

**DETERMINANTS OF ACCESS TO CREDIT FOR MICRO AND SMALL
SCALE ENTERPRISES: IN CASE OF ROBE TOWN**



**Thesis Submitted to College of Business and economics, Department of
Accounting and Finance in Partial Fulfilment of the Requirements for the
Degree of Master of Science in Accounting and Finance**

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Advisor: Suyahili R. (PhD)

June, 2023

Bale Robe, Ethiopia

Madda Walabu University
Collage of Business and Economics
Department of Accounting and Finance

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Certification

I certify that I have read and assessed this thesis entitled as “Determinants of Access to Credit for Micro and Small Scale Enterprises: The case of Robe Town” and have been prepared with my guidance by ‘Adamu Gebisa. I believe that it would be fulfilling of the thesis requirement to submit this work.

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As a member of the board of examiners of the open defence examination, I certify that I have read and evaluated the research prepared by “Adamu Gebisa” and examined the candidate. I recommend that the thesis be accepted as fulfilling the requirements for the award of the Master of Science Degree in Accounting and Finance.

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List of acronyms

COC	Cost of Credit
GDP	Gross domestic product
IMF	International monetary fund
MFI	Micro finance institution
MSE	Micro and small Enterprises
UNDP	United nation development program

Abstract

This study aims to assess determinants of access to credit for Micro and Small Scale Enterprises: The case of Robe Town. To achieve the study objective both from Primary and secondary data were collected. Primary data were collected using questionnaire which was distributed to 335 samples from 2,009 total MSEs using probability sampling method and convenience sampling technique was apply. Explanatory research designs and also qualitative and quantitative research approach was used. To analyse the collected data the study was used descriptive statistics and infrential were used to determine the main determinants of access to credit of MSE. Firm (MSE) related factors (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy) are independent variables while access to credit is dependent variable for this study. Findings revealed that Awareness towards fundraising, financial literacy, collateral security, age of firms, cost of credit and credit policy are the most significant factors affecting the access to credit for MSES in the study area. As a result of this, the researcher suggests that the government should provide credit guarantee arrangements that would act as alternative to the lending institution in case MSEs fails to pay. Government through the ministry of finance should ensure that they allow concessional cost of credit and implement it. The MSEs should have systematic process of financial awareness targeting to obtain awareness. MSEs Operators should have basics knowledge on financial and business management skills. Additionally, they should create a framework of assisting MSEs register their businesses as well as aiding them in the event of changing their business from practice to another.

Key word: - *firm related factors, credit suppliers' characteristics, Micro and Small Enterprise, Access to credit, logistic regression, Robe Town.*

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

According to Srinivas (2015) Micro and small Enterprises (MSEs) are registered businesses with less than 250 employees that contribute heavily to employment and GDP. In both developing and developed nations, discussions on policy continue to center on the importance of Micro and Small Sized Enterprises (MSEs) to the development process. The benefits include encouraging entrepreneurship, increasing the likelihood that MSEs will use labor-intensive technologies and thereby immediately affect the creation of jobs, the fact that they can frequently be established quickly and put into operation to generate quick returns, and the possibility that they could become a countervailing force against the economic might of larger enterprises.

Many international and governmental agencies in the emerging economies now pay close attention to MSEs. Activating competition, taking advantage of niche markets, boosting productivity, and bringing technical change through the combination of all of these measures are considered to be important forces to generate employment and more equitable income distribution, and to stimulate local economic development. MSEs are always in the lead when it comes to generating revenue and jobs in communities where unemployment and poverty are rising, like the study region. As a result, the MSEs sub-sector is thought to be able to close the income creation and unemployment rate gap that exists between the rich and the poor in emerging countries. Moreover, prosperous small enterprises are the main (Ermias, 2016).

Many people contend that MicIt is frequently asserted that Micro and Small Enterprises (MSEs) play important roles in the generation of income and the creation of employment possibilities for a sizeable section of the population. Reviews of studies in various fields demonstrate that MSEs' contributions in this regard have long been acknowledged globally. For instance, they note that in developed economies, micro and small businesses (along with medium-sized businesses) account for more than 50% of GDP and 60% of employment. MSEs play a significant role in developing nations due to their capacity to

promote income distribution, create jobs, combat poverty, advance industrial and rural development, and increase exports (Samuel, 2019).

Due to their size, location, capital investment, and ability to create more jobs, MSEs have proven to have a strong propellant impact for rapid economic growth in successful developing countries. The MSE sector has also contributed to economic transition by making goods and services available to a large number of people, especially in rural areas, that are of adequate quality and are reasonably priced, as well as by making effective use of a large number of people's skills and talents without requiring highly specialized training, significant amounts of capital, or sophisticated technology. The Federal Democratic Republic of Ethiopia's government has acknowledged and given proper attention to the promotion and development of SMEs since they are crucial tools for addressing the issues of unemployment, economic growth, and equity in the nation. As a result, the government has created a National MSE Development and Promotion Strategy that outlines a methodical strategy to address the issues and encourage the expansion of SMEs (Addis, 2019).

Micro enterprises in the industrial sector (manufacturing, construction, mining) are enterprises with 5 employees or less, including the owner, or with total assets of 100,000 birr (approximately US\$5,000) or less. Similarly, for activities in the service sector (retail, transport, hotels, tourism, ICT, maintenance), a micro-enterprise can be operated by a maximum of 5 people, including the owner, and have total assets not exceeding his Birr 50,000 (approximately USD) \$2,500). SMEs in the industrial sector, on the other hand, refer to enterprises employing employees between the ages of 6 and 30 and/or having a paid-up capital or total assets of not more than 1.5 million birr. Similarly, SMEs in the service sector refer to companies with 6-30 employees and total assets or paid-up capital of Birr 500,000. According to Ethiopia's new SME Development Strategy (published in 2011), the actual definition used to classify private enterprises is based on capital and labor (Wesene, 2021).

1.2. Statement of the problem

Credit access has been one of the main short coming to MSEs sustainability. The major constrains that hinders the smooth access to credit facility from the lenders by the MSEs includes but not limited to lack of valuable collateral, high interest rate, lack of credit history, cash flows and turnovers Mutuku et al., (2019). Generally, MESs are believed to

be an engine, which run the economy; however, usually deprived of credit access because of their uncertain nature. It is considered to be the alarming threat, which existed for long time and requires immediate and appropriate attention from the non-government and governmental agencies both. The significance of SMEs in development of Ethiopia cannot be ignored. In the absence of appropriate credit facilities to the small businesses, whole economy will go through breakdown and will ultimately collapse (Munir, 2019).

The private sector plays catalyst role for the economic change by offering options of financing that allows entities for innovating and expanding. However, small firms in the Ethiopia face greater challenges in obtaining financing compared to the large entities. They are having more chance for being rejected for loans and is also having less chance for external financing (Prah, 2016).

The MSEs sector tends to suffer more because of they are viewed as a less attractive investment opportunity than many other enterprises because of the high levels of uncertainty and risk they are perceived to have. As a result of the MSEs often have a limited track record in raising investment and providing suitable returns to their investors, low internal controls and have small tangible assets to offer as collateral security; investors are fear of investing in SMEs as they are concerned about how their funds might be used and the return. The easiest thing for an investor is to decline any opportunity to investment SME (Ayyagors, et al, 2006)

There are many challenges MSEs face that prevent them from conducting their businesses effectively and efficiently. Getting financing is one of the crucial aspects that assist Small and Medium Enterprises (MES) in the process of their development and expansion. Despite of enormous significance of SMEs sector in the growth of national economy in respect of alleviation of poverty and creation of job, various SMEs in Ethiopia are not able to realize their full potential because of multiple factors that inhibit their performance and growth. The major factor that contributes to unimpressive performance and growth of SMEs is limited availability and accessibility of finance (Tadesse, 2014).

There are a number of previous researches were done on access to finance and credit of MSE. For example Kasahun (2019), Mutinda et al., (2019) and Wesene (2021). Out of Ethiopia for instance Kiplimo et,al (2015), Muluneh (2016), Fikadu Goshu Fufa (MBA, MSc) (2016), Thuku (2017) , Waweru (2017), Pham (2017), Buyinza , Mutenyo and Tibaingana (2018), Mutinda (2019), Mutuku, M`ithiria, and Ntale (2019), Moulick (2020),

Brixiová, Kangoye and Yogo (2020), Anis, Putra and Putri (2020), Merihun (2020), Mukete1, et, al. (2021), Asiedu, Ennin and Wei Shi1 (2022). A review of previous studies on access to credit of MSEs shows that access to credit has an important role to play in the development of MSEs. There are many challenges MSEs face that prevent them from conducting their businesses effectively and efficiently. Getting financing is one of the crucial aspects that assist MSEs in the process of their development and expansion. Despite of enormous significance the sector in the growth of national economy in respect of alleviation of poverty and creation of job, various MSEs in Ethiopia are not able to realize their full potential because of multiple factors that inhibit their performance and growth. The major factor that contributes to unimpressive performance and growth is limited availability and accessibility of credit Wesene (2021). In order to improve and help MSEs in Robe Town to their access to credit, this study will play important role in this study area. None of them are tried to access determinants of access to credit from the firm related determinants and supplier's related determinants those affect access to credit of MSEs. Thus, this study intends assess determinants of access to credit by Micro and small Enterprise by considering independent variable firm (MSE) related determinants (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy) and the dependent variable; access to credit by micro and small enterprises in the case of Robe Town.

1.3. Objectives if the study

1.3.1. General Objective

To examine determinants of access to credit for micro and small scale Enterprises: The case of Robe Town

1.3.2. Specific objectives

1. To investigate the effect of firm related determinants on access to credit by MSE in Robe Town
2. To examine effect credit suppliers related determinants on access to credit by MSE in Robe Town

1.4. Hypothesis of the study

To achieve the objective of the study, the researcher was set the following seven literature driven hypotheses those were tested in line with reviewing the theoretical and empirical support. The hypotheses were set using alternative hypotheses those were tested.

H1: There is no significant effect of form of the business on access to credit

H2: There is no significant effect of awareness to fundraising on access to credit

H3: There is no significant effect of financial literacy on access to credit

H4: There is no significant effect of collateral security on access to credit

H5: There is no significant effect of age of firms on access to credit

H6: There is no significant effect of cost of credit on access to credit

H7: There is no significant effect of credit policy on access to credit

1.5. Significance of the Study

The studies of MSEs at national or regional levels have general significances at broader geographical scale. As a result, the findings of the study will show the gaps and MSEs and financial institution and can be used for the practical measures to be taken to enable the beneficiaries further improve their income. The study contributes for the improvement of access to credit by the MSE firms. Also, the result of this study may provide constraints of access to credit by the MSE firms. Therefore, this study is expected to bridge research gaps by providing basic information mainly determinants of access to credit by MSE in the Town.

1.6. Scope of the Study

The study geographically delimit to Robe Town and thematically to assess determinants of Access to credit by Micro and Small Enterprise: In the Case of MSE in Robe Town. The study was utilize firm (MSE) characteristics (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy) and the dependent variable accesses to credit. The study was used descriptive and inferential research design with qualitative and quantitative research approach along with empirical analysis. The study was used both Primary and secondary data with purposive and simple random sampling methods. To

analyse the collected data the Descriptive statistics such as mean, percentages, frequencies, standard deviations and binary logistic regression to determine access to credit by MSEs was used. Finally to the study was conducted 2023 in Robe Town.

1.7. Limitations of the Study

The result of this study is believed to be very important. However, in conducting this study, there were some limitations. Some respondents were not willing to respond and the enterprises are very dispersed which makes the study difficult to distribute and collect the questionnaires on the planned periods. The strategies adopted to tackle such constraints were used manpower to collect data and to consider all micro and small scale Enterprises: The case of Robe Town. In addition to this communicate micro and small owners in a polite way to get the data needed.

1.7. Organization of the Study

This study is organized into five chapters to investigate major determinants of Access to Credit for Micro and Small Scale Enterprises the case of Robe Town. Chapter one discusses about introduction of the study that consist background of the study, statement of the problem; objective of the study, hypotheses of the study, significance of the study, scope and limitation of the study. Chapter two presents the reviews of literature about determinants of access to Credit including theoretical, empirical and conceptual literature. Chapter three deals related research methodology which describes about the research design, sampling design, sources of data, data collection methods, method of data analysis, ethical consideration and gender consideration. The fourth chapter outlines data presentation, analysis, and interpretations; and finally, the fifth chapter deals with the summary, conclusion, and suggested recommendations.

Chapter Two

2. Review of Related Literature

2.1. General overview of MSEs

The MSE sector everywhere is characterized by highly diversified activities which can create employment opportunities for a substantial segment of the population. This implies that the sector is a quick remedy for unemployment and poverty problem. Direct intervention and support from governments and other actors are needed to curb unemployment and achieve an adequate standard of living by promoting an environment for new job seekers and the self-employed. In most fast-developing countries, SMEs have proven to be powerful drivers of rapid economic growth due to their size, location, capital investment and ability to create more jobs. The field is also seen as a means of bringing about economic transformation through the effective use of people's skills and talents without the need for advanced education, large amounts of money or high technology. Moreover, they create job opportunities for a substantial segment of the population. Hence, since the sector is a quick remedy for unemployment problem, direct intervention and support of the government is crucial to facilitate the environment for new job seekers and ease self-employment (Enelefew, 2018).

