

From Policy to Performance: Examining the Role of Government Credit Strategies in SME Development in South Rift, Kenya

Lucy Muthoni Mbogori¹, Simon K. Kipchumba², Nehemiah Kiprop Kiplagat³

^{1, 2, 3} Faculty of Commerce, School of Business, Kabarak University
Private Bag -20157 Kabarak- Kenya

Corresponding Author Email: [imbogori\[at\]kabarak.ac.ke](mailto:imbogori[at]kabarak.ac.ke)

Abstract: *Small and Medium-Sized Enterprises (SMEs) play a vital role in Kenya's economic development, contributing to job creation, innovation, and the country's gross domestic product. However, access to affordable and sustainable credit remains a persistent challenge, limiting their growth and competitiveness. This study, titled "From Policy to Performance: The Effect of Government Credit Access Strategy on SME Performance in Kenya's South Rift Region," examined how government-sponsored credit initiatives influence the performance of SMEs within the counties of Baringo, Bomet, Kericho, Laikipia, Nakuru, Narok, and Nyandarua. The study adopted a positivist philosophy and employed a correlational research design using a quantitative approach. The target population comprised 939 SME owners registered and certified by the Kenya Bureau of Standards, from which a sample of 280 respondents was drawn using stratified and simple random sampling techniques. Data were collected using structured questionnaires and analyzed using descriptive and inferential statistics in SPSS. The descriptive results revealed moderate access to government credit facilities, with an overall mean score of 2.77 and a standard deviation of 1.213, suggesting mixed perceptions among SME owners regarding the ease and effectiveness of government-sponsored credit programs. Inferential analysis revealed a positive, statistically significant correlation ($r = 0.512, p < 0.05$) between government credit access strategies and SME performance, suggesting that improved credit access enhances business growth, profitability, and sustainability. Regression analysis further confirmed that credit access had a significant predictive effect on SME performance, with an unstandardized beta coefficient ($\beta = 0.298, p < 0.05$) that explained a considerable portion of performance variability. The study concluded that effective government credit access strategies significantly improve SME performance by alleviating financial constraints and promoting operational efficiency. However, limited awareness, bureaucratic loan processes, and stringent qualification requirements continue to hinder full participation in these credit schemes. The study recommends that the government enhance awareness creation, simplify loan procedures, and tailor credit terms to meet the specific needs of SMEs. It further advocates integrating financial literacy programs and robust monitoring mechanisms to ensure the sustainability and impact of government credit initiatives. Overall, the findings underscore the crucial link between public financing policies and SME growth, highlighting the need for a cohesive, inclusive credit framework that bridges the gap between policy and performance in Kenya's SME sector.*

Keywords: Government Credit Access Strategy, SME Performance, Policy Implementation, Financial Inclusion, South Rift Region, Kenya

1. Introduction

Small and medium enterprises (SMEs) are globally recognized as vital contributors to economic growth, innovation, and employment generation. They account for more than 90% of all businesses and provide over 50% of global employment (World Bank, 2023). Despite their central role, access to credit remains a major barrier to SME development. In response, governments worldwide have implemented credit access strategies and financial inclusion policies to alleviate financing constraints (IMF, 2024). Empirical evidence suggests that government-led financing initiatives, such as credit guarantee schemes, subsidized interest rates, and targeted SME funds, enhance firm resilience, productivity, and long-term competitiveness (Abubakar *et al.*, 2023). Moreover, effective policy frameworks that link financial institutions with small enterprises have been found to facilitate innovation and improve overall enterprise sustainability (African Development Bank [AfDB], 2022).

Across Africa, SMEs are essential for job creation and poverty reduction, yet most continue to face restricted access to formal financing channels. Government-backed credit guarantee programs and digital financial inclusion efforts have made progress in improving lending to SMEs,

particularly in sectors such as manufacturing and agribusiness (AfDB, 2022). However, issues such as high collateral requirements, high interest rates, and weak credit information infrastructure persist (IMF, 2024). In Sub-Saharan Africa, studies have shown that access to affordable, timely credit has a profoundly positive impact on the profitability and growth of SMEs. However, the effectiveness of these interventions largely depends on the implementation of government credit strategies at both national and regional levels (Abubakar *et al.*, 2023).

In East Africa, particularly in Kenya, SMEs account for more than 80% of employment and contribute nearly 40% of the national GDP (Kenya National Bureau of Statistics [KNBS], 2024). Nonetheless, many Kenyan SMEs continue to face persistent challenges in accessing adequate financing from formal financial institutions. To mitigate these barriers, the government has introduced various interventions, including credit guarantee schemes, SME funds, and financial literacy programs. Despite these efforts, results have been mixed. Some SMEs report enhanced performance due to easier access to loans and lower borrowing costs. In contrast, others continue to face difficulties stemming from stringent creditworthiness assessments, extensive documentation requirements, and bureaucratic delays (Mutua & Mwangi, 2023). Furthermore, while digital credit platforms have

expanded financial inclusion, they often expose SMEs to high interest rates and short repayment terms, undermining their financial stability (KNBS, 2024).

At the county level, empirical studies continue to show that credit accessibility significantly affects the success of SMEs. Factors such as collateral requirements, credit assessment practices, interest rates, and institutional proximity significantly influence the growth and financial performance of SMEs (Karanja & Waweru, 2025). For example, in Meru County, access to affordable credit was found to improve firm performance by increasing sales and profitability (Gathii & Wanyoike, 2023). Similar findings were reported in Murang'a County, where flexible credit assessment practices and accessible lending institutions led to improved SME performance outcomes (Karanja & Waweru, 2025). Conversely, SMEs constrained by limited financing opportunities and restrictive credit policies often exhibit lower innovation and slower expansion (Mutua & Mwangi, 2023). These patterns suggest that while government credit initiatives are impactful, their effectiveness varies across regions and depends on local economic and institutional factors.

