Indian and they found a significant connection between financial knowledge and SME performance through increased output.

In the same vein, Tustin (2010) evaluated the role of a financial information in Limpopo province (South Africa), and found self-reported effects of financial information on SME performance. Landerretche and Martínez (2012) similarly found that financial information increases output and capacity of SMEs. Jin and Zhang (2019) empirically indicated that credit rationing in SMEs is the result of the rational choice by banks for the purpose of profit maximization, thus affecting SMEs overall performance.

Empirical Review and Research Gap

Mmari (2014) conducted a study to determine the influence of education possessed by owner/ manager on success of micro and small enterprises in Tanzania. The study employed primary data with a sample size of 245 owner/managers of small garages in the area. The data was collected by use of questionnaires then analyzed using tables, percentages, correlation etc. The findings from the study led to the conclusion that garage owners with low levels of education registered slow growth. However, the study presented a contextual gap since it was conducted in Tanzania whereas the current study is done in Kenya.

According to Bire and Sauw (2019) in the paper on the effect of financial literacy towards financial inclusion through financial training focused on Micro, Small, and Medium Enterprises (MSMEs). The study analysis results showed that financial literacy has a direct and significant impact on financial inclusion. Its contribution to financial training was 33%. In the other side, the contribution of financial literacy towards inclusion was 32%. Furthermore, financial training mediated the relationship between financial literacy and financial inclusion. Trainings were to be conducted to increase financial inclusion in understanding the knowledge of the financial products. This paper based itself on financial literacy, a narrow aspect of financial inclusion leaving out many other aspects causing contextual gap.

Mwangi and Cheluget, (2018) found that financial access is affected by the following factors; financial literacy, financial innovation and financial inclusion. Financial literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Making the right financial choices is very important decision in the life of individuals with long-term financial consequences. Management of financial of a firm is not an easy task; SMEs need to make a choice out of a large menu of financial needs of which many have complicated features.

Siekei et al. (2013) conducted a study on an assessment of the role of financial literacy on performance of small and micro enterprises: Case of Equity Group Foundation training program on SMEs in Njoro District, Kenya, where a descriptive survey was done. The study sought to understand whether financial literacy education translates to better finance management and access to credit for business expansion. It only intended to analyze the opinions from financial literacy education beneficiaries solicited by use of questionnaires before generalizing the findings. These findings however cannot be generalized on all the aspects of financial inclusion.

According to Nyakundi et al. (2014) who conducted a study on the effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya, it was observed to be a controversy as to why there is a declining business survival trend among Small and Medium scale Enterprises despite government's commitment to availability of funds. The researcher delved much on internal controls and not financial inclusion affecting the growth of these SMEs unlike the direction taken by the current study.

Gathungu and Sabana (2018) sought to establish the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of micro-enterprises in Nairobi County, Kenya. A cross-section design was adopted for the study and a representative sample of 396 microenterprises was drawn. The main study instrument was a questionnaire, which comprised of likert-type scale questions. The findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on performance therefore the hypothesis that financial literacy influences performance was supported. The study also established that financial literacy had a statistically significant influence on financial access therefore the hypothesis that financial literacy influences financial access was supported (Gathungu & Sabana, 2018).

METHODOLOGY

In order to determine the influence of financial inclusion on the growth of small and medium enterprises (SME) in Kibera slums, this adopted a descriptive survey design in determining the relationship between the variables. The study's target population was the owners of all the 1287 SMEs operating at Kibera slums as licensed by the County Government of Nairobi. (NCC, 2022). These SMEs were categorized into sectors. The unit of analysis consisted of the owners of the SMEs. Stratified and simple random sampling techniques were used to collect data. The population was divided into strata, which include each sector. From each sector, a sample size was calculated to form a total sample size of 400. The respondents included in the study were chosen using a simple random sampling method where each respondent had an equal chance to be selected. In total, data was collected from 400 micro and small entrepreneurs, a size determined by the Yamane's (1967). A pilot study was conducted on 10 SMEs as suggested by Isaac and Michael (1995) who suggested that a sample of 10-30 participants is sufficient for a pilot study. This tested the content validity and the reliability of the instruments. The study was undertaken on the 10 SMEs within the same locality because of the similarity in characteristics. However, the SMEs used during the pilot study was not included in the final study. The study data was obtained from primary sources by use of the questionnaire. The questionnaire consisted of a list