2.2. Role of MSEs

SMEs are important for both the economic and social development of developing countries (Kira, 2013). From the economic perspective, it has been noted to be one of the major areas of concern to accelerate the rate of growth in low-income countries. According to Mwangi, 2011, SMEs is recognized as the engines through which the growth objectives of developing countries can be achieved.

Furthermore, they are potential sources of employment and income in many developing countries and they seem to have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies. Besides, due to flexible nature of SMEs they are able to withstand adverse economic conditions (Maziku, 2012). Moreover, SMEs are more labour-intensive than larger firms and therefore have lower capital costs associated with job creation (Makoni, 2014). As well, they perform useful roles in ensuring income stability, growth and employment and since SMEs are labour-intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to a more even distribution of economic activity in a region and can help to slow the flow of migration to large cities. Furthermore, it is argued that small production units, through their geographical dispersion and labor concentration, can promote a more equitable income distribution and improve domestic market efficiency than large firms. Nevertheless, they make productive use of scarce resources, thereby enabling long-term economic growth (Turyahebwa, 2013).

SMEs contribute to the nation's national production by producing valuable goods or providing services to both consumers and other businesses. This encompasses the provision of products and, to a lesser extent, services to foreign clients, thereby contributing to overall export performance. From an economic perspective, however, enterprises are not just suppliers, but also consumers; this plays an important role if they are able to position themselves in a market with purchasing power: their demand for industrial or consumer goods will stimulate the activity of their suppliers, just as their own activity is stimulated by the demands of their clients.

2.3. Theoretical Framework

The following are some examples of modern financial management theories formulated on principles considered as 'a set of fundamental tenets that form the basis for financial theory and decision-making in finance.

2.3.1. Agency Theory

Agency theory deals with the owner of the business and everyone involved in the business, including managers, banks, creditors, family members and employees. Agency theory posits that the day-to-day management of a company is carried out by managers acting as agents hired by the company's owner principals (also known as shareholders). This theory

is based on the principle of "two-way trading", in which every financial transaction involves her two parties, each acting in their own best interests but with different expectations.

Researchers of SME financial management consider the risks faced by the agency theory, and believe that since many SMEs are both owners and managers, it is possible that there is no agency relationship between the owner and the manager. claims to be. And for most SMEs, the usual solutions to agency problems, such as oversight and maintenance, are costly, increasing transaction costs between various stakeholders. Nonetheless, this theory provides useful knowledge about many topics related to SME financial management and has important implications for how.

Jenson and Meckling (1976) explain the principal-agent relationship between equity holders and debt holders. In a principal-agent framework, the business is the agent and the finance provider is the principal.

This theory asserts that principals have higher agency costs because equity controlled firms have a tendency to invest sub optimally to expropriate wealth from debt holders that in turn results in incremental risk for the principal. That is, business owners invest on high risk projects that the cost of debt should have been higher to share on the marginal return on investment.

2.3.2. Signalling Theory

Signaling theory relies on transferring and interpreting pre-existing information about firms to the capital markets and incorporating the resulting perceptions into the terms on which firms raise capital. In other words, the flow of money between firms and capital markets depends on the flow of information between them. New findings regarding the relevance of signal theory to SME financial management are mixed. Until recently, there has been no substantive, credible empirical evidence to show that signal theory accurately reflects the financial management situation of particular small businesses, or that it adds insights not provided by modern theories (Emery et al, 1991).

2.3.3. Growth Cycle Theory

Berger and Udell (1998) initiated the Growth Cycle Theory of small business financing. This theory illustrates the dynamic financial needs, as the small business becomes more

experienced and enhanced informational transparency. In this theory, the firm gets better access to venture capital as a source of equity and midterm-loans as a source of debt yet, as the firm gets older and information-wise transparent it tends to have better access to public equity and long-term financing. Gregory, Rutherford, Oswald and Gardiner (2005) found that only firm size, as measured by total employees, could significantly determine the decision of whether to use insider financing instead of going for public equity or long-term financing

2.3.4. The Pecking-Order Theory

This is another financial theory to consider in small business financial management. This is a financial theory that management prefers to finance first from internal reserves, then from borrowings, then from hybrid funding such as convertible bonds, and finally from externally issued equity. Here, bankruptcy costs, agency costs, and information asymmetries have little to do with their impact on capital structure policy.

A research study conducted by Norton (1991) found that 75% of SMEs surveyed appear to make financial structure decisions within a hierarchical or hierarchical framework. Holmes et al. (1991) acknowledged that POF is compatible with the SME sector because it is owner-driven and does not want to dilute ownership. Owner-owned businesses typically prefer retained earnings because they want to maintain control of their assets and operations.

This is not surprising given empirical evidence that about 86% of SME loans in Ghana consist of own funds and loans from family and friends. Losing that money equals losing your reputation, which is usually taken very seriously in Ghana. The 1971 Bolton Small Business Report outlined the problems underlying the concept of the "funding gap" (which has two components: the knowledge gap – about the appropriate sources of funding, the pros and cons of raising funds). due to lack of knowledge of the limited liability and the supply gap – if not available). (i.e. SME funding or borrowing costs exceed those of large firms), that: The challenges facing small businesses are numerous. Small businesses are more tax sensitive, have higher loan appraisal costs, generally have less information about funding sources, and are less able to meet loan requirements. SMEs suffer from chronic capital shortages due to limited access to capital and money markets. As a result; they are likely to overuse expensive resources that slow economic development.

2.3.5. Entrepreneurship theory

Entrepreneurship theory (Shane, 2003) states that the ability to identify and seize entrepreneurial opportunities varies from person to person and depends on the individual's risk-taking attitude. For example, risk-averse people are less likely to take advantage of entrepreneurial opportunities (Shane, 2003). Therefore, those who are reluctant to take risks may not seek or discover entrepreneurial opportunities. Similarly, someone may have an innovative business or service idea and are more likely to access microfinance, but fear of risk may prevent them from taking advantage of the opportunity.

2.3.6. Leverage

This is a term used to describe the reciprocal of leverage, which indicates the percentage of total assets covered by equity capital, and is called the equity-to-assets ratio. The leverage studies considered in this section focus on the ratio of total debt to equity or total assets. However, there is some research on the relative proportions of different types of debt held by SMEs and large firms.

2.3.7. The theoretical model of equilibrium

The theoretical model of the credit rationing equilibrium Stiglitz and Weiss, (1981). The model is based on imperfect credit markets characterized by information asymmetry, which makes it too costly for banks to obtain accurate information on the borrowers and to monitor the actions of the borrowers. The model assumes the existence of many banks that seek to maximize their profits through their choice of interest and collateral (thereby reducing the probability of default on their loans) and many potential borrowers who seek to maximize their profits through the choice of projects. The probability of success of the projects is unknown to the bank but known to the firms due to information asymmetry.

2.3.8. Equity Funds

Shares are also known as equity, net worth, and net worth. Cost et al. (1990) point out that "large firms will be more likely to be debt-financed than smaller firms." This means that large companies are relatively less dependent on equity financing than smaller companies. Under the pecking framework, SMEs face two problems with equity financing (McMahon et al., (1993)). Small businesses typically have no way of listing additional shares to the

public. Owner-managers strongly dislike diluting their ownership and control. This is what distinguishes them from the managers of large corporations. The owners of large companies typically have limited, if any, control and ownership, so they are more willing to accept a wider range of financing options. Modern financial management is not the ultimate answer to every whim and whim.

2.4. Access to Credit

Refers to situations in which a company or individual can obtain a line of credit from a lender. Sources of funding provided by financial institutions that agree to repay at an agreed rate include issuing stocks or bonds to create long-term debt, or issuing commercial paper to raise short-term debt. will be A company's access to credit is a key factor for private sector growth, especially small businesses that often lack sufficient capital for growth and expansion. (Mutinda, 2019).

2.5. Determinants of access to credit

Financing of MSEs' viable projects have an important implication on sustainability and growth of the MSEs but the factors influencing the access to debt financing to firms are many and complex. For the purpose of this study, the researcher adopted the following determinants and is conceptualized as below.

2.5.1. Collateral Security

Collateral refers to an asset that a borrower uses to secure a loan from the lender. A lender gets a fall back in case of default where they can dispose the asset to recover their money. Secured loans are seen to have a low risk of default hence they are charged a lower interest. Most MSEs' do not have tangible assets that they can use to secure their loans hence their borrowing is limited (Wesene, 2021).

The concern of focusing on security availability as a fundamental component of lending is based on the financial system's historical growth and tradition. Banks have traditionally taken a risk-averse method to small firms when analysing loan repayment prospects, due to an inability to focus on the venture's income- generating potential. Credit limits might occur when there is an increase in bank loan collateral. As a result, low-interest borrowers

(including MSEs) may be left off the list of potential customers, and banks may opt to disregard them (Asiedu et.al. ,2022).

2.5.2. Financial Literacy

Financial literacy refers to the ability of an individual to understand how money works-how it's earned, managed and invested. It is very important for any business entrepreneur to have knowledge on how to manage the business so that they can oversee its growth. A literate entrepreneur understands on the best time to make certain investment decisions such as when to borrow and from whom to borrow and at what cost (Wesene, 2021).

2.5.3. Cost of Credit

The cost of credit accessibility refers to the amount of money the entrepreneurs pay in process of borrowing money from financial institutions. The key indicators of cost in this respect are processing fees, negotiation fees, interest rates, personal insurance, legal fees and travelling expenses that the entrepreneurs meet in the process of acquiring credit. Financial institutions have often been criticized for having high interest rates charged on loans. But sometimes, there are factors beyond their control. For example, the amount of interest payable on loans depend on interest rates charged, which is driven by the base lending rate of interest set by the Central Bank of Kenya (CBK). The amount of interest rate charged is sometimes, intertwined with the security of the loan, and the use for which it is to be used, or the nature of the business. That is, the more secure loans are charged low interest rates due to, their low risks involved. This leads MSEs to the Micro Finance Institutions (MFIs), who lend unsustainable interests short term loans. Cost of credit is influenced by a number of factors in a given economy among them the supply and demand forces (for credit), inflation, the government (T-Bill rates) and the types of loans(certain sectors are considered risky). It is a universally accepted principle that interest rates play a major role in the performance of an economy. Higher interest and therefore high cost of credit result in reduced borrowing and hence reduced spending by both households and businesses. Conversely, lower interest rates normally lead to increased spending. This has a net effect on the performance of enterprises including small and medium enterprises in any given economy (Mutinda, 2019).

2.5.4. Awareness of funding opportunities

The flow of information in the financial market is crucial for both MSEs and financial providers. In order for MSEs to identify potential supplier of financial services, they require enough information. The financial institutions require information to enable them to evaluate the potential risks associated with the MSEs that apply for bank financing and also to access the location where the same MSEs will be operating and its market segments. Information is concerned with awareness of funding opportunities by MSEs. The lack of timely, accurate, high-quality, quantitative and complete information on applicants' ability to repay loans and access financial instruments of banking institutions operating in the economic sector is a major threat to current African markets. Indicates that the failure is due to: Number of current agricultural credit problems. These issues are related to the incompleteness of information in the presence of risk (Mulatu, 2019).

2.5.5. Age of Firm

Another important factor in obtaining bank loans is the age of the company, as the sources of funds for the company change over time. For example, a business may start as a family business and use internal sources of funding such as personal savings or family funds. May then grow to receive funding from suppliers (Gamage, 2013).

Firm age was found to play a role in firms' access to credit. More specifically, firms that are older were found to have more access to credit. These results were not unexpected because older firms have the network capital generated overtime and also credit history that can be used by lenders to assess their credit worthiness. In contrast, younger firms may lack the necessary connections on the providers of finance and also the historical performance of the firm may be lacking. Younger enterprises (those established less than four years), are more reliant on informal financing and far less on bank financing (Enelefew, 2018)

The firm level characteristics age did not have significant effect on access to credit from formal financial institutions. Age of the MSE was hypothesized to have an effect on access to credit from formal financial institutions with older MSEs thought to have more access to finance than younger ones. This implies that contrary to other studies that indicate that older MSEs have better access to finance from formal financial institutions, operating period or age of the enterprise does not create a difference with respect to access to credit from formal financial institutions (Enelefew, 2018).

2.5.6. Form of business MSEs engaged

The firm level characteristics sector also did not have a significant effect on MSEs access to credit from formal financial institutions. It was hypothesized that MSEs in the manufacturing sector would have better access to credit from formal financial institutions than other sectors. Yet, although there is a positive relationship between sector and access to credit it is not significant. This implies that financial institutions do not discriminate between sectors when giving loans. Besides, since the overall percentage of MSEs with fixed asset is low, the presence of tangible assets which is more often associated with the manufacturing sector is not in the sample MSEs surveyed and therefore does not contribute to better access to credit of the manufacturing sector (Enelefew, 2018).

2.5.7. Credit Policy of Financial Institutions

All financial institutions have their own credit policy. This credit policy states the requirements and procedures of granting credit to borrowers. It is prepared under the general guideline of central banks of each country. It can be strict or easy based on the perceived risk of the financial institutions. When the credit policy is strict and involves so many procedures, borrowers are discouraged to request credit (Deresse and Zerihun,2017).