Despite growing scholarly attention to SME financing, research on SME financing in Kenya's South Rift Region remains limited, particularly in this specific aspect. This region presents unique socio-economic and geographic characteristics that may influence the implementation and outcomes of government credit strategies. Understanding how such strategies affect SME development in this context is crucial for evidence-based policymaking and equitable financial-sector reform. Therefore, this study aims to investigate the role of government credit strategies in SME development in Kenya's South Rift Region and to identify which aspects of government intervention have the most significant impact on enterprise performance.

1.2 Statement of the Problem

Globally, small and medium-sized enterprises (SMEs) are essential drivers of economic growth, innovation, and employment; yet, access to affordable credit remains a persistent challenge that limits their performance and sustainability (World Bank, 2023). Although governments worldwide have introduced credit access strategies such as credit guarantee schemes, subsidized loans, and digital finance platforms, many SMEs still face financing constraints due to collateral demands, high interest rates, and stringent lending requirements (IMF, 2024). In Africa, similar challenges persist. Government credit initiatives have improved financial inclusion; however, access to formal credit remains limited, particularly for smaller enterprises with limited collateral or a short credit history (AfDB, 2022). This financing gap has been linked to sluggish SME growth and a high rate of business failures in the region. In Kenya, SMEs make a significant contribution to employment and GDP, yet access to credit continues to hinder their expansion. Despite government efforts through initiatives such as the Credit Guarantee Scheme and Hustler Fund, many SMEs still struggle to secure adequate financing (KNBS, 2024; Mutua & Mwangi, 2023). Studies in various counties, including Machakos, Meru, and Murang'a, indicate that while

government credit access programs have improved SME performance in some cases, barriers such as collateral requirements, loan processing delays, and high borrowing costs remain (Gathii & Wanyoike, 2023; Karanja & Waweru, 2025). However, there is limited empirical evidence on how these government credit strategies affect SME performance within Kenya's South Rift Region, an area with unique socio-economic characteristics and a growing enterprise base. This gap in localized research limits policymakers' ability to design credit access frameworks responsive to regional realities. Therefore, this study aims to investigate the impact of government credit strategies on the performance of SMEs in Kenya's South Rift Region.

1.3 Objective of the study

To establish the relationship between the government credit access strategy and the performance of small and medium enterprises in Kenya's South Rift Region.

1.4 Research Hypothesis

There is no statistically significant relationship between the government's credit access strategy and the performance of small and medium-sized enterprises in Kenya's South Rift Region.

1.5 Significance of the Study

This study holds significance at several levels: policy, practical, and academic. At the policy level, the findings will provide valuable insights to the Government of Kenya and financial regulators on the effectiveness of existing credit access strategies such as the Credit Guarantee Scheme and the Hustler Fund. By identifying which components of government credit interventions most strongly influence SME performance, the study will inform policy refinement to ensure more inclusive, efficient, and regionally balanced access to finance. Such evidence will also support the formulation of data-driven policies to strengthen the financial ecosystem for SMEs in the South Rift Region and beyond.

At the practical level, the study will benefit SME owners and managers by highlighting the credit access mechanisms that can best enhance their financial performance and sustainability. The results will help entrepreneurs better understand available government credit opportunities, improve their financing strategies, and address constraints such as collateral requirements and loan application processes. Financial institutions can also gain insights into designing lending products that align with the unique needs of SMEs in emerging regional markets. At the academic level, the research will contribute to the growing body of literature on SME financing and development, particularly in developing economies. By focusing on Kenya's South Rift Region, a relatively under-researched area, the study will fill an empirical gap and lay the foundation for future studies examining the link between government financing strategies and enterprise performance at regional or sectoral levels. Overall, the study's outcomes are expected to enhance understanding of how well government credit policies translate into measurable SME growth, guiding both scholars

and policymakers toward more effective financial inclusion and economic development strategies.

2. Literature Review

This section reviews both theoretical and empirical literature related to government credit access strategies and the performance of SMEs. It first outlines key theories explaining credit market imperfections and the basis for government intervention. Then it examines recent empirical studies on SME financing at the global, regional, and local levels. The review aims to identify knowledge gaps and provide a conceptual foundation for understanding how government credit initiatives influence SME performance in Kenya's South Rift Region.

2.1 Theoretical Review

This study is grounded in Credit Rationing Theory. The Credit Rationing Theory, developed by Joseph Stiglitz and Andrew Weiss (1981), explains why credit markets often fail to clear through price adjustments. The theory posits that in markets with imperfect information, lenders cannot accurately distinguish between high- and low-risk borrowers. Raising interest rates to ration demand may attract riskier borrowers (adverse selection) and encourage borrowers to undertake riskier projects (moral hazard). To minimize such risks, lenders prefer to ration credit, offering limited or no loans even to borrowers willing to pay higher interest rates.

Subsequent scholars have refined the theory to reflect modern credit market realities. Su and Zhang (2017) demonstrated that the extent of credit rationing depends on how lenders rank borrower risk, whereas more recent models have incorporated search costs and heterogeneous lenders (MDPI, 2024). Despite these advancements, critics argue that lenders today can mitigate information asymmetry through the use of collateral, credit histories, and relationship lending, which somewhat limits the prevalence of pure credit rationing.

