



Effects of Microfinance Services on Growth of Small and Medium Enterprises: A Case of Wundanyi Sub-County, Kenya

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Authors' contributions

This work was carried out in collaboration between both authors. Author MMM designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author MOR managed the analyses of the study. Both authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJEBA/2017/43967

Editor(s):

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Complete Peer review History: <http://www.sciedomain.org/review-history/26819>

Original Research Article

Received 22 July 2018
Accepted 09 September 2018
Published 24 October 2018

ABSTRACT

This study was conducted to establish the effects of microfinance services inaccessibility on the growth of small and medium enterprises in Wundanyi sub-county, Taita-Taveta County. The research objectives were to establish the effects of saving mobilisation services inaccessibility, crediting services inaccessibility, business information services inaccessibility and mobile banking services inaccessibility on the growth of SMES. To achieve these objectives the research used a descriptive research design. The target population was 81 retail posho mills businesses in the Wundanyi sub-county business register as at 10th may 2017. Krejcie & Morgan [1] table was used to pick the sample of 66 retail posho mills businesses. A self-administered questionnaire was used as a sole means of collecting data from the sample of 66 SMES. However, data were collected from 66 respondents who were owners of the SMES giving a response rate of 95%. Quantitative data were analyzed using descriptive and multiple regression methods of analysis aided by the

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Statistical package of social science SPSS program. Based on the findings, the study concluded that savings, crediting, business information and mobile banking services inaccessibility do affect growth in sales, profit and business expansion both negatively and positively. The study recommended microfinance institutions to come up with new measures that encourage savings culture and borrowing without setting conditions that are unfavorable to the SMEs.

Keywords: Microfinance services; inaccessibility; growth; small and medium enterprises.

1. OVERVIEW

Microfinance (MF) is built up comprehensively as the main improvement instrument to battle neediness and went for monetarily enabling the poor to help them discharging their entrepreneurial potential. From this starting, more than 3,000 microfinance foundations work far and wide, with the report of Microfinance Summit Crusade evaluating that 128.2 million needy individuals in creating regions are served by MFIs (Reed, 2011). According to Otero (1999) microfinance is "the game plan of cash related organisations to low-wage poor and astoundingly poor autonomously utilised people". According to Ledger wood (1999) microfinance organisations consolidates supports and credit and can similarly fuse other cash related organisations, for instance, insurance and portion organisations. Schreiner and Colombet (2001) portray microfinance as "this is the ability to improve access to little stores and little advances for poor families that are kept up a vital separation from by banks." Hereafter littler scale support normally joins course of action of speculation assets, advances and security to dejected people living in urban and commonplace locales who have been disregarded by the formal money related region.

1.1 SMES in Kenya

There are 7.5 million SMEs in Kenya according to estimation which give chances of work and salary era to low wage areas of Kenyan economy. The Division assumes an essential part in the financial development of this nation. The part's has added to the Total national output (Gross domestic product) an expansion from 13.8 for every penny in 1993 to 40 for each penny in 2008. The Casual Area gave around 80% of the aggregate business and had added to more than 92% of the new work made in 2008 as indicated by the Monetary Overview of 2009. This division work a crucial part for work creation, era of salary and is critical for industrialising the Nation in the predicted future. With their qualities,

SMEs in Kenya experience the ill effects of requirements that lower their versatility to hazard and piece them from accomplishing development in economies of scale.

In Kenya development from the Miniaturized scale and little undertakings (MSEs) development to Private venture endeavours (SMEs) and again to extensive organisations with an aggregate turnover of one billion, is as low and debilitating measurements. From Business day by day and KPMG yearly SMEs review for top 100SMEs completed in 2008, organizations that "graduated" from SMEs class in 2009 were just four. Overview which was directed with a point of achieving one billion Stamp; this speak to four percent. The MSEs (Jua kali) is the nation's greatest business, thus 10 million and 8.3 million of this number are in the casual division –Jua Kali .The part keeps on utilizing at a normal rate of around two percent every year yet the Kenya government is ease back to understand this . There is requirement for a strategy to be viewed as impetus to help develop MSEs (casual) to SMEs (formal) and after that huge organisations yet it is gradually coming, (ICPAK, 2010).