2.6. Empirical studies

Kiplimo et.al. (2015) was done the study on Determinants of Access to Credit Financial Services by Smallholder Farmers in Kenya. Access to credit is argued to be a driver of sustainable rural development and a necessary factor for household food security and poverty reduction. The purpose of this study was to identify the main factors affecting smallholder farmers' access to credit financial services in Kenya. Logistic regression results show that the marginal effects of education level, occupation, and access to counseling services were statistically significant and had a positive effect on access to credit financial services. However, household annual gross income and distance to credit sources were statistically significant and negatively affected access to credit financial services. Overall, the document concludes in the sense that the establishment of a Credit and Financing Authority will have a close impact on farmers in terms of reducing lending procedures and risks, and educating farmers on the perception of loan repayment. In addition, governments should strengthen the implementation of credit registration services in the form of physical loans to reduce the fungibility of consumer spending. Ultimately, to

achieve food security, better economic outcomes and poverty reduction, we need to put in place policy mechanisms that enable smallholder farmers to have equitable access to credit.

Muluneh (2016) was done the study on An Assessment of Factors Affecting Access to Finance for Micro and Small Enterprises in the Case of Hossana Town. The general objective of the study was to find out the factors affecting access to finance of MSEs in the study area. The research design was cross sectional survey which included a structured and unstructured questionnaire. Moreover, the questionnaire was distributed to MSEs Managers to be filled by them accordingly. From the total population of 169 MSEs, 117 of them were selected by using random sampling technique. The access to finance was measured in two items (access firms and none access firms to loan). These variables were described by using descriptive statistics such as mean, standard deviation, frequency distribution, tables, pie chart, chi-square test and t-test. However, lack of access to finance is one among the other obstacles of MSEs to grow and expand. In accordance with this study results, those MSEs which were preparing financial statements and business plan have access to finance from micro financial institutions. Availability of collateral is major problems for MSEs to has access to finance. The other basic finding of this study is MSEs were extremely faced challenges in accessing finance from the study, it is investigated that many MSEs have obtained their capital from microfinance, families, personal savings, and from Equib. This indicates that access to finance from bank is very difficult for MSEs due to lack of collaterals. Moreover, long time of loan process and bureaucracy; requirement of large amount of advance saving; short term loan repayment period; high collateral; high interest rate; absence of interest free loan providing institutions have been hindering MSEs from access to finance. Therefore, based on the finding the researcher recommended that MSEs have to prepare financial statement and business plan to get loans. Furthermore, MFI have to improve long time for loan process and other bureaucracies.

Fikadu (2016) determinants of access to credit and credit source choice by micro small and medium enterprises in Nekemte Ethiopia. Now days, in almost all economies of the world, Micro and small enterprises (SMEs) are recognized as engines of growth by their main contributions to national income, poverty reduction, export promotion and contribute to employment in developing countries and become the second largest employment generating sector for the poor households following the agriculture sector. The main objective of the study is to assess determinants of access to credit and credit source choice by SME entrepreneurs in the study area. Data was collected by using structured

questionnaire from 173 entrepreneurs and the analyses of binary logistic regression and multinomial logit model is conducted by STATA version 10. The study shows that the major source of finance for SME is own source finance. The results of binary logistic regression reveals that there is statistically significant relationship between firms' access to credit and firm size, firms owing of business plan, firm location, risk taking propensity of the firm head, firm age, and prevalence of corruption problem. Also, the result of multinomial logit model shows that firm size, access to work premises, firm location, access to business information, firm age, firm capital and prevalence of corruption in loan processing have statistical significant relationship with credit source choice decision by MSE entrepreneurs. The study result reveals that firm size, firm age, corruption problem and firm locations are statistically significantly determine both access to credit and credit source choice of the SME entrepreneurs in the study area. Based on the finding of this study, it is recommends that government should formulate policies that will make sources of financing such as commercial banks, micro finance institutions and other sources to relax their credit regulations and operations which encourage borrowing and offer more credit facilities for firms especially which are found at micro and small sized level. Also, the government should establish stringent rule that curbs the corruption problem that prevail in accessing credit sources. Moreover, the government through its SME support institution has to facilitate the construction and arrangement of favourable business location for SME entrepreneurs in the study area.

Thuku (2017) was done the factors affecting access to credit by small and medium enterprises in kenya: a case study of agriculture sector in Nyeri county. The purpose of the study was to access factors affecting access to credit by Small and Medium Enterprises (SMEs) from financial institutions in Kenya, a case study of Nyeri County. The research was guided by the following objectives: to determine the influence of firm's characteristics on SMEs access to credit in Nyeri County, Kenya, to determine entrepreneur's characteristics on SMEs access to credit in Nyeri County, Kenya, to establish the influence of financial characteristics on SMEs access to credit in Nyeri County, Kenya. A descriptive research design was employed to gather quantifiable information through use of open and close-ended questions. The target population was 200 SMEs in agriculture sector that have been in operation for more than 3 years. Stratified random sampling was used to select a sample size of 67. Data was analyzed using descriptive statistics and Statistical Package of Social Sciences (SPSS). Data obtained was coded according to different variables and

descriptive statistics such as frequencies, mode, mean percentiles, variances and standard deviations was used to interpret. Tables, figures and charts were used for analysis and interpretation of data. Pearson correlation and regression analysis was done to determine the influence of independent variables on the dependent variable.

The findings on firm characteristics and access to credit revealed that majority of the respondents agreed that size of a firm and location affects access to finance and older firm (more than 3 years) have more experiences of applying for loans than younger firms below 3 years. Credit does not enable SMEs to meet their expansion plan. The findings on financial characteristics and access to credit revealed that respondents agreed that they have adequate book keeping records hence easy access to credit and audited financial statements and lack of collateral affects access to finance. Financial institutions are more reluctant to provide long term finance to MSE's and credit does not have a positive effect on business performance and growth. The findings on entrepreneur characteristics and access to credit revealed that banks prefer women to men when issuing credit. Use of networking does not influences access, groups/chama to finance use of political ties and level of education / training does not influence access to finance.

Waweru (2017) determinants of choice of alternative financing modes for MSE's, a review of literature. The aim of this paper is to ascertain varying literature on determinants of choice of alternative financing modes for Small and Medium-size Enterprises (SME's) with a view of enhancing the scope and access of alternative sources of finance for SME's, owing to their unique financial needs. Increased momentum of economic growth strains formal finance, necessitating a search for alternative finance to sustain or accelerate the positive trends. Although there are quite a number of alternative sources of finance, information is lacking scanty on some alternatives while on others, it is lacking. Consequential therefrom, SME's fail to pursue available modes of alternative sources of finance. This review therefore, uses available literature and solely focusses on the diverse determinants of choice of alternative financing modes and makes policy recommendations. This paper underscores the nexus between financial services and economic growth. That finance in SME's determines SME's mortality rate, recent rapid economic developments necessitate study of alternative finance. We establish scarce mention of determinants of choice of alternative financing modes. Emergent though that some determinant of choice of alternative sources of finance include formal finance constraints, SME characteristics and business environment.

Pham (2017) *determinants of New Small and Medium Enterprises (SMEs) Access to Bank Credit: Case Study in the Phu Tho Province, Vietn.* Small and medium-sized enterprises (SMEs) play a very important role in the Vietnamese economy. Specifically, new SMEs are seen as a suitable solution to cope with development issues such as poverty and a high unemployment rate. In Vietnam, a high SME failure rate is due to lack of capital and poor managerial experience of owners. Most existing research on SMEs focuses on well-established stages, and less attention is paid to new SMEs. This paper investigates the determinants of credit access by SMEs existing for less than forty-two months in the Phu Tho province located in Northern Vietnam. The quantitative data were collected from 259 SMEs in 2015. The regression analysis reveals that a business plan, the firm size, and networking (emotional trust, knowledge trust, and approachability) are the main drivers of access to bank loans by new SMEs. About 64% (165 observations) of new SMEs in our sample did not get any bank loan caused by high collateral requirements, unfavorable interest rate, poor business plans, limited networking, and lack of the government support. The results also indicate that, among the selected explanatory variables, having a concrete business plan significantly affects the bank loan ratio (total bank loans over total capital). Based on these results, we derived political implications.

Buyinza , Mutenyo and Tibaingana (2018) *factors Affecting Access to Formal Credit by Micro and Small Enterprises in Uganda.* This article investigates the factors affecting access to formal credit by micro and small enterprises in Uganda using the Gender Enterprise Survey that was funded by the IDRC. The study employed a probit model. The findings show that firm sales, owner's education level, belonging to a business association, belonging to business group, use of internet, owning a personal and business bank account, and gender of the owner are positively associated with access to formal credit. We also find that experienced firms are less likely to apply for credit hence reduces the probability to receive formal bank credit. Our results provide insights on the existing gaps in designing supportive policies for micro and small enterprise to enable them increase their access to credit especially from the formal financial institutions.

Kasahun (2019) was done the study on *Determinants of Access to Finance for Micro and Small Scale Enterprises in Nekemte Town.* The objective of the study is to assess the determinants of access to finance by MSEs in Nekemte town using explanatory research design on the population of 22,959 MSE firms of which 195 MSEs are computed as sample size. Simple random sampling technique is used to select the MSE firm operating

in agriculture, construction, manufacturing, services and trade sectors. Within the selected MSEs, operators with close information about MSE financing are selected for data collection using structured questionnaires and analyzed by SPSS 20 versions. The Binary logistic regression revealed operators' education, MSE stage of growth, record keeping, awareness of potential lenders and source of startup capital are significant determinants of access to finance. In conclusion, the findings revealed determinants of access to finance are observed from operators', MSE firm, management performance and financing institution related factors that need the collaborative effect of various stakeholders. The study recommends the provision of awareness, training, business planning and experience sharing for MSE owners by service providers and microfinance institutions are advised to be flexible in their loan terms, loan procedures and loan size for MSE firms.

Mutinda, et al (2019) financial factors affecting access to credit among small and medium enterprises in Machakos town sub-county, Kenya. Small and medium enterprises (SME's) play a critical role in an economy. The objective of the study was to establish financial factors that affect access to credit among SMEs in Machakos town sub-county. Specifically, the study sought to find out the influence of collateral requirements, the effect of cost of credit on access to credit and the effect of financial information asymmetry among SME's on access to credit in Machakos Town Sub-county, Kenya. It also sought to establish the effect of business risk on access to credit among SMEs in Machakos Town SubCounty. The study was guided by relevant theories i.e. Credit rationing theory, Information asymmetry theory, pecking order theory and trade-off theory. The study employed descriptive study design. Stratified sampling technique was applied. Data was gathered using questionnaires with the help of a research assistant. The questionnaires were administered using the drop and pick method. The data was analysed by use of SPSS. The study found out that cost of credit such as process and insurance fees are key determinants to access to credit among small and medium enterprises in Kenya. The study also found out that business risk affects access to credit thus financial institutions would not want to finance such businesses with high risks. The study found out that it is difficult to avail all financial information required about the businesses in order to access to credit. The study concluded that the cost of credit is a key determinant to access to credit while business risk makes Kenya financial institutions shy away from lending to small and medium enterprises in Kenya. The study also concluded that financial information asymmetry between lenders

and borrowers of credit affects access to credit by access to credit small and medium enterprises in Kenya.

Mutuku, Mithiria, and Ntale (2019) determinants of credit accessibility of small and medium enterprises in Nairobi County, Nairobi Central Ward. Small and medium enterprises are significant in economic development through micro businesses that are established, run and managed through credit facilities. The study focused on determinants of credit accessibility by SMEs in Nairobi Central Ward in Nairobi County, Kenya. The specific objectives were influence of firm characteristics and collateral aspects on credit accessibility by SMEs in Nairobi Central Ward. The study used descriptive survey research design and a questionnaire was used for data collections. The methods for analysis were; descriptive, diagnostic tests, correlation and regression analyses. Findings showed that firm characteristics and collateral aspects had significant relationship with credit accessibility. The study concluded that firm characteristics such as operational period and annual turnover were also aspects used to determine credit processing. It was concluded that collateral aspects such as personal guarantors were mostly preferred by financing institutions and high collaterals was concluded to hamper access of credit. The study recommended that all entrepreneurs should acquire relevant education and skills that could assist them in running their respective businesses as well as register with social network so as to promote easy access of credit. In addition, the study suggested that financing institutions should have flexible requirements for credit application rather than demand for collaterals such as title deeds which many SMEs may not have.

Moulick (2020) determinants predicting credit accessibility of SME: Evidence from Bangladesh. Small and medium enterprises (SMEs) play a vibrant role in socio economic development of a country by sustaining economic growth, employment creation and poverty reduction. But accessibility to bank credit is a key challenge faced by the SME firms. The main objective of the study is to examine the determinants of SME financing in Bangladesh. By analysis of 350 SME survey data and 50 credit officer, internal capital, collateral, financial statement and profitability are the determinants of SME financing. The data used in the study was at a single point in time. Due to the absence of central database, the work of data collection was very difficult.

Brixiová, Kangoye and Yogo (2020) were done the study on Access to Finance among Small and Medium-Sized Enterprises and Job Creation in Africa. In the past decade

inclusive growth, that is job-rich growth, has topped the policy agenda in developing countries. This paper investigates how the access to finance affects employment in small and medium-sized enterprises (SMEs) in Sub-Saharan Africa. It first presents a model where firm creation requires entrepreneurial search and paying the start-up costs, while the firm's size in terms of employment depends on the access to credit. Under the financial market imperfections, access to credit can be a binding constraint on firm entry and employment even when the banks have sufficient liquidity. Using an impact evaluation based approach on firm-level data from 42 African countries, we show that SMEs with access to formal financing create more jobs than firms without access, with employment in firms having access to more affordable and larger loans growing the fastest. The impact of access to finance is stronger for firms in manufacturing than in services, pointing to sectorial targeting of finance as a possible policy supporting industrialization.