The theory remains relevant in explaining the financing constraints faced by SMEs, especially in developing economies such as Kenya. Empirical studies, such as Njagi, Jagongo, and Omagwa (2020), confirm that many SMEs continue to experience partial or complete credit denial despite being eligible. In this study, the Credit Rationing Theory underpins the analysis of how government credit access strategies, such as the Credit Guarantee Scheme and Hustler Fund, aim to reduce information asymmetry, lower lending risks, and ultimately improve SME performance in the South Rift Region.

2.2 Empirical Review

Globally, recent studies have examined the relationship between government credit accessibility and the performance of small and medium-sized enterprises (SMEs) from various perspectives. A 2025 multi-country study examined the impact of FinTech developments on digital finance accessibility among SMEs and entrepreneurship across forty-seven African countries. Using panel data from 2013 to 2020 and applying quantile regression analysis, the study found that financial technology has a significant impact on SME

performance, primarily through improved access to digital financial services. The results showed that the positive effects of FinTech were more potent in countries with well-developed digital finance infrastructure, underscoring the importance of supportive institutional frameworks in facilitating SME growth (Sanga & Aziakpono, 2025).

Regionally, research in East Africa has highlighted similar trends. A 2024 study conducted in Bushenyi District, Uganda, investigated the relationship between credit access and SME performance using both primary and secondary data. Regression analysis revealed a strong, statistically significant positive relationship between access to credit and SME performance. Approximately half of the variation in SME performance was attributed to credit-accessibility factors, including loan terms and collateral requirements. However, the study noted that limited collateral, high interest rates and bureaucratic lending procedures continue to constrain credit access for many small firms (Byamukama et al., 2024). In Kenya, several recent studies have examined the link between credit accessibility and SME performance in different counties. A study conducted in Machakos County examined the impact of access to microfinance credit on the financial performance of SMEs. Using quantitative data from a census survey, the study analyzed variables including collateral requirements, loan-to-income ratios, and geographic access to microfinance branches. Regression results indicated that all factors had a significant positive impact on SME financial performance, suggesting that expanding microfinance outreach and easing collateral requirements can enhance enterprise outcomes (Munguti & Wamugo, 2024).

Similarly, research in Murang'a County examined how credit assessment, collateral requirements, credit costs, and information sharing influence the performance of micro and small enterprises. Using survey data analyzed via regression, the study found that all credit-related variables significantly affected firm performance, with collateral and credit assessment as the strongest predictors. The findings implied that improving transparency and reducing credit costs could enhance the operational efficiency and profitability of small firms (Karanja & Muathe, 2025). Another study conducted within Nairobi's Central Business District examined the effects of credit financing on the financial performance of SMEs. Based on data collected from 184 SMEs via structured questionnaires and analyzed using both descriptive and inferential statistics, the study found that access to credit, creditworthiness, and credit history significantly influenced SME profitability. However, the role of vested interest was found to be positive but statistically insignificant, suggesting that while access to financing is critical, non-financial factors also shape SME outcomes (Nshimirimana et al., 2025).

In Nakuru County, a recent study on credit access and SME performance used data from 241 micro and small enterprises and analyzed them using multivariate regression. The findings indicated that the amount of credit accessed had a positive and significant effect on firm performance. In contrast, frequent borrowing and challenges in obtaining credit were associated with adverse effects. These results underscore that although access to credit boosts performance, excessive borrowing and structural barriers, such as collateral and documentation requirements, may undermine SME

sustainability (IAR Consortium, 2024). Collectively, these studies reveal a consistent pattern: improved access to credit positively influences SME performance across contexts, though the magnitude of this effect varies by location, lending policies, and financial infrastructure. The evidence also highlights persistent barriers to financing, including high collateral requirements, limited credit information, and high interest rates, which hinder many SMEs from fully benefiting from government and private credit initiatives. The present study builds upon these insights by examining how government credit access strategies affect the performance of SMEs in Kenya's South Rift Region, providing a localized understanding of the mechanisms through which credit accessibility drives enterprise growth.

2.3 Conceptual Framework

The conceptual framework outlines the relationship between government credit access strategies and the performance of small and medium enterprises (SMEs) in Kenya's South Rift Region. Grounded in the Credit Rationing Theory, it explains how interventions such as subsidized loans, guarantee schemes, and credit information systems enhance SME performance by improving credit availability, affordability, and accessibility. The framework also acknowledges that contextual factors, such as managerial capacity and the regulatory environment, may influence this relationship, informing the study's hypotheses and empirical analysis.

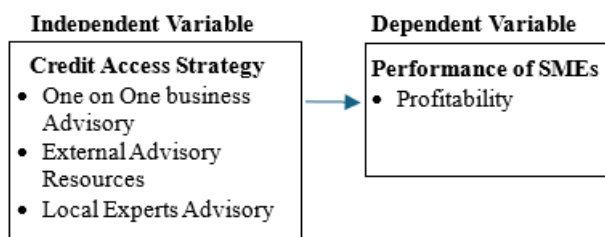


Figure 1: Conceptual Framework

3. Research Methodology

The study employed a positivist research philosophy, emphasizing objective observation and empirical measurement through quantitative methods, including surveys and statistical analysis. This approach was appropriate, as the study aimed to test hypotheses on the relationship between government credit access strategies and the performance of small and medium-sized enterprises (SMEs) in Kenya. A correlational research design with a cross-sectional approach was employed to examine variables without manipulation, focusing on SMEs within Kenya's South Rift region, specifically in Baringo, Bomet, Kericho, Laikipia, Nakuru, Narok, and Nyandarua counties. These counties were selected for their diverse economic activities and representation of Kenya's industrial and agricultural sectors. The target population consisted of 939 SME owners certified by the Kenya Bureau of Standards, from which a sample of 280 respondents was selected using the Taro Yamane formula and determined through stratified random sampling. Data were collected using structured questionnaires with five-point Likert scales that covered demographic information, government support strategies, entrepreneurial orientation, and SME performance. A pilot study involving