of closed-ended questions administered through interviews. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable analysis of the responses. Since descriptive analysis was employed to analyze data, tables, charts, graphs, percentages, and frequencies shall be used. Data analysis was done by the use of descriptive and inferential analysis. Multiple regressions were used to measure the quantitative data through the use of Statistical Package for Social Sciences (SPSS) version 25. The data was analyzed with the aid of a regression model; $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$.

FINDINGS AND DISCUSSION

The results of the pilot study were as follows:

Reliability Results

The Cronbach's Alpha with a cut-off of 0.7 was used to measure reliability (Cronbach, 1951; Park & Park, 2013). The reliability is expressed as a coefficient between 0 and 1.00. Any value of less than 0.7 was considered unreliable and any value closer to 1.0 was considered the best for reliability (Kiliç, 2016) as presented in the table below:

Table 1: Reliability Results

Variables	Cronbach's Alpha	No. of Items	Comment
Financial Accessibility	0.898	9	Reliable
Financial Credit Availability	0.772	7	Reliable
Financial Usage	0.729	9	Reliable
Financial Quality	0.781	9	Reliable
Growth of SMEs	0.849	7	Reliable

Source: Pilot Data (2024)

Table 1 above proved that the variable statements were highly reliable with Cronbach's Alpha co-efficient for the results being 0.898, 0.772, 0.729, 0.781, and 0.849 for financial accessibility, financial credit availability, financial usage and financial quality and growth of SMEs respectively.

Test for Construct Validity

Kaiser (1974) suggested that a basic requirement of 0.5 is recommended to ensure a valid questionnaire. This is measured by the use of the Kaiser-Meyer-Olkin (KMO) test which ranges from 0.0 to 1.0 (Simon & Goes, 2016). KMO values near 0 indicate that partial correlations are large when compared to the sum of correlations. That means that the statements are not framed to capture the theme of the variable/objective being assessed. The results of the KMO of the current pilot study are presented in Table 2.

Table 2: Factorial Test Results for Construct Validity

Variable	KMO	Bartlett's Test of Sphericity			Conclusion
		Approx. Chi-Square	df	Sig.	
Financial Accessibility	0.682	36.152	15	0.001	Valid
Financial Credit Availability	0.676	42.413	21	0.005	Valid
Financial Usage	0.551	50.291	15	0.000	Valid
Financial Quality	0.571	22.175	10	0.014	Valid
Growth of SMEs	0.556	51.437	28	0.007	Valid

Source: Pilot Data (2024)

Table 2 presents the summary of the KMO tests of each variable. All the variables showed KMO values of greater than 0.5 implying that the respective statements were valid for data collection. Likewise,

the variables presented corresponding statistically significant values (P<0.05) confirming that the statements regarding financial accessibility, financial credit availability, financial usage, and financial quality and growth of SMEs are adequate and valid for data collection.

Response rate

The study issued a total of 400 questionnaires to the owners of the SMEs to be filled. Only a total of 362 were picked by the researcher after a period of one week of issuing. This represented a rate of 90.5% as shown in the figure below. According to Mugenda and Mugenda (2003), a response rate above 50 per cent is a good representative of the study hence the response rate of 90.5% was considered satisfactory.

General Information Results

The study sought to establish the gender of the respondents. The results above indicated that males composed of 59% and females composed 41% indicating a good representation of both genders in the sample. This also indicated that men are the majority owners of the SMEs concurring with a study by Abdul (2019) that found that women's entrepreneurship rates are lower than men's.