Anis1, Putra and Putri (2020) determinant of SMEs Credit in Indonesia: Intern vs Extern Factor. This study explored the determinant of SMEs Credit in Indonesia from 2010-2018 using the Error Correction Model. Error Correction Model aims to identify long-term and short-term relationships that occur due to integration between research variables. The object of research is total SMEs Credit based on type of use. Based on the Error Correction Model analysis conducted, it can be concluded that CAR has a significant negative effect on total SMEs Credit, Inflation, LDR, BI Rate, ROA has no significant effect on total SMEs Credit, and NPL has a significant positive effect. Judging from the findings obtained in this paper, it is known that the variables originating from internal factors have more influence on the total SME loans disbursed than those from external factors.

Merihun (2020) Factors Affecting Micro and Small Enterprises in Accessing Credit Facilities: A Study in Gesuba Town, Wolaita Zone, Southern Nation Nationalities Peoples Regional State, Ethiopia. In developing countries, micro and small enterprises (MSEs) have a vibrant role and serve as engines through which the growth objectives of developing countries can be achieved. The MSE sector has been instrumental in bringing about economic transition by providing goods and services, which are of adequate quality and are reasonably priced, to a large number of people, and by effectively using the skills and talents of a large number of people without requiring high level training, large sums of capital or complicated technology. However access to finance remains to be a major problem hampering MSEs from playing their productive role in the economy. In developing countries, micro and small enterprises (MSEs) have a vibrant role and serve as

engines through which the growth objectives of developing countries can be achieved. Interviews and semi structured questionnaire have been used as a tool to gather the information. Binary logistic regression and descriptive analysis were used to identify major factors affecting access to credit from formal financial institutions and test the hypotheses. The result of the study revealed that age of operator, educational level, and possession of fixed asset, employment size, lending procedure and loan repayment period are significant factors that affect MSEs' access to credit. MSEs run by operators of greater than 40 years of age, that have reached TVET/College and above, which possess fixed asset, with greater than 6 employees are more likely to access credit from formal financial institutions than MSEs run by operators of less than 40 years of age, with no formal education, do not have fixed asset and with less than 6 employees. In addition, MSEs run by operators who have negative attitude towards lending procedure and loan repayment period of formal financial institutions are less likely to access credit than those which do not. Considering the role MSEs in employment generation, income creation and poverty alleviation, all stakeholders (government and non-governmental institutions) have responsibilities to facilitate sufficient access of finance for MSEs.

Mukete1, et. al. (2021) Determinants of Small and Medium Size Enterprises Access to Credit Schemes in the Mezam Division of Cameroon. Promoting small and medium size enterprises is a governmental strategy aimed at achieving national economic development through poverty alleviation, employment creation and other income generation activities. This study examined the determinants of small and medium size enterprises access to credit schemes around Mezam Division located in the North West Region of Cameroon. A two-stage sampling technique was used to obtain data from over 294 enterprises. Descriptive statistics and logit regression analysis were used to analyse the data. Results revealed that 5.8% of the small and medium size enterprises had accessed bank credit only while 92.2% obtained finance from informal credit sources. The logit analysis indicated that access to formal credit was determined by the educational level of the enterprise owner or manager, longevity in business, and the availability of collateral security. Government policies with respect to credit access by enterprises should be involved and begin from both lenders and creditors.

Wesene (2021) factors affecting availability of credit facilities in Ethiopia. a case study in small and medium size enterprises in Addis Ababa. The purpose of this study was to analyze the factors affecting the availability of credit facility by Small and medium

enterprises (SME's). Small and medium enterprises (SME's) play a really significant role within the economy of any country. They provide employment and improve the quality of living of individuals-both the employers and employees. They are a major source of entrepreneurial skills and innovations; the objective of this study was to identify factors that affect credit access by SMEs in Addis Ababa. This study was intended to be of great importance to individual entrepreneurs, potential investors, lending institutions, and the county government of Ethiopia to facilitate enabling credit policies and other researchers. The target population was 6730 SMEs operating in Addis Ababa. The study used stratified random sampling and then applied the simple random sampling to select respondents from the selected stratas out of which 673 respondents were selected. Data was gathered using questionnaires. The data collected was subjected to correlation analysis and multivariate analysis was administered to determine the connection between the identified factors and credit uptake. It was then presented in tables and graphs. From the study, it emerged that number of financial institutions, interest rate charged on loans, collateral security, level of literacy and firm characteristics are the most significant factors that affect availability of credit facility among SMEs in Addis Ababa. The study recommends that: informal borrowing they ought to be discouraged through trainings, There was got to seek alternative means of collateral security, there's got to continuously educate SMEs on the way to manage finances, prepare books of account, prepare income and expenditure statements and the way to organize budgets. The researcher also recommends that the number of financial institutions can be increased by formation of saving and credit association for different categories to improve the level of financial expanding.

Asiedu¹, Ennin and Wei Shi (2022) Factors that Influence the Demand for Credit of Small and Medium-Sized Enterprises' (Nkwantanang Municipality). The purpose of this paper is to discuss the factors that influence the various small and medium-scale enterprises to access credit from banks, saving and loans, and other financial institutions. Most enterprises access credit from financial institutions for different reasons and purposes. Whether its expansion projects, general business activities, buying of new equipment among others, these are all factors that influence enterprises to demand credit and this paper explores some of these factors in one district in Ghana. As a formal study, the research was based on a cross-sectional survey method because it allows the researchers to compare many variables at the same time. It is also used to compare different population groups at a single point in time or over a short period. Based on the respondent from the

survey conducted, the following were some of the major findings: the SME's business is dominated by females compared to the Males in La Nkwantanang Municipality. Also, the SMEs business in La Nkwantanang Municipality is dominated by Hairstylists. Most businesses in this community are owned by individuals and few go into partnership with others. From the studies, we found out that the main source of financing of these enterprises is self-financed, followed by bank credit and from family and friends. In conclusion, we made some recommendations to the SMEs in Nkwantanang Municipality on how they can access financial support from banks, saving and loans, and other financial institutions.

2.6. Knowledge Gap

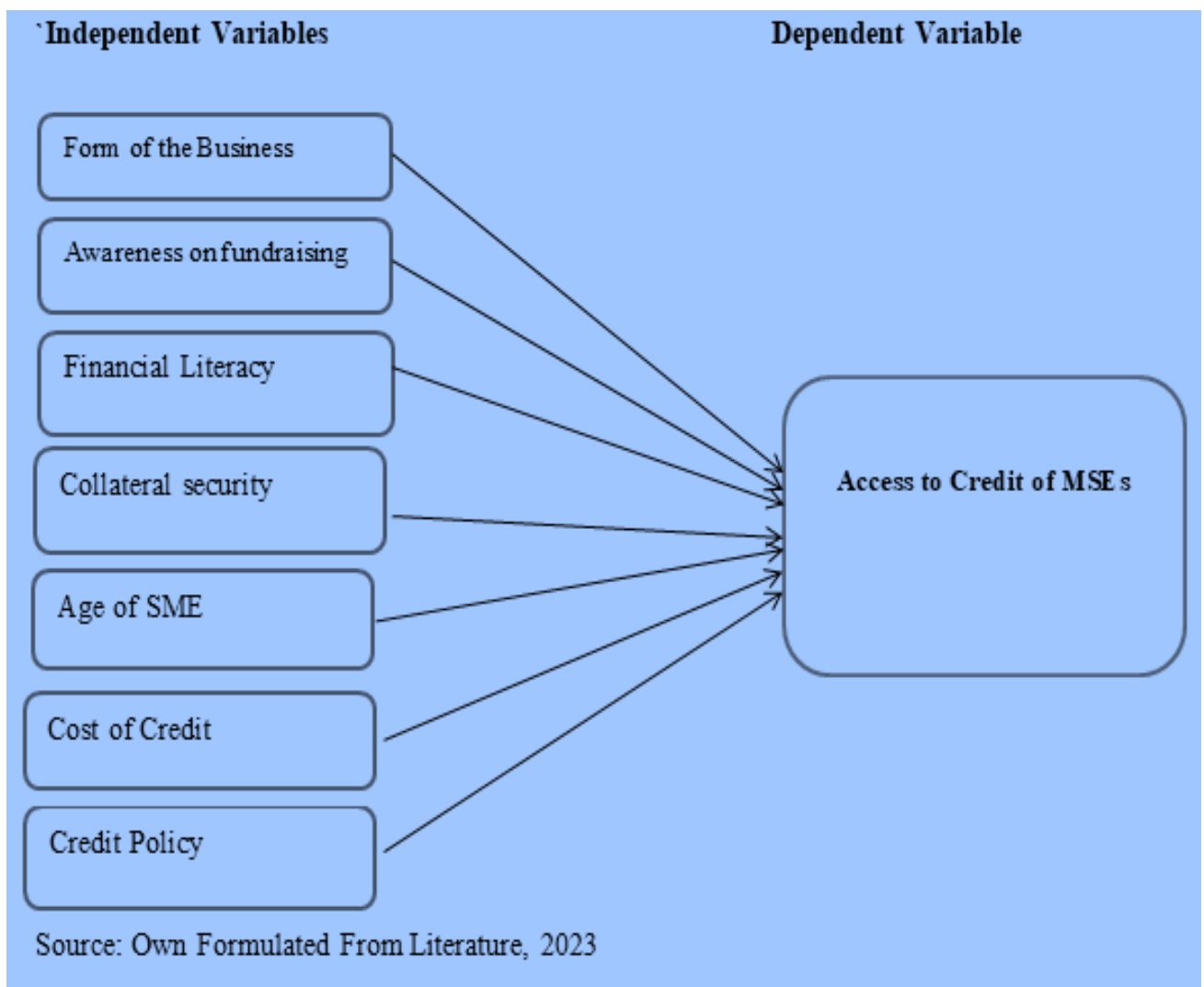
From the empirical studies above it is evident that access to finance is an important source of credit for MSEs. The studies show that the imperfections in the formal financial institution out the borrowers who do not have the required collateral and MSEs fall in this category. Lack of information in the credit market is also an important factor in determining access to credit as it leads to credit rationing. Further studies go on to suggest that informal financial markets exist due to the fact that there is unsatisfied demand in the credit market arising from the MSEs whose demand for credit is considered too small to be economically viable in the formal sector. A credit gap results where those who may not access credit from the informal credit market may still not be considered for loans from the formal financial sectors. Very few studies have been done on the determinants of access to credit of MSEs in different study area.

It is clear from the above arguments that the small firms' access to financing may either come from supply side or demand side market failure. From the supply side, the lending institutions may shy off from MSEs funding due to fear of default, generally bracketing MSE sector as high risk Endeavour or from information asymmetry that happens to be experienced at a higher level in MSE sector. On the other hand, the demand side may be due to the entrepreneur lack of proper information, lack of business networking or business skills. Firms' characteristics and supplier's characteristics have been highlighted in this research as the main determinants that influence MSEs' access to credit. Therefore, this research is designed to fill the literature gaps that were not addressed by any one of the earlier studies, specifically problems Access to credit by MSEs the case of Robe Town.

2.7. Conceptual framework of the study

Conceptual framework is a product of qualitative process of theorization which interlinks concept that together provides a comprehensive understanding of a phenomenon or phenomena Jabareen (2009). The concepts that make up the conceptual framework establish framework-specific philosophies that support each other, articulate their respective phenomena, and define their relationships. The conceptual framework of this study relates to independent variables; firm (MSE) related factors (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy) and dependent variable access to credit by micro and small enterprises in Robe Town of Robe Town.

Figure1. Conceptual framework of the study



CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Description of the study area

The study is carried out in Robe town, Bale Zone, Oromia Regional State, Ethiopia. Robe is more commonly known as Bale Robe (in order to differentiate it from other towns in Ethiopia which are also called Robe). It is located in the Bale Zone of the Oromia Region with latitude and longitude of 7°7' N 40°0' E/ 7.117°N 40.000°E an elevation of 2492 meters above sea level. It is located about 430 km by road from Ethiopia's capital city of Addis Ababa (OFEDBPGBZ, 2019).