28 SME owners in Nairobi Central Business District tested the clarity, acceptability, and reliability of the questionnaire. Validity was established through expert judgment, yielding a high overall Content Validity Index (CVI) of 0.96, indicating strong content representation. Reliability analysis yielded Cronbach's alpha values ranging from 0.812 to 0.847, exceeding the 0.7 threshold and indicating internal consistency across the constructs. The data collection process involved obtaining ethical clearance from Kabarak University's Ethics Committee and a research permit from NACOSTI. Data were gathered through Drop-Off and Pick-Up (DOPU), online, and phone methods while ensuring confidentiality and secure data handling. Data analysis was conducted using IBM SPSS, encompassing descriptive and inferential statistics. Descriptive statistics were used to summarize the data, including means, standard deviations, frequencies, and percentages. The study employed a simple linear regression model to determine the influence of government credit access, business advisory, market linkage, and training strategies on SME performance.

The model was specified as $Y = \beta_0 + \beta_1 X_1 + \varepsilon$, where Y denotes SME performance and X_1 represents access to credit with β_0 and β_1 as coefficients and ε as the error term.

4. Findings of the Study

This section presents the study's findings, both descriptive and inferential, based on the analysis of data collected in relation to the study's objective. The findings are organized to reflect how each research objective was addressed, providing insights into the patterns, relationships, and trends observed among the study variables.

4.1 Response Rate

The response rate measures the proportion of participants who successfully returned completed questionnaires out of the total distributed. A satisfactory response rate enhances data representativeness and minimizes non-response bias, thereby strengthening the validity and reliability of the research findings. In this study, questionnaires were distributed to SME owners across the seven counties of Kenya's South Rift Region using both Drop-Off and Pick-Up (DOPU) and online methods to encourage participation and flexible responses.

Table 1: Response Rate

Description	Distributed Questionnaires	Responses Received	Response Rate (%)
Total	280	229	81.8

Of the 280 questionnaires distributed, 229 were completed and returned, yielding an 81.8% response rate. According to Mugenda and Mugenda (2019), a response rate above 70% is considered adequate for social science research, making this rate satisfactory for analysis. The high response rate was facilitated by the use of the Drop-Off and Pick-Up method, which allowed respondents ample time to complete the questionnaires at their convenience, and by follow-up reminders sent via digital platforms. This strong participation indicates a high level of engagement among SME owners in the South Rift Region and suggests that the collected data reliably represent the target population. Consequently, the

study findings can be generalized with confidence to the broader SME sector within the region.

4.2 Descriptive Statistics for Access to Credit

The study examined the extent to which SMEs in Kenya's South Rift Region accessed government-sponsored credit

facilities and the perceived effectiveness of related credit access strategies. Respondents were required to indicate their level of agreement with various statements on a five-point Likert scale, where 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), and 5 = Strongly Agree (SA). The descriptive statistics for each statement, including the mean and standard deviation, are presented in Table 2

Table 2: Descriptive Statistics for Credit Access Strategy

Statements	SD Freq. (%)	D Freq. (%)	N Freq. (%)	A Freq. (%)	SA Freq. (%)	Mean	SD
The SME has accessed government-sponsored credit facilities due to the removal of collateral requirements.	41 (17.9)	71 (31.0)	44 (19.2)	51 (22.3)	22 (9.6)	2.75	1.253
The SME has accessed government-sponsored credit facilities due to favorable loan repayment requirements.	37 (16.2)	80 (34.9)	47 (20.5)	46 (20.1)	19 (8.3)	2.69	1.198
The SME has accessed government-sponsored credit facilities due to favorable terms for business turnover.	34 (14.8)	72 (31.4)	50 (21.8)	52 (22.7)	21 (9.2)	2.8	1.209
The SME has accessed government-sponsored credit facilities through financial intermediaries.	30 (13.1)	77 (33.6)	51 (22.3)	54 (23.6)	17 (7.4)	2.79	1.161
The SME has accessed government credit facilities due to a favorable loan repayment period.	39 (17.0)	74 (32.3)	47 (20.5)	49 (21.4)	20 (8.7)	2.72	1.221
A PoA session on part of the required capital has enabled my SME to access government-sponsored credit facilities.	35 (15.3)	67 (29.3)	50 (21.8)	54 (23.6)	23 (10.0)	2.84	1.231
The revolving nature of government-sponsored credit facilities makes them accessible and sustainable.	36 (15.7)	78 (34.1)	48 (21.0)	49 (21.4)	18 (7.9)	2.72	1.19
The application process for government-sponsored credit facilities makes it easy for SMEs to access credit.	34 (14.8)	68 (29.7)	52 (22.7)	50 (21.8)	25 (10.9)	2.84	1.233
The government credit facility disbursement process is favorable to SMEs.	36 (15.7)	68 (29.7)	50 (21.8)	51 (22.3)	24 (10.5)	2.82	1.239
The disbursement timelines of government-sponsored credit facilities make it easy for SMEs to access credit.	34 (14.8)	78 (34.1)	50 (21.8)	47 (20.5)	20 (8.7)	2.74	1.193
Overall Mean and SD						2.77	1.213