The study sought to establish the age of the respondents who own the SMEs. The table below shows the distribution. The study findings showed that a majority of the SME owners are aged between 26-55 years. This indicated that enterprises are majorly controlled by middle-aged persons who are energetic as this kind of venture requires local physical skills.

This study sought to establish the legal formations of the SMEs that are operated in Kibera. The findings on the figure above showed that the majority of respondents, 87% were operating their own business as a sole proprietorship, 11% of the respondents were in partnership while partly, 2% of the respondents had formed a company that they were running together.

This study sought to establish the duration the respondents have been operating the SMEs. The findings on how long the SMSs have been in operation the business, it was revealed that 69 businesses were in operation for only less than 2 years, 149 for 2-5 Years, 119 for 6-10 Years while only 25 had been in operation for more than 10 years. This shows that most of the enterprises have been started a few years ago.

This study sought to establish if the respondents have been operating a bank account. The findings showed that 83% of SME owners operate bank accounts where they save and even take business loans. This indicates that the SME owners are financially literate and disciplined.

Financial Quality

The table below shows the descriptive statistic results for the variable financial literacy.

Table 3: Financial Quality

Statement	Mean	Std. Dev
Terms of contracts of products and services offered by financial providers are fair to us consumers, and sales promotion materials given do not mislead us.	4.231	1.090
All relevant information to consumers must be fully disclosed, including fees, interest rates, and any other charges	3.783	0.994
Mechanisms to voice complaints are available to owners and there is always timely redress.	4.009	0.901
Credit counseling services are useful for clients facing over indebtedness problems.	3.427	1.733
There are a wide range of financial products offered by the financial products that allow us to choose that best suit our business need.	5.240	0.897
Business owners often receive information to allow them to make informed decisions when they want to procure financial services	4.771	0.919
When seeking financial assistance, we are not subjected to unfair or deceptive practices	4.113	0.846
Aggregate Mean	**3.556**	**1.034**

From the study results, the aggregate mean score of 3.556 and a mean spread of 1.034 revealed that most respondents agreed with most of the statements related to financial quality. As the study sought to establish the relationship between financial literacy and the growth of SMEs in Kibera, most of the respondents agreed that the financial institutions they work with have programs where they are about financial literacy that have educated and informed on issues financing including debt management. They communicate with them well with the SME owners.

Financial Credit Availability

The table below shows the descriptive statistic results for the variable financial credit availability

Table 4: Financial Credit Availability

Statement	Mean	Std. Dev
I was asked for collateral for the credit facilities	4.003	1.447
Privacy of my personal financial information is upheld by my financial institution	3.629	0.876
There are new credit products available to micro-enterprises	2.676	0.994
The financial institution has measures to protect me from any uncertainties	3.654	0.896
I can access new products from my financial institutions (unsecured loans, auto loans, credit cards, etc.)	3.766	0.905
The new products are affordable and accessible	2.890	0.884
The new products' requirements and conditions changed	4.147	0.996
Aggregate	**3.538**	**1.000**

From the findings above, the aggregate mean score of 3.538 and a spread of 1.000 revealed that most of the respondents agreed with the majority of the statements related to financial credit availability. As the study sought to establish the relationship between financial credit availability and the growth of SMEs in Kibera, most of the respondents agreed that the financial institutions asked them for collateral and that the new products requirements and conditions changed and are finding it difficult to access funding for their expansion.