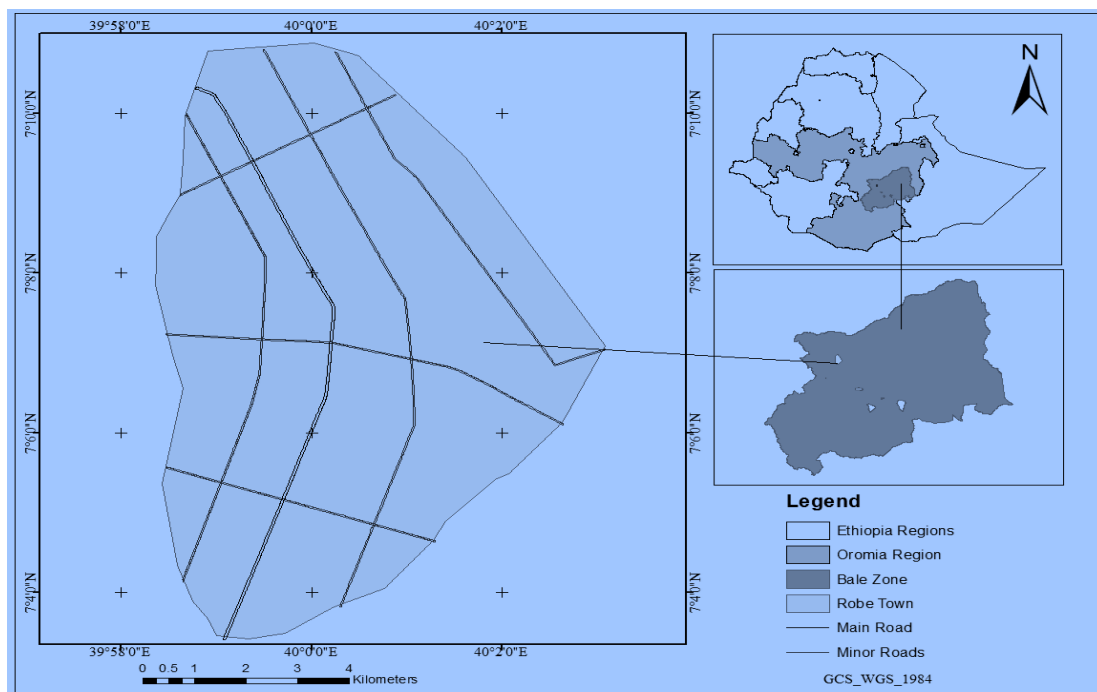


Figure 1. Study area map

3.2. Research Design

Research design is the blueprint for fulfilling research objectives and to test the research hypothesis. According to Kothari (2004) research design is the arrangement and structure used to regulate the study to attain the research objectives. The research design used under this study was explanatory in nature. Explanatory research design was better to understand the cause and effect of the variables.

3.3. Research Approach

To attain the proposed research objective, the study was employed both quantitative and qualitative research approach. According to Kothari (2004) a quantitative research approach was used to describe the numerical aspects and qualitative data were collected and analysed in an integrated manner. The basic reason for choosing the both qualitative and quantitative research approach for this study lies in the fact that it is allowed to come objective. This is contributes much to the inferences of the study results (Kothari, 2004).

3.3. Data Source and Type

The study was used both Primary and secondary data. Primary data were obtained from respondents through questionnaires. The survey was conducted from MSE staff the questionnaires were distributed to the MSEs members in Robe Town. Regarding to secondary data the study was used from published document, annual reports and other published material. These included loan manuals, financial reports, among others, that were relevant to the study. For this study purpose the researcher was primarily used Primary data which were collected through survey.

3.4. Target Population of the Study

According to Robe Town MSE office (2022) there are 2,009 MSE firms which are operating their business in Robe Town. Therefore the target population of the study are 2,009. Bank also was include for this study based on their service year in the study area to investigate major determinant of access to credit micro and small business enterprises in the study area. The MSE firms were used as a population of the study are categorized in to five strata based on Ethiopian government MSE development strategy (MoUDH, 2016) and consider the sector of construction, manufacturing, service, merchandise as the priority sector in terms of job creation and revenue generation as shown by the following table.

Table 3.1: Target population

S/No	MSEs	Members
1	Manufacturing	293
2	Construction	296
3	Service	670
4	Merchandise	750
Total		2,009

Source: Bale Robe MSE office (2023)

3.5. Sampling size and sampling Method

Sampling is the process of selecting individuals for a study McMillan and Schumacher (1999). The study was employed purposive and simple random sampling methods. For the qualitative data, purposive sampling techniques were employed to select respondents. However, simple random sampling method was applied to identify respondents for the questionnaire survey. For the purpose of this study probability sampling techniques by using strata and simple random sampling technique was used to sample the respondents. The total sample size is calculated using Yemane (1960) sampling formula:

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

Where n = sample size

N = Population size

e= is the level of precision, i.e., e = 0.05

$$n = \frac{2,009}{1 + 2,009(0.05^2)}$$

$$n = \frac{2,009}{6}$$

$$n = 335$$

The proportions of sample from each MSEs for data collection from respondents are allocated in the following table below.

Table 3.2: Sample proportion of MSEs

S/No	MSEs	Members	Sample
1	Manufacturing	293	49
2	Construction	296	49
3	Service	670	112
4	Merchandise	750	125
Total		2,009	335

3.7. Method of Data Collection

For this study, the primary data were collected through the use of a self-administered questionnaire from MSEs in Robe Town. After identifying the sample respondents, the questionnaire were provided to them by the researcher and enough time has been given to respond to all of the items in the questionnaire carefully. The questions in the questionnaire are closed-ended or structured with a predetermined 5-point Likert scale for response to ease the process of analysing the data from the respondents. The use of questionnaires is advantageous because questionnaires are economical, speedy, there is no bias (as in interviewee: interviewer bias), and the possibility of anonymity and privacy encourages participants to be willing to respond on sensitive issues, and do so honestly. The questionnaire is preferred because it translates the research objectives into specific questions that was asked to the respondents.

The Research Questionnaire were used in this research has two parts. The first part assesses the general demographic information about the participants following question related to measure of variables related to determinants of access to credit.

3.8. Methods of Data Analysis

The collected data are summarized and analyzed using descriptive and different inferential statistics using Statistical Package for the Social Sciences (SPSS) version 24. Descriptive statistics such as mean, percentages, frequencies, and standard deviations were used in the process of assess the major determinants of access to credit and and the study was used binary logistic regression estimating determinants of access to credit by MSEs. The researcher was used Pearson Correlation to identify the relationship that exists between independent and dependent variables. Furthermore, regression analysis was used to test the hypothesis and to achieve the study objective that focuses on identifying which determinants highly or positively affect the access to credit by MSEs. The logit model is used to derive determinants of access to credit by ensures that the probability lies in the interval of 0 and 1.

Binary logistic regression analysis is used for predicting the probability that $ATC=1$ for known values of predictor variables $x_1 \dots \dots x_k$. The technique enables us to identify the most influential predictor or variables determining access to credit.

The technique enables us to identify the most influential predictor or variables affect access to credit (ATC=1). In binary logistic regression, the dependent variable ATC is defined as follows:

$$AFC = \begin{cases} 1 & \text{if the MSE firms are accessed formal credit} \\ 0 & \text{otherwise or MSE firms not accessed formal credit} \end{cases}$$

Generally, the binary logistic regression of dichotomous outcome variable AF on the combination of k discrete and continuous independent variables $x_1 \dots x_k$ is defined by the following logit function:

$$\text{logit}(p_i) = \ln\left(\frac{p_i}{1-p_i}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \beta_k X_k \dots \dots \dots \text{(eqn)1}$$

The probability of MSE accessed formal credit is given by the statistical expressions:

$$\text{Where } pr(y = 1) = \frac{1}{1 + \exp^{-z}} \dots \dots \dots \text{(eqn)2}$$

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \beta_k X_k \dots \dots \dots \text{(eqn)3}$$

Using equation (3), Access to credit ATC=1 (the probability of MSE firm credit participation), given the values contributing variables for access to credit by the MSE firms $x_1 \dots x_k$ can be done for any randomly selected MSE firm in this study.

Let, the probability that an individual is being included formal financial service can be written as

$$P_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + U_i$$

Where, P_i = the probability of an i th MSEs is being included formal financial services, X_i is the independent variable and $Y = 1$ means that the individual is being included and $y = 0$ the individual is being excluded.

Where: β_0 = Constant, β_i = Coefficient of explanatory variable, X_1 = Form of the Business, X_2 = Awareness on fundraising, X_3 = Financial Literacy, X_4 = Collateral security, X_5 = Age of MSEs, X_6 = Cost of Credit, X_7 = Credit Policy and U_i = error term.

3.9. Description and measurement of Variables

Access to Credit

Refers to situations in which a company or individual can obtain a line of credit from a lender. This may involve issuing stocks or bonds to take on long-term debt, or commercial paper to take on short-term debt. The ability to access credit by businesses is a critical

factor of private sector growth and especially for MSEs ' that most often lack adequate capital that they need to grow and expand (Mutinda, 2019).

AFC measured by = $\begin{cases} 1 & \text{if the MSE firms are accessed formal credit} \\ 0 & \text{otherwise or MSE firms not accessed formal credit} \end{cases}$

Collateral Security

Collateral refers to an asset that a borrower uses to secure a loan from the lender. A lender gets a fall back in case of default where they can dispose the asset to recover their money. Secured loans are seen to have a low risk of default hence they are charged a lower interest. Most MSEs do not have tangible assets that they can use to secure their loans hence their borrowing is limited Wesene (2021). It was measured by predetermined 5-point Likert scale questions.

Financial Literacy

Financial literacy refers to the ability of an individual to understand how money works-how it's earned, managed and invested. It is very important for any business entrepreneur to have knowledge on how to manage the business so that they can oversee its growth. A literate entrepreneur understands on the best time to make certain investment decisions such as when to borrow and from whom to borrow and at what cost Wesene (2021). It was measured by predetermined 5-point Likert scale questions.

Cost of Credit

The cost of credit accessibility refers to the amount of money the entrepreneurs pay in process of borrowing money from financial institutions. The key indicators of cost in this respect are processing fees, negotiation fees, interest rates, personal insurance, legal fees and travelling expenses that the entrepreneurs meet in the process of acquiring credit. It was measured by predetermined 5-point Likert scale questions.

Awareness of funding opportunities

The flow of information in the financial market is crucial for both MSEs and financial providers. In order for MSEs to identify potential supplier of financial services, they require enough information (Mulatu, 2019). It was measured by predetermined 5-point Likert scale questions.

Age of Firm

Firm age is found to play a role in firms' access to finance. More specifically, firms that are older were found to have more access to finance. These results were not unexpected because older firms have the network capital generated overtime and also credit history that can be used by lenders to assess their credit worthiness. In contrast, younger firms may lack the necessary connections on the providers of finance and also the historical performance of the firm may be lacking. Younger enterprises (those established less than four years), are more reliant on informal financing and far less on bank financing (Enefew,2018). It was measured by predetermined 5-point Likert scale questions.

Form of business MSEs engaged

In Ethiopia, only six different forms of business organizations are recognized. These are ordinary partnership, general partnership, joint venture, limited partnership, private limited company and Share Company. It was measured by predetermined 5-point Likert scale questions.

Credit Policy of Financial Institutions

All financial institutions have their own credit policy. This credit policy states the requirements and procedures of granting credit to borrowers. It is prepared under the general guideline of central banks of each country. It can be strict or easy based on the perceived risk of the financial institutions. When the credit policy is strict and involves so many procedures, borrowers are discouraged to request credit Deresse and Zerihun (2017). It was measured by predetermined 5-point Likert scale questions.

3.10. Data Quality Assurance: Reliability and Validity of Variables

Validity is a necessary criterion for assessing the quality and acceptability of research Zohrabi (2013). Credibility refers to the value and acceptability of the findings Houghton et al., (2013). Validity of an instrument refers to the appropriateness of the instrument to measure what it intends to measure Amin, (2005). To ensure greater chances of data validity, the questionnaire were reviewed with the research supervisor for expert input. Approval from the supervisor was conducted a field test with the data collected.

Reliability is one of the main requirements of any research process is the reliability of the data and findings (Zohrabi, 2013). Reliability deals with the consistency, dependability, and replicability of the results obtained from a part of the research (Zohrabi, 2013). Reliability ensures the likelihood of duplicating a study, and the researcher should follow specific processes essential to scientific research (O'Reilly & Parker, 2013).

Reliability is defined by Vogt (2007) as the consistency of either measurement or design to give the same conclusions if used at different times. The first step in ensuring reliability is by providing clear operational definitions of the variables under study. Thereafter, internal consistency was measured through internal consistency reliability Sekeran, (2009) as well as split-half reliability using Cronbach's alpha.

If the α (cronbach alpha) value is computed to be 0.7 and above, then the instrument is considered satisfactory (Cronbach, 1951 as cited by Sekeran & Bougie, 2010), using results from the pretested questionnaire. According to Zaiantz (2015), Cronbach's alpha, α can be computed by running Excel's Anova: Two Factor without Replication data analysis tool and computing

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1. Response Rate

Data were collected and analysed in response to all study objectives and to address the hypothetical relationship between independent and dependent variables. The findings are based on the responses of those selected samples with the help of a questionnaire. Therefore 335 questionnaires were distributed, about 298 (89%) were filled and returned, and 37 (11%) were returned incomplete. So 89% response rate is within the acceptable response rate in research.

Table 4.1: Response Rate

S.N	Type of MSE	Sample	Returned	Non-returned
1	Manufacturing	49	47	2
2	Construction	49	46	3
3	Service	112	98	14
	Merchandise	125	107	18
Total		335	298	37

Source: Survey Result, 2023

4.2. Reliability Test

According to Kothari (2004), reliability refers to consistency, where internal consistency means linking the answer to each question in the questionnaire with other questions in the questionnaire. One of the foremost commonly used indicators of internal consistency is Cronbachs alpha coefficient. The Cronbachs alpha coefficient of scales should be at least 0.70, and the higher the better. Therefore, as shown in Table 4.1 below, the results for the reliability test of Cronbachs Alpha Coefficients.

Table 4.2: Over all Cronbach's alpha test for reliability

S.N	Variables	N of Items	Cronbach's Alpha	Measurement's strength
1	FOB	4	.737	Reliable
2	ARF	4	.762	Reliable
3	COR	4	.788	Reliable
4	AOB	5	.791	Reliable

5	COC	5	.673	Reliable
6	CP	4	.819	Reliable
7	FAL	4	.741	Reliable

Source: Survey Result, 2023

As shown in table 3.2 for the reliability test Cranach's Alpha coefficients for access to credit for micro and small scale Enterprises was the Cronbach alpha of all variables was greater than 0.60 showing high internal reliabilities of the scales used. This suggests that the items concerned adequately measure a single construct for each tested variable (Access to credit, Firm (MSE) related factors (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy). Therefore, researcher was concluded that the questions regarding factors affecting access to credit of micro and small scale Enterprises were accepted as because it satisfies the given standard or criteria.