The study examined the extent to which small and medium-sized enterprises (SMEs) in the South Rift Region of Kenya have benefited from government-sponsored credit facilities. Respondents were asked to indicate their level of agreement with several statements related to credit access strategies on a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The overall mean score for the construct was 2.77 with a standard deviation of 1.213, suggesting moderate agreement. This suggests that while SMEs are aware of government credit programs, their accessibility and effectiveness remain limited for many enterprises. The first statement aimed to determine whether SMEs had utilized government-sponsored credit facilities following the removal of collateral requirements. The mean score of 2.75 (SD = 1.253) indicates that most respondents disagreed, suggesting that collateral requirements remain a significant obstacle to credit access. This finding aligns with Mubachia (2023), who found that collateral security remains a significant barrier to credit access among SMEs in Nairobi. Similarly, Muriungi (2025) found that collateral demands hurt SME performance in Meru County, suggesting that government initiatives aimed at easing collateral requirements have not been sufficiently effective in enhancing accessibility.

The second statement examined whether favorable loan repayment requirements had improved access to credit. The mean score of 2.69 (SD = 1.198), the lowest in this category, indicates that most respondents perceived loan repayment terms as still unfavorable. This suggests that repayment schedules and interest obligations remain rigid and often misaligned with the cash flow realities of small enterprises. These findings corroborate those of Kirop (2023), who

observed that stringent repayment terms limited SMEs' borrowing capacity in Nairobi City County. Similarly, Amsi, Ngare, Imo, and Gachie (2017) found that unfavorable repayment conditions, exceptionally high interest rates, and short repayment periods had adverse effects on the financial performance of SMEs. Regarding the statement on favorable business turnover requirements, the mean was 2.80 (SD = 1.209), indicating that SMEs moderately disagreed that turnover requirements facilitated their access to credit. This suggests that turnover thresholds imposed by government lenders may exclude micro and early-stage enterprises that do not meet the required financial scale. A related study by Dau (2019) found that a firm's financial position significantly influenced its access to credit, implying that government credit schemes may inadvertently favor better-capitalized firms at the expense of smaller, less well-capitalized firms.

The study also assessed whether SMEs had accessed credit using financial intermediaries. The mean score of 2.79 (SD = 1.16) indicates a neutral to slight disagreement, suggesting that although intermediaries exist, their role in easing credit access is not widely perceived. Some respondents may perceive intermediaries as adding another bureaucratic layer. This resonates with Mayabi (2013), who observed that bureaucratic procedures and intermediary involvement often delayed credit disbursement to SMEs. The statement on the effect of favorable loan repayment periods yielded a mean of 2.72 (SD = 1.221), indicating that respondents found repayment periods to be relatively short and rigid. This supports the findings of Kirop (2023) and Amsi et al. (2017), who both reported that short repayment timelines constrained SMEs' capacity to invest in long-term, productive ventures.

For the statement on the possession of part of the required capital, enabling SMEs to access government credit facilities, a mean of 2.84 (SD = 1.23) was recorded. This implies that enterprises that can demonstrate partial financing or capital reserves have a relatively better chance of accessing government loans. The finding agrees with Dau (2019), who reported that SMEs with stronger capital positions were more attractive to lenders and hence enjoyed greater access to credit. The revolving nature of government-sponsored credit facilities was rated with a mean of 2.72 (SD = 1.190), showing that respondents were not convinced that revolving funds have enhanced sustainability in credit access. This could reflect challenges related to fund replenishment, administrative delays, or restrictive eligibility criteria. The observation echoes findings by Muriungi (2025), who noted that revolving credit schemes often face operational inefficiencies that limit their sustainability.

On the ease of the application process, the mean score was 2.84 (SD = 1.233), indicating that while some respondents found the process relatively manageable, a large proportion still experienced procedural difficulties. The perception of limited simplicity in accessing credit aligns with Mwikya (2012), who found that application processes for SME loans remained cumbersome, discouraging potential borrowers. The friendliness of the disbursement process was rated at a mean of 2.82 (SD = 1.239), indicating a modest agreement that the disbursement procedures are supportive. Nevertheless, many SMEs still perceive these processes as lengthy and unpredictable. Similarly, Mayabi (2013) reported that delays in loan disbursement and excessive documentation requirements hindered small enterprises' timely access to funds. Lastly, the disbursement timelines of government-sponsored credit facilities were rated at a mean of 2.74 (SD = 1.193), showing continued dissatisfaction with the speed of fund release. This may reflect bureaucratic approval structures or delayed fund allocation. Mwikya (2012), who identified prolonged timelines as a significant factor diminishing SMEs' confidence in government credit programs, reported comparable findings. Overall, the results suggest that while government initiatives to enhance credit access for SMEs exist, their practical impact remains moderate. Collateral requirements, repayment rigidity, turnover thresholds, and procedural inefficiencies still impede access. These findings collectively affirm that policy interventions need to move beyond design to focus on operational efficiency, transparency, and inclusivity, ensuring equitable financial access for SMEs across all levels of growth and capitalization.

4.3 Correlation Coefficient

Correlation analysis was conducted to assess the strength and direction of the relationship between government credit access strategies and SME performance in Kenya's South Rift Region. The Pearson correlation coefficient (r) was used to measure the linear association between variables. This analysis helps determine whether changes in government credit access strategies are associated with changes in SME performance, providing a foundation for further regression analysis.