1.2 Statement of the Problem

Despite the fact that microfinance foundations give monetary administrations, for example, client saving services, training services, mobile money saving services and loan services their accessibility is turning into a test to numerous SMEs [2]. As indicated by Swain (2002) advance amount apportioning ordinarily emerges when a potential borrower is not given credit while advance size proportioning become effective when the advance sum acquired by the borrower is less the one they anticipated. The procedures of overseeing credit hazard uphold the banksto make reasonable procedures for affirming new advances and expansion to existing credit. Checking process additionally takes after with specific care, and different strides are gone out on a limb for associated crediting [3].

At the point when the rate of intrigue is high, individuals won't take advances from monetary organisation because of difficult to pay the advances back, and typically the quantity of procurement of genuine resources decreases, [4]. Institutional issue emerges where the staff is not very much prepared in business data or the clients/business ventures are not fragmented into benefit conveyance components by money-related establishments, Liu [5]. Brown et al. [6] expressed that clients who have involvement with cell phones are probably going to utilise portable saving money. A few people may encounter test of utilising instant messages benefits consequently a SMS based portable managing an account could be excessively confounded for them. A review of budgetary imperatives that blocks development of SMEs in Kenya by Koech [7] discovered that the variables that influence development were insurance prerequisites, cost of capital, collateral necessities and cost of enlistment. It is not yet clear whether micro-finance services inaccessibility has a significant effect on the growth of small and medium enterprises that's why the researcher wants to find out whether micro-finance services inaccessibility has a significant effect on the growth of small and medium enterprises.

1.3 Objectives of the Study

The study was undertaken to achieve the following objectives;

- i. To establish the effect of savings mobilisation services inaccessibility on the growth of SMEs in Wundanyi sub-county, Kenya.
- ii. To examine the effect of crediting services inaccessibility on the growth of SMEs in Wundanyi Sub county, Kenya.
- iii. To find out the effect of business information services inaccessibility on the growth of SMEs in Wundanyi Sub - County, Kenya.
- iv. To determine the effect of mobile-banking services inaccessibility on the growth of SMEs in Wundanyi Sub county, Kenya.

2. RELEVANCE OF THE STUDY

2.1 Information to Stakeholders

The examination can educate Microfinance organisations on how microfinance services inaccessibility affects SMEs growth, this will

enable business people to enhance their welfare and their organizations with legitimate money related administrations that suit there business conditions.

2.2 Venture

Discoveries of the exploration are of awesome hugeness to the money related establishment that desire to wander in the area thus can be of assistance in settling on vital choice. The finding will aid ways that can enable private venture to get to credit and ingraining discipline in advance reimbursement.

2.3 Policy Makers

The examination is of importance to strategy creators in acquire learning on most ideal approaches to deal with customers through productive and moderate administrations thus a guide in settling on strategic choices and plans It will likewise help the legislature in making arrangements for SMES in enhancing the business condition.

2.4 Researchers

The examination is of significance to the scholastic club by providing rich data on effects of microfinance services inaccessibility on the growth of SMEs in Wundanyi sub-county, Kenya.

3. THEORETICAL AND EMPIRICAL LITERATURE

3.1 Theoretical Review

The study was guided by Micro credit theory propounded by Mohammad Yunus (1976) and credit access theory postulated by Stiglitz and Weiss [8]. Micro credit theory clarifies that a benefit making private organisations that are worried about the welfare of its customers can be imagined. It is conceivable to create industrialist undertakings that expand private benefits subject to the reasonable interests of their clients without misusing them. Muhammad Navajas, Conning and Gonzalez-Vega [9]. The microfinance establishments ought not to be intrigued on benefits alone but rather likewise to serve and treat its customers well.

Credit access theory states that the primary driver of breaking down of money related markets in creating nations is data asymmetry.

Money related establishments that propel advances to financial operators are not just intrigued by the premium they get on credits, additionally the dangers of such advances. Borrowers are screened and checked by most monetary organisations and are done proficiently more than financial specialists could do. Stiglitz and Weiss [8], the most hazardous customers are generally given many conditions to accomplish before they get those advances which demoralise most SMEs to get monetary administrations, not at all like the less unsafe customers who obtain these administrations rapidly without conditions.

3.2 Empirical Literature

3.2.1 Savings mobilization services inaccessibility

Pamela Chan [10]. Elements that evacuate monetary boundaries to passage is among the most vital in impacting a buyer's choice to open and use a little dollar investment account. Standard essential bank account highlights that drive up the expenses of the section for buyers incorporate least opening store, least adjust or programmed commitment necessities. These necessities are frequently utilised for standard fundamental bank accounts as an approach to guarantee there are sufficient subsidies in the record to legitimise opening and keeping up the record gratis to the customer. Shoppers must have the capacity to meet the necessities to fit the bill for investment accounts free of month to month expenses.