Financial Accessibility

The table below shows the descriptive statistic results for the variable financial access

Table 5: Financial Accessibility

Statement	Mean	Std. Dev
I can access credit facilities from my financial institution and the increased number of financial institutions	4.272	1.622
There is a quick processing of loan after an application	3.990	0.858
I can access more than one credit facilities	4.409	0.946
Growth in the asset base of SMEs has enabled me to meet the collateral requirement	4.383	1.051
The bank has come up with new products to cover my financial credit needs	4.003	0.972
The institutions offer affordable/cost of credit	4.207	1.443
I can access new financial products; mobile banking, e-banking, and agency banking	3.701	1.509
There are new requirements needed to access new credit facilities	4.046	0.866
The financial institutions have a convenient payment method for the repayment of advanced credit	4.693	0.990
Aggregate	**4.189**	**1.140**

From the table above, the findings show the aggregate mean score of 4.189 and a spread of 1.140 that revealed that most of the respondents agreed with the majority of the statements related to financial access. As the study sought to establish the relationship between financial access and the growth of SMEs in Kibera, most of the respondents agreed that they are able to access credit facilities from a number of financial institutions which have a convenient payment method for the repayment of advanced credit since loans are affordable and can be accessed through new financial products; mobile banking, e-banking and agency banking.

Financial Usage

The table below shows the descriptive statistic results for the variable financial innovation

Table 6: Financial Usage

Statement	Mean	Std. Dev
I have at least an account with my financial institution that I perform all my transactions in.	5.017	0.978
Business always acquires financial assistance when need especially the formal credit	4.922	0.081
My financial institution offers several financial products that are tailor-made for each business and individual's need	3.939	0.989
My financial institution has been offering me financial services for quite a long time and has gained my trust	3.784	1.054
My financial institution has trust in my business and may at times offer me a large amount of loan without fear of my default.	3.993	0.974
I have at least a loan debt that am currently servicing with my financial provider	4.007	0.899
My business has an account with my financial provider that I am saving in for the future usage	4.611	0.963
My financial provider has agents and ATMs in proximity that I frequently visit to access funds for usage to my business	4.754	1.001
Aggregate	**3.892**	**0.982**

The table above shows the findings where an aggregate mean score of 3.892 and a spread of 0.982 that revealed that most of the respondents agreed with the majority of the statements related to financial usage. As the study sought to establish the relationship between financial innovation and the growth of SMEs in Kibera, most of the respondents agreed that their firm manages to deliver special products flexibly according to customers' orders making their business better than competitors in the introduction of new product and dealing with customers' suggestions or complaints urgently and with utmost care.

Growth of SMEs

The table below shows the descriptive statistic results for the variable financial innovation

Table 7: Growth of SMEs

Statement	Mean	Std. Dev
Availability of finance helped to build networks and close contact with my customers	3.074	0.232
It has made me popular and now known by many people in the area where I operate.	4.112	1.379
The number of assets (Motor vehicle, cash, inventory, debtors, fitting and furniture, good will, prepayments, receivables) have increased over time	3.983	1.000
Increase in goods available for sale since there is an increase in stock	4.219	0.938
My household income increased and my family live has changed	4.731	0.685
I have increased my entrepreneurial skills and can manage a business well	3.846	0.757
I have managed to open other businesses from the initial one	3.901	1.285
Aggregate	**3.981**	**0.897**

The table above presents the findings of the dependent where the aggregate mean score of 3.981 and a spread of 0.897 that revealed that most of the respondents agreed with the majority of the statements related to growth of SMEs. As the study sought to establish the relationship between financial inclusion and the growth of SMEs in Kibera, most of the respondents agreed that having a business have made them become popular and now known by many people over the areas they operate in. they also concurred that there has been an increase in stock sale that has led to the income increase hence family lives have changed.

Correlation analysis Results

The study conducted Pearson correlation coefficient analysis to determine the association between the study variables. The direction and strength of the relationship existing between the study variables was determined with the assumption that the data obtained from the study is normally distributed and continuous. The correlation was perceived significant when the probability value was below 0.05 (p-value≤0.05). If the correlation values (r) are close to zero, it means that there is weak relationship and if the values are close to 1, it means there does a strong relationship exist. The correlation analysis results were as shown in table below:

Table 8: Correlation analysis

		Growth of SMEs	Financial Accessibility	Financial Credit Availability	Financial Credit Availability	Financial Quality
Growth of SMEs	Pearson Correlation	1				
	Sig.(2-tailed) Pearson	0.000				
	N	362				
Financial Accessibility	Pearson Correlation	.884**	1			
	Sig.(2-tailed) Pearson	0.000	0.000			
	N	362	362			
Financial Credit Availability	Pearson Correlation	.653**	.552*	1		
	Sig.(2-tailed) Pearson	0.001	0.000	0.000		
	N	362	362	362		
Financial Usage	Pearson Correlation	.528**	-.304*	.996**	1	
	Sig.(2-tailed) Pearson	0.000	0.000	0.000	0.000	
	N	362	362	362	362	
Financial Quality	Pearson Correlation	.867**	.621**	.752**	.682	1
	Sig.(2-tailed) Pearson	0.000	0.001	0.000	0.000	0.000
	N	362	362	362	362	362

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

* Correlation is significant at the 0.05 level (1-tailed).

The table above presents results that show that there is a positive and significant correlation between financial usage and the growth of small and medium enterprises (SMEs) (r=0.528, P value =

0.000). The findings also show that financial access and the growth of small and medium enterprises (SMEs) have a strong and meaningful correlation (r=0.884, P value =0.000). Furthermore, the results reveal a positive and significant correlation between financial credit availability and the growth of small and medium enterprises (SMEs) (r=- 0.653, P value=0.000). The findings also show that financial quality and the growth of small and medium enterprises (SMEs) have a strong and meaningful correlation (r=0.867, P value =0.000). This result indicates that whenever there is an increase in financial accessibility, financial credit availability, financial usage, and financial quality there is also a related and adjacent increase of the Growth of SMEs in Kibera Slums.

Regression Analysis

The study used multiple regression analysis to determine the effect of financial accessibility, financial credit availability, financial usage, and financial quality on the growth of SMEs in Kibera Slums. The model is illustrated below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

The analysis was presented using a model summary, ANOVA, and regression coefficient.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	.752[a]	0.699	0.654	0.1926

a. Predictor (constant), financial accessibility, financial credit availability, financial usage, and financial quality
b. Dependent Variable: Growth of SMEs

The above model summary presents results showing a presence of a strong relationship between constructs of financial inclusion and growth of SMEs in Kibera Slums (R = 0.752). The adjusted R square for the model was 0.654 implying that 65.4% of the variations of growth of SMEs were considered in the changes brought in by financial accessibility, financial credit availability, financial usage and financial quality. However, the remaining 34.6% of the variations in growth of SMEs were considered by other constructs not included by this study.

Table 10: ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	126.367	4	37.047	218.320	000[b]
	Residual	4.086	340	.594		
	Total	**130.453**	**344**			

a. Dependent Variable: Growth of SMEs
b. Predictor: (Constant) financial accessibility, financial credit availability, financial usage, and financial quality

The ANOVA findings in the table above indicate that the model is reliable (a good fit for data) as supported by 218.32 F statistics and a p-value of 0.000<0.05. This indicated that the model was fit to predict the combined effect of financial accessibility, financial credit availability, financial usage, and financial quality on the growth of SMEs. Moreover, based on the ANOVA results, the p-value of 0.000<0.05, indicates a statistically significant relationship between financial accessibility, financial credit availability, financial usage, and financial quality on the growth of SMEs in Kibera Slums.

Table 11: Regression Coefficient of the Influence of Financial Inclusion

Model		β	Std. Error	t	Sig.
1	(Constant)	.932	.141	1.570	0.03
	financial access	.493	.091	7.338	0.00
	financial credit availability	.509	.063	6.227	0.01
	financial usage	.770	0.57	6.534	0.00
	financial quality	.584	0.45	9.013	0.00

a. Dependent Variable: Growth of SMEs

The regression coefficient results indicated that the constant, β=0.932; P=0.03<0.05, coefficient for financial access, β=0.493; P=0.00<0.05, coefficient for financial credit availability, β=0.509; P=0.010<0.05, coefficient for financial usage, β=0.770; P=0.000<0.05 and coefficient for financial quality, β=0.584; P=0.000<0.05. Hence, the model is summarized as below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

$Y = 0.649 + .493X_1 + .375X_2 + .607X_3 + .558X_4$

With all factors held constant, an increase of a unit of financial accessibility, financial credit availability, financial usage or financial quality would increase growth of SMEs in Kibera Slums by .493, .509, .770 or .584 respectively.