Table 3: Correlation Matrix

Variables	Credit Access Strategy	SME Performance
Government Credit Access Strategy	1	0.512**
SME Performance	0.512**	1

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

The correlation analysis revealed a moderate positive relationship between government credit access strategy and SME performance, with a Pearson correlation coefficient of $r = 0.512$, which was statistically significant at the 0.01 level. This suggests that SMEs with better access to government credit facilities tend to report higher levels of performance. The positive correlation suggests that as the effectiveness of government credit programs increases—for example, through more favorable loan terms, reduced collateral requirements and timely disbursements—SMEs are more likely to benefit in terms of growth, profitability, and operational sustainability. While the correlation is moderate rather than strong, it highlights that credit access is an important but not the sole determinant of SME performance. Other factors, such as business advisory support, market linkages, and entrepreneurial orientation, may influence performance outcomes. These findings are consistent with previous studies in Kenya, which have shown that credit facilitation positively affects SME performance; however, constraints, such as bureaucratic processes and repayment conditions, can limit the full potential of these government interventions (Mubachia, 2023; Dau, 2019). Overall, the correlation highlights the importance of government credit access strategies in enhancing SME performance, while suggesting that complementary support mechanisms are necessary to maximize the impact of such interventions.

4.4 Model Summary

The simple linear regression model was estimated to examine the predictive relationship between government credit access strategy and SME performance. The results are presented in Table 4

Table 4: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.512	0.262	0.258	0.912

Note: Dependent Variable: SME Performance; Independent Variable: Government Credit Access Strategy

The Pearson correlation coefficient (R) of 0.512 indicates a moderate positive relationship between government credit access strategy and SME performance, consistent with the correlation analysis. The coefficient of determination ($R^2 = 0.262$) indicates that approximately 26.2% of the variation in SME performance can be attributed to changes in government credit access strategy. The adjusted R^2 of 0.258 accounts for the sample size and provides a slightly more conservative estimate of the explained variance. The standard error of the estimate (0.912) indicates the average distance that the observed SME performance values fall from the regression line. These results suggest that while the government credit access strategy has a meaningful impact on SME performance, other factors beyond credit facilitation account for the remaining 73.8% of the variation in SME

performance. This finding underscores the importance of complementary government interventions, such as business advisory services, training, and market-linkage support, in improving SME outcomes.

4.5 Analysis of Variance (ANOVA)

The Analysis of Variance (ANOVA) was conducted to determine whether the regression model significantly predicts SME performance based on government credit access strategy. The results are presented in Table 5.

Table 5: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.843	1	21.843	26.256	0.000**
Residual	61.597	227	0.271		
Total	83.44	228			

Note: Dependent Variable: SME Performance; Independent Variable: Government Credit Access Strategy
Significance level: $p < 0.01$

The ANOVA results indicate that the regression model is statistically significant ($F(1, 227) = 26.256, p < 0.01$), suggesting that the government credit access strategy significantly predicts SME performance in the South Rift Region. The regression sum of squares (21.843) represents the variation in SME performance explained by the independent variable, while the residual sum of squares (61.597) reflects the variation not explained by the model. The significant F-value confirms that the model provides a better fit than a model without predictors, validating the positive relationship observed in the correlation analysis.

4.6 Regression Coefficients

The regression coefficients were estimated to assess the influence of the government's credit access strategy on SME performance. The results are presented in Table 6.

Table 6: Regression Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients (β)	t	Sig.
	B	Std. Error		
Constant	1.482	0.184		8.054
Government Credit Access Strategy	0.298	0.058	0.298	5.138

Note: Dependent Variable: SME Performance; **Significance level: $p < 0.01$**

The regression results indicate that the government credit access strategy has a positive, statistically significant effect on SME performance ($B = 0.298, p < 0.01$). This means that for every one-unit increase in government credit access strategy, SME performance is expected to increase by 0.298 units, holding all other factors constant. The standardized coefficient ($\beta = 0.298$) indicates a moderate association between credit access and SME performance. The t-value ($t = 5.138$) demonstrates that this effect is statistically significant, reinforcing the findings from the correlation analysis ($r = 0.512$). These results highlight that improving government credit access mechanisms, such as loan terms, collateral

requirements, and disbursement efficiency, can positively influence SME performance. However, other complementary strategies are necessary to maximize overall enterprise growth. From a policy perspective, the results underscore the need for the government and relevant financial institutions to streamline credit facilitation mechanisms for SMEs. Policymakers should design tailored financial instruments that address the unique needs of SMEs, particularly regarding collateral requirements and repayment flexibility. Furthermore, there is a need to expand outreach and awareness of available government credit schemes to ensure equitable access across regions. Strengthening monitoring frameworks and partnerships with intermediary financial institutions can also enhance the efficiency and sustainability of credit delivery. By adopting such policy interventions, the government can foster a more inclusive financial ecosystem that stimulates SME growth and contributes to broader economic development.

5. Summary of Findings, Conclusions, and Recommendations

This section presents the summary of key findings, conclusions, and recommendations from the study on the effect of government credit access strategies on SME performance in Kenya's South Rift Region. It highlights the main results of the analysis, draws conclusions from the findings, and offers practical recommendations to policymakers and stakeholders to improve access to credit and enhance the performance of SMEs.