Intrigue is a rate of return paid to reserve funds in view of the expressed period and least sums (Thomas K. Shaw, 2007) common investment funds pays little premium return while settled store financing cost variable (higher than different records). Minor bank account pays no premium and Current investment funds pays no premium and the absence of premium is credited to a greater amount of failure to ascertain the cost than an absence of craving for the SACCOs to compensate reserve funds. Hence, there is no immediate motivating force for individuals to keep up higher normal adjusts.

3.2.2 Crediting services inaccessibility

MFIs have The accompanying are qualities of MFIs: Credits are normally moderately short – under 12 months in many examples and are for

the most part to work capital with prompt standard week by week or month to month reimbursements. The customary moneylender's prerequisites for physical security, for example, property are generally supplanted by an arrangement of aggregate assurance where individuals are commonly in charge of guaranteeing that their credits are reimbursed [11].

An examination by Inderst and Mueller [12] anticipated that detectably more dangerous borrowers should vow more insurance and that, holding recognisable borrower hazard steady, collateralised credits will probably default (ex-post). This claim is bolstered by Jimenez and Saurina [13] and Berger et al. [14] who discovered that ex post nonperformance of credits (misconduct or default) is decidedly identified with insurance vows.

3.2.3 Business information services inaccessibility

Poor data sharing alludes to the insufficiency or potentially unwillingness of a data supplier to convey the required data to a specific kind of searcher [15]. This might be a direct result of a constrained learning base of both business data suppliers and the business groups. It is, regularly, an institutional issue where the staff is not all around prepared in business librarianship or the clients/business ventures are not accepted into benefit conveyance components. Preparing in business librarianship is a subject of open deliberation. Liu [5] contends that most bookkeepers - functioning as business administrators - need subject preparing in business fields, such as bookkeeping, administration, financial matters, back, saving money and quantitative strategies, which influences their execution, antagonistically. Notwithstanding the preparation of the business administrators, a portion of the institutional issues incorporate the area and structures of the organisations that ought to be giving data to the SMEs.

Poor client care can be accomplished when there is no Division. Division is a procedure of breaking the SME advertises into littler like pieces, gathering clients with comparative or regular practices, so they can be better drawn nearer and served, with items, staff, and procedures that are suitable for business needs and at fitting value focuses, [16].

3.2.4 Mobile banking services inaccessibility

The Versatile managing an account framework is likewise alluding to SMS Saving money as an innovation that empowers administrations offered by banks to its clients by allowing them to work over their cell phones utilising SMS informing [17]. A review led amid 1999-2000 in Tanzania and Kenya uncovered that cell phones were considered to contribute altogether to territorial market development by most undertakings, trailed by settled telephones and faxes. Cell phones were considered to contribute essentially to local market extension by most undertakings, trailed by settled telephones and faxes (Matambalya, and Wolf, 2001).

The unauthorised electronic transfer is an electronic store exchange from a shopper's record started by a man other than the customer without specialist to start the exchange and from which the purchaser gets no advantage. This does exclude an EFT started by; a man who was outfitted the get to gadget to the shopper's record by the buyer, unless the purchaser has told the money related foundation that exchanges by that individual are never again approved; With deceitful expectation by the customer or any individual acting working together with the buyer; or By the monetary establishment or its representative (EFT Act, 1978).

Specialized multifaceted nature is a main consideration in any basic leadership about the dispatch of new, creative administrations like Portable Keeping money, Tiwari and Buse (2007). On the off chance that a banks client is not utilising portable managing an account, it could be on the grounds that their cell phone is difficult to work or the charges are excessively perplexing due, making it impossible to their constraints which lessen the ease of use and ease of use of versatile innovations. Sometime the system related issues may make it difficult to work with portable managing an account.

3.2.5 Growth of SMES

As per Money related Division Extending (FSD) Diary (2007), Small and medium enterprises(SMEs) utilise between 1-99 individuals each and the area is described by little scale level of action, independent work, with high extent of family specialists and understudies, minimal capital and gear, work serious advances, low aptitudes and low level of access to sorted out business sectors. The

advancement of SMEs is accepted to be an alluring end as the key drivers of business and monetary development. Nonetheless, the development of SMEs has been hampered because of incredible troubles experienced when raising capital as a result of the pre-control of the microfinance establishments with security based loaning [18].

It is clear from making that not each free wind are change composed and for particular firms' progress is a settled choice [19]. Niskanen [20] investigated the determinants of movement for a situation of almost nothing and cut back scale Finnish firms.