CONCLUSION AND RECOMMENDATION

The first specific objective of the study was to determine the influence of financial accessibility on the growth of small and medium enterprises (SMEs) in Kibera slums. The findings of this study indicated that a fair number of the respondents showed neutrality that their financial institutions are transparent on all issues of financing and inform them in case of changes while others claimed that there are gray areas that are not revealed during credit application and issuance. A strong majority indicated that their financial institutions have programs where they are educated and informed on issues concerning financing.

The second specific objective of the study was to determine the influence of financial credit availability on the growth of small and medium enterprises (SMEs) in Kibera slums. Majority of the respondents strongly believed that there they were asked for collateral for the credit facilities which always hinder the start-up or even expansion as many do not have any asset to pledge as a collateral. However, a good number of respondents disagreed that there is new credit product available to micro enterprises. Many believed that when these new products are introduced in to the market, requirements and conditions changes.

The third specific objective of the study was to determine the influence of financial usage on the growth of small and medium enterprises (SMEs) in Kibera slums. Majority of the respondents strongly agreed that they were able to access credit facilities from several increased numbers of financial institutions, where one can get several credits that enhance Growth in the asset base of SMEs hence enabling them to meet the collateral requirement. These institutions offer affordable credit that is disbursed and have convenient payment methods.

The fourth specific objective of the study was to determine the influence of financial quality on the growth of small and medium enterprises (SMEs) in Kibera slums. A large number of the respondents agreed that new products and services are always introduced by SMEs to have a competitive age and keep up with an ever-increasing market demand. The majority of the respondents still concurred that customers' suggestions or complaints are dealt with urgently and with utmost care great employee performance is always rewarded and this reduces high employee turnover.

This study concluded that financial quality influences on the growth of small and medium

enterprises (SMEs) in Kibera slums. Financial institutions offering credit always have programs to educate the borrowers on how to utilize the borrowed funds and how to manage their SMEs.

It was also concluded that financial credit availability influences the growth of small and medium enterprises (SMEs) in Kibera slums. Financial institutions have come up with tailor-made products and services that fit each SME's needs. They have made it easier and faster by reducing the requirements for securing credit.

Further, the study concluded that financial access influences the growth of small and medium enterprises (SMEs) in Kibera slums. There has been an increase in financial institutions that have grown interest in servicing SMEs in Kibera with credit that requires less collateral to secure. These credits have been easy for business owners to access especially on the available digital platforms.

Finally, the study concluded that financial usage has influenced the growth of small and medium enterprises (SMEs) in Kibera slums. The availability of digital platforms has made it easy to apply for and receive credit for enterprises. The tailor-making of credit products and services has made it possible for most SMEs to meet their unique credit needs

The study recommends that the government, especially the county government should ensure that there is ease of access of credit to SMEs as most of them are affected by lack of collateral. The government through the CBK should also ensure that there should be full disclosure of charges and requirements of a credit product. Whenever there are changes in the issues touching on SME financing, the study recommends that communications should be made promptly before the changes are affected.

Suggestions for Further Research

This study considered financial inclusion as the aspect that influences the growth of SMEs in Kibera. This zeroed in on four aspects of inclusion including financial accessibility, financial credit availability, financial usage, and financial quality on the growth of SMEs in Kibera Slums. However, Kibera, being an informal settlement where poverty reigns, has many issues that affect the growth of SMEs other than financial issues. It is therefore recommended that other studies should be conducted that consider non-financial factors that affect the growth of these SMEs.

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