5.1 Summary of Findings

The study aimed to investigate the impact of the government's credit access strategy on the performance of small and medium-sized enterprises (SMEs) in the South Rift Region of Kenya. The findings from both descriptive and inferential analyses provided important insights into how government-sponsored credit initiatives influence SME growth and sustainability. The descriptive results revealed that most SMEs moderately agreed that government credit access strategies have improved their ability to obtain financing. The overall mean score of 2.77 ($SD = 1.213$) indicated that while credit access programs, such as reduced collateral requirements, favorable repayment terms, and simplified application procedures, have had a positive impact, challenges, including stringent eligibility conditions and delayed disbursements, still hinder the full utilization of these facilities. Respondents also acknowledged that initiatives such as the use of financial intermediaries and possession of part of the required capital enhanced access to credit. However, perceptions were mixed regarding the sustainability and friendliness of disbursement processes, suggesting that although the strategies are beneficial, and their implementation remains inconsistently applied across different SME categories.

Inferential analysis further supported the descriptive findings. The correlation analysis revealed a moderate, significant positive relationship between the government credit access strategy and SME performance ($r = 0.512, p < 0.01$), suggesting that improved access to government-sponsored credit is associated with better SME performance. The

regression results confirmed this relationship, showing that the government credit access strategy significantly predicts SME performance ($R^2 = 0.262$, $F(1, 227) = 26.256$, $p < 0.01$), accounting for approximately 26.2% of the variance in SME performance. The coefficient ($B = 0.298$, $p < 0.01$) indicated that a one-unit increase in credit access strategy is associated with a 0.298-unit increase in SME performance, holding other factors constant. Overall, the findings demonstrate that government credit access initiatives play a crucial role in enhancing the growth and operational outcomes of SMEs. However, their effectiveness can be strengthened through consistent implementation, improved credit disbursement mechanisms, and complementary interventions such as business training and advisory support to address the remaining unexplained variation in SME performance.

5.2 Conclusions

The study concluded that government credit access strategies have a significant and positive influence on the performance of small and medium-sized enterprises (SMEs) in Kenya's South Rift Region. Access to government-sponsored credit facilities characterized by flexible repayment terms, reduced collateral requirements, and supportive lending frameworks enhances SME growth, profitability, and sustainability. The findings imply that SMEs with improved access to such credit programs are better positioned to expand operations, increase productivity, and withstand financial challenges. However, the study also concludes that while government credit initiatives contribute substantially to SME performance, they are not sufficient on their own to guarantee success. Approximately 26.2% of the variation in SME performance was explained by credit access strategies, suggesting that other factors such as business training, market access, financial literacy, and managerial capacity also play significant roles. Therefore, a holistic policy and operational framework that integrates credit provision with capacity-building programs is essential for maximizing the impact of government interventions. In summary, the effective implementation of credit access policies, combined with continuous monitoring and SME support mechanisms, can significantly enhance the performance and competitiveness of small and medium-sized enterprises in the region and beyond.

5.3 Recommendations

Based on the findings and conclusions of the study titled "From Policy to Performance: The Effect of Government Credit Access Strategy on SME Performance in Kenya's South Rift Region," several recommendations were made to strengthen the relationship between government credit access initiatives and the performance of small and medium-sized enterprises. The study recommends that policymakers enhance accessibility and awareness of government-sponsored credit programs through targeted sensitization campaigns, digital platforms, and partnerships with county governments and business associations. This would bridge the information gap that prevents many SMEs from benefiting from available funding opportunities. Furthermore, the government, through agencies such as the Micro and Small Enterprises Authority (MSEA) and partnering financial intermediaries, should simplify credit application and disbursement procedures. Streamlining bureaucratic

processes and improving the efficiency of fund releases would ensure that SMEs receive financing promptly, enabling them to sustain operations and pursue growth opportunities effectively.

The study also recommends that the government develop credit facilities with flexible, SME-friendly terms to accommodate the diverse financial capacities of enterprises. This could include more extended repayment periods, lower interest rates, and relaxed collateral requirements, making the credit programs more inclusive and attractive to a broader range of entrepreneurs. Additionally, the government should integrate financial literacy and capacity-building initiatives alongside credit access programs. Equipping SME owners with financial management, bookkeeping, and digital skills would not only improve credit utilization but also reduce the risk of loan default and enhance business sustainability.

Another key recommendation is strengthening monitoring and evaluation mechanisms to assess the effectiveness of government credit programs. Establishing robust feedback systems and data-driven evaluations would allow policymakers to assess the actual impact of such programs on SME performance and make necessary adjustments to improve outcomes. Ultimately, the study highlights the importance of forming partnerships among the government, financial institutions, and the private sector to expand the reach and enhance the effectiveness of credit delivery. Such collaborations would enhance resource mobilization, accountability, and sustainability of SME financing initiatives. In summary, the study underscores that translating government credit access policies into tangible SME performance outcomes requires not only improved financial accessibility but also institutional efficiency, strong governance, and complementary capacity-building programs. Strengthening these linkages will ensure that the policy-to-performance framework effectively supports SME growth and contributes meaningfully to Kenya's broader economic development agenda.