4. RESEARCH METHODOLOGY

The examination applied spellbinding techniques to think about the effects of microfinance services inaccessibility on the growth of SMEs in Wundanyi Sub-Region, whereby descriptive and quantitative approach was utilised to get the relevant information. Questionnaire was the fundamental instrument of gathering information. This instrument was favoured as a result of its minimal effort notwithstanding when the populace is vast, it's free from the inclinations of the questioner, and respondents had more opportunity to give well idea answers. It additionally spared time with respect to the specialist.

The total population for Small and medium enterprises in Wundanyi Sub-County was 1251 as at 10th may 2017, (Wundanyi Sub-County business register, 2017). The SMES list is attached in appendix v. In this study the Small enterprises were researched and the sector was the retail business sector; specifically the retail posho mills which were 81units and formed the target population. The owners were the respondents.

The sample size of the study population was 66 retail posho mills. Krejcie & Morgan [1] formula table was used to get the sample size and is attached in the appendix IV. The researcher used purposive sampling because the SMES are heterogeneous then after grouping them used randomnessampling technique to pick 66 respondents from the target population . The respondents were the owners of retail posho mills.

All reactions gathered from the field were accumulated, arranged, altered and coded

keeping in mind the end goal to guarantee the information quality and exactness. The information was then entered into the computer and organised from that point measurable control was finished by utilising the statistical package for social science (SPSS) program.

5. RESEARCH FINDINGS, ANALYSIS AND PRESENTATION

The nature of the relationship between variables was established by the aid of multiple regression analysis. The results showed the nature of relationship as indicated in the Table 1.

From Table 1 the findings of the study were revealed in the regression model as follows;

$$Y = 3.259 + 0.728X_1 - 0.357X_2 + 2.077X_3 - 1.707X_4$$

Constant = 3.259, demonstrates that if savings, micro credit, business information and mobile banking transaction exchange gave by MFIs were altogether appraised as zero, Yearly development in deals turnover rating would be 3.259 $X_1 = 0.728$, demonstrates that one unit change in savings brings about 0.728 units increment in Yearly growth in sales turnover. $X_2 = -0.357$, demonstrates that one unit change in micro credit brings about - 0.357 units diminish in Yearly growth in sales turnover $X_3 = 2.077$

shows that one unit change in business information gave by MFIs, brings about 2.077 units increment in Yearly growth in sales turnover $X_4 = -1.707$ shows that one unit change in portable saving money gave by MFIs, brings about - 1.707 units diminish in Yearly growth in sales turnover.

From Table 2 the findings of the study were revealed in the regression model as follows;

$$Y = 4.345 + 1.103X_1 - 0.662X_2 - 0.010X_3 + 0.224X_4 + \epsilon$$

Constant = 4.345, demonstrates that if savings, micro credit, business information and mobile banking transactions exchange gave by MFIs were altogether appraised as zero, Yearly growth in profit rating would be 4.345 $X_1 = 1.103$ shows that one unit change in savings brings about 1.103 units increment in Yearly growth in profit turnover. $X_2 = -0.662$, demonstrates that one unit change in micro credit brings about - 0.662 units diminish in Yearly growth in profits. $X_3 = -0.010$ shows that one unit change in business information gave by MFIs, brings about - 0.009 units diminish in Yearly growth in profits. $X_4 = 0.224$ demonstrates that one unit change in mobile banking transactions gave by MFIs, brings about 0.224 units increment in Yearly growth in profits.

Table 1. Regression equation with sales as dependent variable

Model	Un standardized Coefficients		Standardized Coefficients	T	Sig
	B	Std error			
1 Constant	3.259	.000		.	.
Savings	0.728	.000	0.924	.	.
Crediting	-0.357	.000	-1.019	.	.
Business information	2.077	.000	2.165	.	.
Mobile banking	-1.707	.000	-1.579	.	.

Source: Field data, 2017

Table 2. Regression equation with profit as dependent variable

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std error			
1 Constant	4.345	.000		.	.
Savings	1.103	.000	1.285	.	.
Crediting	-0.662	.000	-1.613	.	.
Business information	-0.010	.000	-0.009	.	.
Mobile banking	0.224	.000	0.177	.	.

Source: Field data, (2017)

Table 3. Regression equation with business expansion as dependent variable

Model	Un standardized Coefficients	Standardized Coefficients	t	Sig
	B	Std error		
1 Constant	3.259	.000		. .
Savings	1.728	.000	1.653	. .
Crediting	-.557	.000	-1.113	. .
Business information	2.277	.000	1.662	. .
Mobile banking	-2.707	.000	-1.753	. .