4.3. Descriptive statistics for Demographic characteristics of the respondent

Gender and age demographic characteristics of the respondents to be analysed their gender and age distribution. Accordingly, the researcher gathered and presented the demographic characteristics of the respondents covering their gender and age distribution in the following table.

Table 4.3: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	211	70.9	70.8	70.8
	Female	87	29.2	29.2	100.0
	Total	298	100.0	100.0	

Source: Survey Result, 2023

The table 4.3 above indicated that the majority 211 (70.8%) of the respondents were males and 87(29.2%) were females. The implication is that males are dominated in business particularly in MSE. From this the researcher can conclude that; the majority of respondents who participated in this study are dominated by male.

Table 4.4: Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	20-30	150	50.3	50.3	50.3
	31-40	143	48	48	48
	41-50	5	1.7	1.7	100
	Total	298	100.0	100.0	

Source: Survey Result, 2023

The data collected on the age of respondents are described in the above age distribution table of the respondents. As can be seen in the above table 4.4, the majority of the respondents 150 (50.3%) participated in the study in the age bracket of 20-40 years. And the second-largest respondents are between the 31-40 age brackets. The third respondents were between the ages 143 (48%) brackets of 41-50 were the least participated respondents. From this, the researcher concludes that the majority of the respondents who participated in the study have an age of greater than 20 and less than 41.

Table 4.5: Education level of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Elementary	4	1.3	1.3	4
	High school	12	4	4	29.2
	Diploma	87	29.2	29.2	65.5
	Degree and above	195	65.5	65.5	100.0
	Total	298	100.0	100.0	

Source: Survey Result, 2023

Concerning the educational level of the respondents, as can be seen in the above table 4.5; the majority of the respondents are a holder of BA degree, and this can be evidenced from the above table since 195 (65.5%) of respondents responded as saying they were the holder of BA degree. The second-largest respondent of the study was those holders of diploma in their study and this can be confirmed by 87(29.2%) of respondents. The third-largest respondents of the study are those employees the holder of high school 12(4%) and the least respondents are those respondents' holders of primary education 4(1.3%). From this, the researcher concludes that the majority of the respondents has an educational level of greater than BA degree (65.5%) and thus improves the reliability of the study because of the more the educational level the capability of understanding things and answer properly.

Table 4.6: Monthly income of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 10,000	138	46.3	46.3	10.4

	Between 10,001-20,000	123	41.3	41.3	41.3
	Between 20,001-30,000	31	10.4	10.4	46.3
	30,001 and above	6	2.0	2.0	100.0
	Total	298	100.0	100.0	

Source: Survey Result, 2023

Table 4.6 revealed most of respondents, 138(46.3%) of the respondents were having average monthly income between less than 10,000, 124(41.3%) were having an average monthly income is between Br 10,001 to 20,000, 31 (10.4%) were having an average monthly income between Br 20,001-30,000 and 6 (2%) were having average monthly Income of Br 30,001 and above. The implication is that a lower-income level reduces the likelihood of being financially included while a higher income level increases the chances of being financially included.

Table 4.7: Source of Finance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal Saving	86	28.9	28.9	12.4
	Equib	37	12.4	12.4	58.7
	Relatives and Friends	175	58.7	58.7	100
	Total	298	100.0	100.0	

Source: Survey Result, 2023

Table 4.7 above shows that, 175 (58.7%) of all respondents had Source of capital from relatives and friends and 86 (28.9%) and 37(12.4) % have Source of capital from personal saving and from equib respectively. From the table above there is an implication that the majority of respondents in not use formal financial institutions. Therefore, MSE are not good formal credit access.

4.1. Descriptive result independent variables

Table 4.8: Descriptive Statistics of variables

	N	Minimum	Maximum	Mean	Std. Deviation
FOB	298	1	5	4.04	.980
CP	298	2	4	3.62	.472
FAL	298	1	5	3.60	1.440
AOB	298	1	5	3.66	.727
COC	298	1	5	2.91	.764
AFR	298	1	5	3.56	.882

COR	298	2	5	3.82	.636
Valid N (listwise)	298				

Source: Survey Result, 2023

According to table 4.7, access to credit and its availability influenced by types of business (M= 4.04, SD=.980). This implies that access to finance was highly limited by form of business. Most of them were engaged on service and merchandising. Access to credit and its availability influenced by credit policy (M= 3.62, SD= .472). This implies that access to finance was highly limited by credit policy. Access to credit and its availability influenced by financial literacy (M= 3.60, SD= 1.440). This implies that access to finance was highly limited by financial literacy. Access to credit and its availability influenced by age of business (M= 3.66, SD= .727). This implies that access to finance was highly limited by age of business. Access to credit and its availability influenced by cost of credit (M= 2.91, SD= .764). This implies that access to finance was highly limited by cost of credit.

Access to credit and its availability influenced by awareness about fund rising (M3.56, SD= .882). The flow of information in the financial market is crucial for both MSEs and financial providers. This also supported by the information gathered from Banks and MFIs by describing that most of the MSEs who has an information to access loan and applied there request 62% has reply there request either on full or partial amount. This infers that availability of information is essential in creating awareness of fund opportunities to both the financial source providers and the MSEs. Financial institutions should have to reach their clients with appropriate & updated information on different financial opportunities available for borrowers.

Access to credit and its availability influenced by collateral requirement (M= 3.82, SD= .636). This implies that access to finance was highly limited by not having a kind of collateral required, collateral was mandatory, and also MSEs were very worried about collateral and in general collateral was highly limited to access finance at formal financial institutions. Most of them were saying that lack of adequate collateral was considered as a significant barrier that affected them to access credit. It is advisable for the financial institutions to think other meanness of reaching increasing demands of MSEs for both start up finance and also working capitals.

4.4. Correlation between the variables

The correlation coefficient is a statistical indicator of how strong an association exists between two variables' relative movements. The degree of linear association between two variables is measured by their correlation. A positive correlation means that both variables shift in the same direction, whereas a negative correlation means that when one variable's value increases, the other variable's value decreases. The correlation coefficient is measured on a scale that varies from -1 through 0 to $+1$. Complete correlation is expressed by either $+1$ or -1 (Gujarati, 2004).

Table 4.9 Correlations among variables

		Correlations							
		AC	FOB	CP	FAL	AOB	COC	AFR	COR
AC	Pearson Correlation	1							
	Sig. (2-tailed)								
FOB	Pearson Correlation	-.031	1						
	Sig. (2-tailed)	.597							
CP	Pearson Correlation	-.136*	.091	1					
	Sig. (2-tailed)	.019	.118						
FAL	Pearson Correlation	.567**	.007	-.039	1				
	Sig. (2-tailed)	.000	.909	.503					
AOB	Pearson Correlation	.187**	.052	-.121*	-.091	1			
	Sig. (2-tailed)	.001	.368	.036	.116				
COC	Pearson Correlation	-.336**	-.100	-.054	-.314**	.535**	1		
	Sig. (2-tailed)	.000	.084	.350	.000	.000			
AFR	Pearson Correlation	.642**	.108	.305**	.591**	.008	-.393**	1	
	Sig. (2-tailed)	.000	.063	.000	.000	.897	.000		
COR	Pearson Correlation	-.373**	.196**	.205**	.105	-.189**	-.012	-.087	1
	Sig. (2-tailed)	.000	.001	.000	.069	.001	.833	.134	
	N	298	298	298	298	298	298	298	298

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Survey Result, 2023

Correlation shows, how the strength or the magnitude and direction of the variable relationship with each other's. The relationship between independent variables incorporated in the model Firm (MSE) related determinants (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy. As stated in the above table out of seven independent variables four of them are negatively correlated with access to credit. From the spearman correlation analysis result on table 4.9 above, age of business, financial literacy and awareness about fund raising are positively related with access to

credit. From the result of spearman correlation analysis above, model legal form of the business, collateral security, cost of credit, form of business and credit policy are negatively correlated with access to credit of MSE.

4.5. Testing the Assumption of Logistic regression

Logistic regression is a method that the researcher was used to fit a regression model when the response variable is binary. Before fitting a model to dataset, logistic regression makes the following assumptions:

4.5.1. The Response Variable is Binary

Logistic regression assumes that the response has only two possible outcomes. Therefore in this study the researcher was measure dependent variable by dummy (1 if the MSE firms are accessed formal credit otherwise 0 otherwise or MSE firms not accessed formal credit). If there are more than two possible outcomes, you will need to perform logistic regression.

4.5.2. The Observations are Independent

Logistic regression assumes that the observations in dataset are independent of each other. That is, observations should not be from repeated measurements by the same person and should not be related in any way. To test this assumption, we need to establish an order of observation and observe if there is a random pattern.

4.5.3. There is no Multi-collinearity among Explanatory Variables

Logistic regression assumes that there is no severe multi-collinearity among the explanatory variables. Multicollinearity occurs when two or more explanatory variables are highly correlated with each other and do not provide unique or independent information within the regression model. If the correlation between variables is high enough, problems can arise in model fitting and interpretation. The most common way to detect multicollinearity is to use the Variance Inflation Factor (VIF). VIF measures the correlation and strength of correlation between predictor variables in a regression model.

Multicollinearity

In regression it occurs when independent variables in the regression model are more highly correlated with each other than with the dependent variable. When the independent variables in our model are highly correlated with one another, they are basically measuring the same thing. In other words, when two variables are highly correlated, they both convey essentially the same information. If the purpose of our research is only to predict the dependent variable from a set of independent variable, multi-collinearity does not

adversely affect the regression equation. The predictions in our regression will still be accurate, and the overall will give us an indication of how well the independent variables in our model predict the dependent variable. But if, as is the usual case, our goal is to understand the predictive power of each independent variable, multicollinearity can be a problem.

Table 4.10: Variance Inflation Factor of all explanatory variables

Model		Collinearity Statistics		
		B	Tolerance	VIF
1	(Constant)	.836		
	FOB	-.021	.907	1.103
	CP	-.160	.717	1.395
	FAL	.099	.534	1.874
	AOB	.177	.593	1.687
	COC	-.154	.525	1.906
	AFR	.207	.412	2.427
	COR	-.205	.795	1.258

Source: Survey Result, 2023

From the two common methods of detecting multi-collinearity by running the regression analysis, we can access on SPSS computed multi-collinearity analysis. This can be computed to statistics called Tolerance Values and Variance Inflation Factor (VIF) for each independent variable. In this case Multi-collinearity exists when: (Tolerance is below .10, and the VIF is larger than 2.5). The technique of Variance Inflation Factor (VIF) was employed to detect the problem of multi-collinearity among the continuous variables. According to Gujarati (2004) collinear the variable is, multi-collinearity problem if the VIF of a variable exceeds 10. In this study, there is no value greater than 10 as shown on table 4.10 above and therefore no multi-collinearity problem.

4.5.4. Classification table

After predictors are included, the first table under model fitness assessment above shows how well the model can predict the proper accessed formal credit otherwise not for each case. In other words, the model was tested by looking at the value in the prediction table to see if it predicted it correctly or not. If the overall correct prediction rate is higher than

50%, the fit is deemed to be good. A classification table is a simple technique for determining how well a model predicts outcome variables.

Table 4.11: Classification Table

Classification Table ^a					
Observed		Predicted			Percentage Correct
		AC		Access	
		Not access	Access		
Step 1	AC	Not access	86	9	90.5
		Access	10	193	95.1
	Overall Percentage				

a. The cut value is .500

Source: Survey Result, 2023

To compare the overall percent accuracy obtained with SPSS version 22 and to rank the model as it is used, complete Table 4.11 Shows that the model can correctly classify 95.1% of respondents who are accessed formal credit and 90.5% of those who are respondents the not accessed formal credit. As a result of the current investigation, the model accurately identified 93.6 of cases in total, which is higher than the cut-off value of 0.5%. Therefore the classification accuracy standards have been met.

4.5.5. Hosmer and Lemeshow Test of the Goodness-of-Fit Model

Another statistical measure under binary logistic regression is the Hosmer and Lemeshow measure of overall fit. The link between the actual and expected values of the dependent variable is investigated with this statistical test. In this instance, a smaller difference between observed and projected classification indicates a better model fit. As seen in Table 12, the Hosmer and Lemeshow Test supports the model as advantageous, however, it is interpreted very differently than the omnibus test. A significance value less than 0.05 in the Hosmer- Lemeshow Goodness of Fit Test indicates poor fit, indicating a significant difference between the observed and predicted value; accordingly, it is desire a value higher than 0.05 to support the model (showing the absence of a significant difference between the observed and predicted value). In this study, the chi-square value of the Hosmer-Lemeshow Test was 8.142, and 8 degrees of freedom with a significant level of .420. This number is bigger than .05, indicating that the model is valid.

Table 4.12: Hosmer and Lemeshow Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	8.142	8	.420

Source: Survey Result, 2023

4.5.6. Omnibus test of model coefficients

Omnibus Tests of Model Coefficients is known as a ‘goodness of fit test. It shows summary statistics about the new model which seen contains Intervention. The overall fit of the model is assessed using the log likelihood statistic. Instead of reporting the log-likelihood itself, SPSS multiplies the value by -2 (sometimes called -2LL). This multiplication is performed because $-2LL$ has an approximate chi-square distribution, so you can compare the values to those expected by chance. Note that large values of the log-likelihood statistic indicate that the statistical model is not fit. At this stage of the analysis, the -2LL value should be smaller than it would have been if only the constant was included in the model (the lower the -2LL value, the more accurately the model is predicting the outcome variable).