References

- [1] Abubakar, A. M., Bala, K., & Ango, Y. I. (2023). Government credit policies and SME performance in emerging economies. *Journal of Small Business and Enterprise Development*, 30(4), 789–804.
- [2] African Development Bank. (2022). *African SMEs and access to finance: Trends and policy implications*. AfDB Publications.
- [3] Amsi, F., Ngare, P., Imo, P., & Gachie, M. (2017). *Effect of microfinance credit on SMEs financial performance in Kenya*. Journal of Emerging Trends in Economics and Management Sciences.
- [4] Bahati, S., & Aziakpono, M. (2025). FinTech developments and their heterogeneous effect on digital finance for SMEs and entrepreneurship: Evidence from 47 African countries. *Journal of Entrepreneurship in Emerging Economies*.
- [5] Byamukama, M., Komuhangi, L., Miganda, S., & Turyahebwa, A. (2024). Examination of access to credit and performance of small and medium enterprises in Bushenyi District, Uganda. *East African Journal of Business and Economics*.

- [6] Dau, J. K. (2019). *Determinants of access to finance by small and medium enterprises in Kajiado County*. Strathmore University.
- [7] Emerald Insight. (2019). Uptake of insurance-embedded credit in the presence of credit rationing: Evidence from a randomized controlled trial in Kenya. *African Review of Economics and Finance*, 11(2), 45–60.
- [8] Gathii, K. M., & Wanyoike, D. (2023). Credit accessibility and performance of small and medium enterprises in Meru County, Kenya. *International Journal of Business and Economics Research*, 12(3), 45–55.
- [9] IAR Consortium. (2024). Credit access and performance of micro and small enterprises in Nakuru County, Kenya. *IAR Journal of Business Management*.
- [10] International Monetary Fund. (2024). *Financing small enterprises for inclusive growth in developing economies*. IMF Working Paper Series.
- [11] Karanja, J. M., & Muathe, S. M. A. (2025). Access to credit and firm performance: Evidence from micro and small enterprises in Murang'a County, Kenya. *Journal of Business and Management Studies*, 13(3), 45–58.
- [12] Karanja, J. N., & Waweru, M. (2025). Credit determinants and SME performance in Murang'a County, Kenya. *Journal of Business and Management Studies*, 13(3), 22–33.
- [13] Kenya National Bureau of Statistics. (2024). *Micro, Small and Medium Enterprises (MSME) Economic Survey Report*. KNBS.
- [14] Kirop, J. J. (2023). *Bank lending requirements and credit accessibility by small and medium enterprises in Central Business District, Nairobi City County, Kenya*. Kenyatta University.
- [15] Mayabi, H. K. (2013). *Effect of access to credit on growth of small and micro enterprises in Kenya: Case of boutiques in the Nairobi Central Business District*. Kenyatta University.
- [16] MDPI. (2024). Asymmetric information and credit rationing in a model of search. *Games*, 16(1), 1–15. <https://doi.org/10.3390/g16010001>
- [17] Mubachia, G. M. (2023). Influence of lending policies on credit access among small and medium enterprises in Nairobi, Kenya. United States International University – Africa. Retrieved from <https://erepo.usiu.ac.ke/xmlui/bitstream/handle/11732/7760/Mubachia%20George%20Mwaniki%20MBA%202023.pdf?isAllowed=y&sequence=3>
- [18] Mugenda, O. M., & Mugenda, A. G. (2019). *Research methods: Quantitative and qualitative approaches*. Nairobi: Acts Press.
- [19] Munguti, J. M., & Wamugo, L. (2024). Microfinance credit accessibility and financial performance of small and medium enterprises in Machakos County, Kenya. *International Journal of Business and Economics*.
- [20] Muriungi, S. K. (2025). *Influence of collateral requirements on performance of SMEs business in Meru County, Kenya*. *International Journal of Accounting, Finance and Risk Management*.
- [21] Mutua, P. K., & Mwangi, L. (2023). Government credit access initiatives and financial performance of SMEs in Machakos County, Kenya. *International Journal of Business and Economic Research*, 11(2), 67–79.
- [22] Mwikya, T. M. (2012). *SMEs' perception towards loan services offered by commercial banks in Kenya: A case study of SMEs in Nairobi Central Business District*. Strathmore University.
- [23] Njagi, G. N., Jagongo, A. O., & Omagwa, J. (2020). Credit history and credit rationing among registered small and medium enterprises in Kiambu County, Kenya. *International Journal of Finance and Accounting*, 5(2), 34–45.
- [24] Nshimirimana, E., Githui, T., & Muhavani, A. (2025). Effect of credit financing on financial performance of small and medium enterprises in Nairobi Central Business District, Kenya. *Stratford Journal of Accounting and Finance*.
- [25] Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review*, 71(3), 393–410.
- [26] Su, X., & Zhang, L. (2017). A re-examination of credit rationing in the Stiglitz and Weiss model. *Journal of Money, Credit and Banking*, 49(5), 1059–1072.
- [27] World Bank. (2023). *Global financial development report: Financial inclusion for growth*. World Bank Publications.

Author Profile

Lucy Mbogori is an expert in agribusiness, specializing in market access for MSMEs, ensuring they have implemented barcoding systems for traceability. She works at Ain International Limited, a barcode issuance company, and is responsible for operations and sales. She advises management on short and long-term strategic decisions and market intricacies. Lucy is also a part-time tutor at Laikipia TVET Institute. She previously worked at the Cooperative Bank of Kenya, serving in various roles, including as a credit officer. She holds a Master's degree in Business Administration (Strategic Management) and a Bachelor's degree in Agribusiness Management. Lucy is interested in women-owned enterprises and has led anti-counterfeiting and labelling programs for MSME products, enhancing authenticity and trust. Lucy has published on Strategic Influence of Technological Innovations on Financial Performance of Commercial Banks in Nakuru Town, Kenya. A recognized thought leader, Lucy aims to contribute to academic journals and conferences on market access and sustainability in East Africa and beyond.