Source: field data, (2017)

From Table 3 the findings of the study were revealed in the regression model as follows;

$$Y=3.259+1.728X_1-0.557X_2+2.277X_3-2.707X_4 + \epsilon$$

Constant = 3.259, demonstrates that savings, micro credit, business data and mobile banking transactions exchange gave by MFIs were altogether appraised as zero, Yearly growth in business extension rating would be 3.259. X₁= 1.728 demonstrates that one unit change in savings brings about 1.728 units increment in

Yearly growth in business extension. X₂= - .557, demonstrates that one unit change in micro credit credit brings about - .557 units diminish in Yearly growth in business extension. X₃= 2.277 demonstrates that one unit change in business data gave by MFIs, brings about 2.277 units diminish in Yearly growth in business extension. X₄=-2.707 demonstrates that one unit change in mobile banking transactions gave by MFIs, brings about - 2.707 units diminish in Yearly growth in business expansion.

Table 4. ANOVA when sales is dependent variable

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.200	4	17.300	0.001	0.001 ^b
	Residual	.000	0	.		
	Total	69.200	4			

a. Dependent Variable: sales

b. Predictors: (Constant), Mobile banking services, Crediting services, Savings services, Business information

Source: Researcher, 2017

Table 5. ANOVA when profit is dependent variable

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	95.200	4	23.800	0.001	0.001 ^b
	Residual	.000	0	.		
	Total	95.200	4			

a. Dependent Variable: profit

b. Predictors: (Constant), Mobile banking services, Crediting services, Savings services, Business information

Source: Researcher, 2017

Table 6. ANOVA when business expansion is the dependent variable

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	141.200	4	35.300	0.001	0.001 ^b
	Residual	.000	0	.		
	Total	141.200	4			

Source: Researcher, 2017

Dependent Variable: expansion

b. Predictors: (Constant), Mobile banking services, Crediting services, Savings services, Business information

Note: df = degrees of freedom; F = Anova; α = level of significance; Fo = calculated value of F; Fc = the critical value of F; αo = calculate value of α; and ac = the critical value of α

The ANOVA examination was planned to research whether the variety in the autonomous factors clarify the watched fluctuation in the result – in this investigation the Yearly growth t in sales turnover, profit and business expansion. The ANOVA demonstrated that the free factors essentially ($F=0.001$, $p=0.001$) clarify the change in Yearly growth in sales turnover, profit and business extension. In this unique circumstance, as have been exhibited in the tables above, the reliant factor is the level of growth while the free or the predictors (savings, crediting, business information and mobile banking services).

6. DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Based on the findings, the study concludes that savings, crediting, business information and mobile banking services inaccessibility do affect growth in sales, profit and business expansion both negatively and positively. The results showed that SMEs struggle to obtain saving services to boost their business even though there are conditions set by MFIs when opening accounts and maintaining it. The results showed that SMEs find it hard to get credit due to tough terms and conditions that are had to fulfill. The results showed that SMEs get inadequate information misadvise and feel they are oppressed by staff and discriminated from other clients. SMEs still continue to seek this services since they are short of alternatives hence endure harsh microfinance environment. This affects their business much in the long run.

The results conclude that SMEs struggle to use mobile banking services even though they are worried about the safety of their money and complexity of using the mobile banking system. This affects their growth much in the long run. It can also be concluded that there was a significant effect of the micro finance services inaccessibility on the growth of SMEs in Wundanyi Sub County.

6.2 Recommendations

Microfinance institutions should come up with new measures that encourage savings culture and borrowing without setting conditions that are unfavourable to the SMEs. It is evident that SMEs struggle to get services from MFIs.

Microfinance needs to review their lending policies and procedures such as collateral lending and be prudent when lending to risky clients by appraising based on business nature and expected returns rather than risks alone.

Micro finance institutions need to train its staffs on products information and customer care. There is also a need to segment its clients where SMEs are served by staffs who understand the nature of their business. There is a need for microfinance institutions to upgrade their systems against any threat for clients to have confidence in the system and also make the system simple for SMEs to operate. The government through Parliament should enact laws that create a conducive environment for business that harmonise the business sector with the banking sector without mistreatment.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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Peer-review history:
The peer review history for this paper can be accessed here:
<http://www.sciencedomain.org/review-history/26819>