When only the constant was included, $-2LL = 495.618$, but now Intervention has been included this value has been reduced to 254.116. This reduction tells us that the model is better at predicting whether someone was cured than it was before Intervention was added. This set of results requires an extremely substantial value (the Sig. value should be less than .05). In this case, the value is 0.000. As a consequence, the model (with our set of variables as predictors) outperforms SPSS's first prediction, which assumed that everyone uses formal institution services; with a chi-square value of 254.116 and 8 degrees of freedom. Therefore, the model is statistically significant in this case because the p-value is less than 5%.

Table 4.13: Omnibus test of the Goodness-of-Fit Model

Omnibus Tests of Model Coefficients
--

		Chi-square	Df	Sig.
Step 1	Step	254.116	7	.000
	Block	254.116	7	.000
	Model	254.116	7	.000

Source: Survey Result, 2023

4.5.7. Model Summary

The model summary shown in Table 18 provides information on the model's usefulness. The R Square values of Cox & Snell and Nagelkerke show how much variance in the dependent variable is explained by the model / independent variables. Instead of the true R square values that are presented in the multiple regression output, these are referred to as pseudo R square statistics. The two values Cox & Snell and Nagelkerke in this study are 0.574 and 0.804, implying that this combination of factors accounts for between 57.4% percent and 80.4% of the variance.

Table 4.14: Model summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	118.954 ^a	.574	.804

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source: Survey Result, 2023

Under model summary we see that the -2 log likelihood statistic is 118.954a, which tells us statistic measures how model predicts the decisions. The R square values of Cox & Snell and Nagelkerke indicate how much variance in the dependent variable is explained by the model (from a minimum of 0 values to a maximum of approximately. These are described as pseudo R square statistics, rather than the true values that you will see provided in the logit regression output. From the above table, between 57.4% and 80.4% of the variability is explained by this set of variables.

4.6. The results of Logistic regression

The binary logit model was used to identify the major determinants of MSEs “ access to formal sources of finance. In the logit model analysis, the study emphasize on considering the combined effect of variables between MSEs” that are formal credit users and non-users in the study area. The emphasis therefore, is on analysing the variables together. By

considering the variables simultaneously, it was able to incorporate important information about their relationship. Logistic regression assumes that $P(Y=1)$ is the probability of the event occurring. The dependent variable was therefore coded accordingly. The result of the binary regression variable i.e. the probability of being $P(Y=1)$. The variables that were found to be significant at 5% or less have been indicated with (*) and (**).

Table 4.15 : Estimate of a Logistic Regression

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	FOB	-.466	.245	3.637	1	.057	.627
	CP	-1.377	.641	4.613	1	.032	.252
	FAL	.916	.239	14.623	1	.000	2.498
	AOB	1.578	.423	13.950	1	.000	4.846
	COC	-.936	.400	5.483	1	.019	.392
	AFR	1.817	.399	20.707	1	.000	6.151
	COR	-1.717	.385	19.847	1	.000	.180
	Constant	2.320	2.792	.690	1	.406	10.177

a. Variable(s) entered on step 1: FOB, CP, FAL, AOB, COC, AFR, COR.

Source: Survey Result, 2023

Interpretation of the Result of Hypothesis testing

Effect of form of the business on access to credit of MSEs

The first hypothesis was specified as there is no significant effect of form of the business on access to credit. The result of the study showed that there is a negative and insignificant effect of form of the business on access to credit of MSEs at 5% significant level and an odds ratio of .627. The statistical analysis showed that the significant level is below the cut off value (5%) so it is reject the null hypothesis and accept the alternative hypothesis. The result showed that as form of the business became partnership than MSEs have access to credit decrease by .627 times than MSEs firms. The statistical analysis showed that the significant level is greater the cut off value (5%) so it is fail to reject the null hypothesis and cannot accept the alternative hypothesis.

Effect of awareness of funding on access to credit of MSEs

The second hypothesis was specified as there is no significant effect of awareness to fundraising on access to credit. The result of the study showed that there is a positive and significant effect of awareness of funding on access to credit of MSEs at 5% significant level and an odds ratio of 6.151. The result showed that as probability of awareness of

funding is increase by one unit MSEs have access to credit increase by 6.151 times than MSEs whose have not awareness of funding. The statistical analysis showed that the significant level is below the cut off value (5%) so it is reject the null hypothesis and accept the alternative hypothesis. Awareness of funding is measured by determining the availability of credit on who is offering, accessibility of finance for MSEs.

Effect of financial literacy on access to credit of MSEs

The third hypothesis was specified as there is there is no significant effect of financial literacy on access to credit. The result of the study showed that there positive and significant effect of financial literacy on access to credit of MSEs at 1% significant level and an odds ratio of 2.498. The statistical analysis showed that the significant level is below the cut off value (5%) so it is reject the null hypothesis and accept the alternative hypothesis. The result showed that as the probability of financial literacy is increase by one unit MSEs have access to credit increase 2.498 times than MSEs whose have not financially literates. This result is consistent with findings of Wesene (20210), Omer (2023).

Effect of collateral security on access to credit of MSEs

The fourth hypothesis was specified as there is there is no significant effect of collateral security on access to credit. The result of the study showed that there negative and significant effect of collateral security on access to credit of MSEs at 1% significant level and an odds ratio of .180. The result showed that as collateral security is increase by one unit MSEs have access to credit decreased by .180 times. The model also results showed that the probability of required collateral increased by a financial institution is a negative effect on access to credit. In other words, those strongly agree on MSEs owner as decrease need for the collateral requirement by financial institutions more access .180 than those agree and others. The statistical analysis showed that the significant level is below the cut off value (5%) so it is reject the null hypothesis and accept the alternative hypothesis.

The indicated that of high risk and for not having adequate resources to provide as collateral. The study also found that houses, land, and businesses are used as security and that creditors demand MSEs to post the collateral in order to reduce moral hazard. Further, the study revealed if more collateral required by MSEs to access finance it creates disincentive to the MSEs to acquire financing. This result is consistent with findings of

Deresse and Zerihun ((2017), Mulatu (2019) and Gideon (2021), Wesene (2021), Omer (2023) who founds collateral requirement has significant effect on access to finance.

Effect of age of MSEs on access to credit of MSEs

The fifth hypothesis was specified as there is there is no significant effect of age of firms on access to credit. The result of the study showed that there positive and significant effect of age of firms on access to credit of MSEs at 1% significant level and an odds ratio of 4.846. The result showed that as the probability of age of firms is increase by one unit MSEs have access to credit increased by 4.846 times than MSEs young age of firms. The statistical analysis showed that the significant level is below the cut off value (5%) so it is reject the null hypothesis and accept the alternative hypothesis. Young ventures at start-up levels may not have the level of expertise and success history required, young firms rely more on internal financing than bank. It is generally firm age was found to play a role in firms' access to credit of MSEs.

This indicates that business with older age of business is more likely to access credit from formal financial institutions than those with younger age of business. This implies that the personal financing preferences of owners or managers appear to change according to age and the age of the MSEs is a significant determinant of access of finance. In line with this other researcher also argue that as the age of the business increases, so does his business experience, practical, wisdom and his income generating capacity. In addition, due to capability of the older business to accumulate assets which are used as collaterals, formal financial institutions perceive them as creditworthy. As a result, they are more likely to access credit from formal financial institutions than the younger counterpart. The results are consistent with findings Deresse and Zerihun ((2017), Mukete et al., (2021) whose finds age of business has significant effect on access to finance.

Effect of cost of credit on access to credit of MSEs

The sixth hypothesis was specified as there is there is no significant effect of cost of credit on access to credit. The result of the study showed that there negative and significant effect of cost of credit on access to credit of MSEs at 5% significant level and an odds ratio of .392. The result showed that as the probability of the cost of credit increasing by one unit MSEs have access to credit decrease by .392 times than MSEs high cost of credit. The statistical analysis showed that the significant level is below the cut off value (5%) so it is

reject the null hypothesis and accept the alternative hypothesis. The results showed if interest rate is high MSEs are unable to access to finance. This result is consistent with findings Gideon (2021) who founds interest has significant effect of access to finance. The results showed if interest rate is high MSEs are unable to access to finance. This result is consistent with findings Gideon (2021), Wesene (20210), Omer (2023) who founds interest has significant effect of access to finance.

Effect of credit policy on access to credit of MSEs

The seventh hypothesis was specified as there is there is no significant effect of credit policy on access to credit. The result of the study showed that there negative and significant effect of liberal credit policy on access to credit of MSEs at 5% significant level and an odds ratio of .252. The negative result showed that as the increasing increase rigid credit policy by one unit MSEs have access to credit decrease by .252 times than MSEs rigid credit policy. The statistical analysis showed that the significant level is greater the cut off value (5%) so it is fail to reject the null hypothesis and cannot accept the alternative hypothesis.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATION

The final section of the research study presents the summary of the findings the researcher had observed in its survey, the specified research objectives, and the tested hypothesis of the study. In addition to these, the researcher had drawn a conclusion based on the findings of the study and also provided recommendations to be considered by other researchers in their future work.

5.1. Summary of the major Finding

As it has been clearly stated in the First chapter of the study paper, the general objective of the study is to examine the determinants of access to credit for micro and small scale Enterprises: The case of Robe Town

Therefore, concerning achieving the major and specific objectives of the study, and also addressing the corresponding research hypothesis of the study, the researcher collected primary source of data from 335 sample respondents from a total population of 2,009 via a structured questionnaire. Formerly, these collected data are later analysed using Statistical Package for the Social Sciences V.22 (SPSS V.22) with descriptive statistical analysis and inferential statistics, then interpreted the results accordingly.

The Descriptive statistics analysis comprises the statistical analysis of demographic characteristics of the respondents. Accordingly 211 (70.8%) of the respondents were males and 87(29.2%) were females. The implication is that males are dominated in business particularly in MSE. From this the researcher can conclude that; the majority of respondents who participated in this study are dominated by male. majority of the respondents 150 (50.3%) participated in the study in the age bracket of 20-40 years. And the second-largest respondents are between the 31-40 age brackets. The third respondents were between the ages 143 (48%) brackets of 41-50 were the least participated respondents. The majority of the respondents are a holder of BA degree, and this can be

evidenced from the above table since 195 (65.5%) of respondents responded as saying they were the holder of BA degree. The second-largest respondent of the study was those holders of diploma in their study and this can be confirmed by 87(29.2%) of respondents. The third-largest respondents of the study are those employees the holder of high school 12(4%) and the least respondents are those respondents“ holders of primary education 4(1.3%). The respondents were having average monthly income 138(46.3%) of the respondents were having average monthly income between less than 10,000, 124(41.3%) were having an average monthly income is between Br 10,001 to 20,000, 31 (10.4%) were having an average monthly income between Br 20,001-30,000 and 6 (2%) were having average monthly Income of Br 30,001 and above. The implication is that a lower-income level reduces the likelihood of being financially included while a higher income level increases the chances of being financially included.

The researcher has also conducted inferential statistics analyses such as Correlation analysis and Regression analysis, to examine the relationship between the independent variables and the dependent variables of the study, and also to test the devised hypothesis of the study. Thus, the correlation analysis indicates a significant correlation between all of the independent variables with the dependent variable of the study. Consequently, the researcher has conducted Logistic regression analysis to investigate each dimension of the independent variables and to determine the unique relationship and significance of the independent variables on the dependent variable.

The first specific objective was stated that to investigate the effect of firm related determinants on access to credit by MSE in Robe Town. The result showed that Firm (MSE) related factors awareness towards fundraising, financial literacy; collateral security and age of firms have significant effect on access to credit. The second specific objective was stated that to examine effect credit suppliers related determinants on access to credit by MSE in Robe Town. The result showed that credit suppliers' characteristics such as cost of credit and credit policy have significant effect on access to credit.

5.2. Conclusions

Small businesses are considered to have a crucial role in an economy and are a key source of economic growth, dynamism, and flexibility and can adapt quickly to changing market demand and supply situations. They are also deemed to generate employment, help to diversify economic activities, and make a significant contribution to export and trade. It is

not questionable that small business sectors do have high relevance to developing countries considering the small domestic market, weak and narrow-based economy against the volatile global environment. However, an inadequacy in accessing credit is one of the key obstacles of small business growth not only when starting the business project but also when operating.

Access to credit provides a range of instruments and information to help improve the survival rates, productivity, and competitiveness of small businesses and to address market failures and gaps in the supply of finance through public and public-private initiatives. In addition to the above-mentioned constraints of lack of access to access for small business, the other basic findings of this research are the small businesses were extremely challenged by access to market, which in turn hinder this business, not sale their output and generate revenue which was considered as the main source internal financing instrument.

The result of the study showed that there is a negative and insignificant effect of form of the business access to credit of MSEs at 5% significant level. The result showed that as form of the business became partnership than MSEs have access to credit decrease. The result of the study showed that there is a positive and significant effect of awareness of funding on access to credit of MSEs at 5% significant level. Awareness of funding is measured by determining the availability of credit on who is offering, accessibility of finance for MSEs.

The result of the study showed that there positive and significant effect of financial literacy on access to credit of MSEs at 1% significant level. The result showed that as financial literacy is increase by one unit MSEs have access to credit. The result of the study showed that there negative and significant effect of collateral security on access to credit of MSEs at 1% significant level. The result showed that as collateral security is increase by one unit MSEs have access to credit decreased. The model also results showed that for increase required collateral by a financial institution are a negative effect on access to credit. In other words, those strongly agree on MSEs owner as decrease. The result of the study showed that there positive and significant effect of age of firms on access to credit of MSEs at 1% significant level. The result showed that as age of firms is increase by one unit MSEs have access to credit than MSEs young age of firms. Young ventures at start-up levels may not have the level of expertise and success history required, young firms rely

more on internal financing than bank. The result of the study showed that there negative and significant effect of cost of credit on access to credit of MSEs at 5% significant level.

The result showed that as increasing the cost of credit by one unit MSEs have access to credit decrease than MSEs high cost of credit. The results showed if interest rate is high MSEs are unable to access to finance. This result is consistent with findings Gideon (2021) who founds interest has significant effect of access to finance. The results showed if interest rate is high MSEs are unable to access to finance. The result of the study showed that there negative and significant effect of liberal credit policy on access to credit of MSEs at 5% significant level. The negative result showed that as increase rigid credit policy by one unit MSEs have access to credit decrease than MSEs rigid credit policy.

5.3. Recommendations

The objectives of the following policy implications are not extremely address the need improvement determinants of access to credit for micro and small scale Enterprises. The purpose is only to point out some main subjects that need attention to improve the present determinants of access to credit for micro and small scale Enterprises. On the basis of the major findings of the study, the researcher forwarded the following points.

- The result of the study showed that there is a positive and significant effect of awareness of funding on access to credit. It is therefore the financial institutions should ensure all relevant information is disclosed to MSE's clients who request credits facilities as well as potential clients to help inform their borrowing decision.
- The result of the study showed that there positive and significant effect of financial literacy on access to credit of MSEs. The MSEs should have systematic process of financial education targeting to obtain awareness. This will facilitate the necessary information on how and where to access cheap loans other than relying on the main stream financial institutions. In addition, MSEs operators will have basics knowledge on financial and business management skills. Additionally, the should create a framework of assisting MSEs register their businesses as well as aiding them in the event of changing their business from practice to another.
- The result of the study showed that there negative and significant effect of collateral security on access to credit of MSEs. It is therefore important raise the level of financial deepening among MSEs, it is necessary to search out other forms of collateral security. This might be accomplished by permitting various MSEs to guarantee one

another for a loan. This will lower the demand for collateral security, hence enhancing the likelihood of credit facility availability.

- The result of the study showed that there positive and significant effect of age of firms on access to credit of MSEs. It is therefore important to encourage young MSE operating business to participate in credit market and compensate their lack of experience with pertinent training and by follow up of proper implementing different working policy and strategies.
- The result of the study showed that there negative and significant effect of cost of credit on access to credit of MSEs. It is therefore important to encourage young MSEs operating business to participate in credit market and compensate their lack of experience with pertinent training and by follow up of proper implementing different working policy and strategies.
- The result of the study showed that there negative and significant effect of liberal credit policy on access to credit of MSEs. Therefore financial institution should revise and evaluate all the strategies and policies currently implemented to address financial demand of enterprises; this is because the result of interview indicated that there is a big challenge in proper collection of disbursed loan according the agreement made between the lender & the borrowers. The financial institutions should design and implement specific policy requirements on credits access for MSEs as some have special financial packages already in place.

5.4. Direction for forthcoming studies

Findings of this study were based on respondents of 335 MSEs. The study therefore suggests that other studies have better conducted focusing on MSEs in other study area to see whether the same results would be obtained or not. Because of determinants of access to credit for micro and small scale Enterprises could vary from one area to another given that most MSEs have different characteristics. The current research looked at determinants of access to credit for micro and small scale Enterprises in Robe Town. The determinants included Firm (MSE) related factors (legal form of the business, awareness towards fundraising, financial literacy, collateral security and age of firms) and credit suppliers characteristics (cost of credit and credit policy) are independent variables, accounts for between 57.4% and 80.4% of the variance. Future studies can consider other determinants that may account for the remaining of the variations not included in the study. Therefore, since the studies conducted in the study area not represent other area, therefore it is need to

conduct further research to determine the determinants of access to credit for micro and small scale Enterprises as regional and national level.

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APPENDIX A QUESTIONNAIRE
MADDA WALABU UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS

Research questionnaire

Dear respondent,

I, Adamu Gebisa, am pursuing my Master's degree program in Accounting and Finance and as partial fulfilment, I am conducting research thesis entitled as "Determinants of Access to credit by Micro and Small Enterprise: In the Case of MSE in Robe Town.". This study is conducted in partial fulfilment of the requirements for the master's degree in Accounting and Finance at Madda Walabu University. Its main objective is to identify the major Determinants of Access to credit by Micro and Small Enterprise: In the Case of MSE in Robe Town. The study is going to be conducted out on your responses and other pertinent data that could support it. The reason of this questionnaire is to get your perceptions and views about a variety of aspects of Determinants of Access to credit by Micro and Small Enterprise. It forms a main part of the study and the information you will offer facilitate me to significantly analyse Determinants of Access to credit by Micro and Small Enterprise. Your support to respond is very significant to this study since it represents thousands of others who are not incorporated in the sample.

General Instruction:

- No need of writing your name
- Kindly respond to all questions
- If you need further clarification contact in the below address

It's essential to bear in mind that this survey is only for academic research purpose and the responses of each participant will be dealt with utmost confidentially. Thank you for your cooperation and assistance. Sincerely,

Name: Adamu Gebisa

Phone: +251912466334

Section 1: Demographic information of respondents

1. Age in years:

- i. <20
- ii. 21- 30
- iii. 31- 40
- iv. 41 – 50
- v. Above50

2. Gender

- i. Male
- ii. Female

3. Education level of the principal business owner(s)

- i. Elementary
- ii. High school
- iii. Diploma
- iv. Degree and above

Section 2: data on economic variables of micro and small enterprises

1. What is your monthly income?

- i. Less than 10,000
- ii. Between 10,001 to 20,000
- iii. Between 20,001 to 30,000
- iv. Above 30,000

2. What were the sources of your start-up capital?

- i. Personal saving”
- ii. “Equib”
- iii. Assistance from NGOs
- iv. Micro finance
- v. Banks
- vi. Borrowed from friends & relatives

Section 2: Question Related to Access to credit by Micro and Small Enterprise

Please provide your appropriate answer by ticking (✓) based on the following statement which indicated being access credit and not access to credit.

S.N	Statement	Access	Not access
1	Micro and small enterprises have access of credit from formal financial institutions		

Section 3: Question Related Factors affecting Access to credit by Micro and Small Enterprise

Please indicate the degree to which the following factors are affecting the profitability of your business enterprise performance. After you read each of the factors, evaluate them in relation to your business and then put a tick mark (✓) under the choices below. Where, 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1 = strongly disagree.

No.	Determinants of Access to credit by Micro and Small Enterprise	Scales				
		1	2	3	4	5
1	Awareness on fundraising					
1.1	Lack of creating awareness about the product/promotion					
1.2	Lack of enough training given by banks to MSEs					
1.3	MSE who have the awareness about the financial services are more access to credit					
1.4	MSE are aware about the different services provided by financial institutions					
1.5	Different workshops are organized by financial institution to deliver about financial service					
2	Age of the firms					
2.1	The Age of the MSE Affects its Ability to Access Funds					
2.2	Firms that are older were found to have more access to credit					
2.3	Older firms have the network capital generated overtime and also credit history that can be used by lenders to assess their credit worthiness					
2.4	Young firms with limited managerial capabilities and experience are suffering from having access to credit.					
2.5	Access to credit is significantly influenced by the age of the firm					
3	Financial Literacy					
3.1	Youth entrepreneurs have adequate					
3.2	financial literacy					
3.3	Financial literacy has enabled the youth to Prepare financial reports					
3.4	Financial literacy has enabled the youth to evaluate the business performance.					
4	Cost of credit					
4.1	Reduction on the cost of finance, that is interest rates, application fees, loan insurance premium, legal fees					
4.2	Reduction on the cost of finance, that is interest rates, application fees, loan insurance premium, legal fees					
4.3	High bank service charges for the unsustainability of MSEs					
4.4	Reduction on the cost of finance over recent past was the main factor for increased access to financing by MSEs					
4.5	Amount of Interest charged discourage financial access of MSE					
5	Collateral security					

5.1	Growth in the asset base of MSE has able to meet the collateral requirement					
5.2	MSEs who have fixed asset are more likely to access credit from formal financial institutions than those who do not.					
5.3	Not having collateral required makes difficult to access finance					
5.4	Collateral is a mandatory requirement in accessing finance					
5.5	SMEs very worried about collateral in accessing finance					
5.6	Collateral is the major hinder factor to my access to credit assistance					
6	Credit Policy					
6.1	Procedures of granting credit to borrowers is attract for credit access					
6.2	Requirements of granting credit to borrowers attract for credit access					
6.3	Credit policy is strict and involves so many procedures, borrowers are discouraged to request credit attract for credit access					
7	Form of the Business					
7.1	Service types of business is more Access to credit and has repayment performance					
7.2	Manufacturing types of business is more Access to credit and has repayment performance					
7.3	Merchandising types of business is more Access to credit and has repayment performance					
7.4	Service types of business is more Access to credit and has repayment performance					

Thank you for your cooperation!!!

APPENDIX B SPSS OUTPUT

S.N	Variables	N of Items	Cronbach's Alpha
1	FOB	4	.737
2	ARF	4	.762
2	COR	4	.788
3	AOB	5	.791
5	COC	5	.673
6	CP	4	.819
7	FAL	4	.741

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FOB	298	1	5	4.04	.980
CP	298	2	4	3.62	.472
FAL	298	1	5	3.60	1.440
AOB	298	1	5	3.66	.727
COC	298	1	5	2.91	.764
AFR	298	1	5	3.56	.882
COR	298	2	5	3.82	.636
Valid N (listwise)	298				

Correlations

		AC	FOB	CP	FAL	AOB	COC	AFR	COR
AC	Pearson Correlation	1	-.031	-.136*	.567**	.187**	-.336**	.642**	-.373**
	Sig. (2-tailed)		.597	.019	.000	.001	.000	.000	.000
	N	298	298	298	298	298	298	298	298
FOB	Pearson Correlation	-.031	1	.091	.007	.052	-.100	.108	.196**
	Sig. (2-tailed)	.597		.118	.909	.368	.084	.063	.001
	N	298	298	298	298	298	298	298	298
CP	Pearson Correlation	-.136*	.091	1	-.039	-.121*	-.054	.305**	.205**
	Sig. (2-tailed)	.019	.118		.503	.036	.350	.000	.000
	N	298	298	298	298	298	298	298	298
FAL	Pearson Correlation	.567**	.007	-.039	1	-.091	-.314**	.591**	.105
	Sig. (2-tailed)	.000	.909	.503		.116	.000	.000	.069
	N	298	298	298	298	298	298	298	298
AOB	Pearson Correlation	.187**	.052	-.121*	-.091	1	.535**	.008	-.189**
	Sig. (2-tailed)	.001	.368	.036	.116		.000	.897	.001
	N	298	298	298	298	298	298	298	298
COC	Pearson Correlation	-.336**	-.100	-.054	.314**	.535**	1	-.393**	-.012
	Sig. (2-tailed)	.000	.084	.350	.000	.000		.000	.833
	N	298	298	298	298	298	298	298	298
AFR	Pearson Correlation	.642**	.108	.305**	.591**	.008	-.393**	1	-.087
	Sig. (2-tailed)	.000	.063	.000	.000	.897	.000		.134
	N	298	298	298	298	298	298	298	298
COR	Pearson Correlation	-.373**	.196**	.205**	.105	-.189**	-.012	-.087	1
	Sig. (2-tailed)	.000	.001	.000	.069	.001	.833	.134	
	N	298	298	298	298	298	298	298	298

*. Correlation is significant at the 0.05 level (2-tailed).

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

Model	Collinearity Statistics		
	B	Tolerance	VIF
(Constant)	.836		
1 FOB	-.021	.907	1.103
CP	-.160	.717	1.395
FAL	.099	.534	1.874
AOB	.177	.593	1.687
COC	-.154	.525	1.906
AFR	.207	.412	2.427
COR	-.205	.795	1.258

Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step	254.116	7	.000
Step 1 Block	254.116	7	.000
Model	254.116	7	.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	118.954 ^a	.574	.804

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	8.142	8	.420

Classification Table^a

	Observed	Predicted			
		AC		Percentage Correct	
		Not access	Access		
Step 1	AC	Not access	86	9	90.5
		Access	10	193	95.1
		Overall Percentage			93.6

a. The cut value is .500

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a						
FOB	-.466	.245	3.637	1	.057	.627
CP	-1.377	.641	4.613	1	.032	.252
FAL	.916	.239	14.623	1	.000	2.498
AOB	1.578	.423	13.950	1	.000	4.846
COC	-.936	.400	5.483	1	.019	.392
AFR	1.817	.399	20.707	1	.000	6.151
COR	-1.717	.385	19.847	1	.000	.180
Constant	2.320	2.792	.690	1	.406	10.177

a. Variable(s) entered on step 1: FOB, CP, FAL, AOB, COC, AFR, COR.