FINANCIAL INCLUSIVITY ENABLERS AND PERFORMANCE OF SMALL MEDIUM ENTERPRISES IN UASIN-GISHU COUNTY, KENYA

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DECLARATION AND RECOMMENDATION

Declaration

This thesis is my original work and has not been presented for examination in any other university.

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Recommendation

This thesis has been submitted for examination with my approval as university supervisors.

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DEDICATION

To my family, whose steadfast backing and motivation have served as the foundation of my educational path. Your affection, selflessness, and confidence in me have energized my resolve to achieve this significant accomplishment. I will always appreciate your boundless patience and comprehension during this pursuit.

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ABSTRACT

The performance of SMEs is heavily reliant on the presence of financial inclusion facilitators, which can determine their success or failure. These facilitators encompass a range of initiatives and systems designed to assist SMEs in obtaining financial services and achieving greater integration. The main aim of the study was to determine the effect of factors that promote financial inclusion on the performance of small and medium firms in Uasin-Gishu county. The specific objectives were to ascertain the effect of digital financial services on the performance of SMEs in Uasin-Gishu County, to investigate the effect of credit access on the performance of SMEs in Uasin-Gishu County, to evaluate the effect of financial literacy programs on the performance of SMEs in Uasin-Gishu County, and to assess the effect of agent banking on the performance of small and medium enterprises in Uasin-Gishu County. The explored theories encompass the diffusion of innovation theory, credit rationing theory, dynamic capacities theory, and institutional theory. This inquiry employed a cross-sectional survey as its research design. The study primarily focused on SMEs in Uasin-Gishu County that possess a single business permit. These enterprises employed less than twenty individuals. 1300 SMEs were included in the target population. Sample size included 306 SMEs. The researcher employed a method of stratified proportional sampling. The bulk of the material was derived from a methodical survey that mostly consisted of closed-ended questions. Initially, we will employ 10% of the ultimate sample size as an approximation. A total of 31 respondents were selected at random from this pool. The study employed inferential statistics to evaluate hypotheses. Prior to doing the regression, the research performed diagnostic tests to assess the assumptions. Pearson's correlation analysis revealed a positive and statistically significant relationship between agent banking, digital financial services, credit access, financial literacy programs, and the success of SMEs. The managerial recommendations included digital financial services, staff training, strategic borrowing, financial literacy, and agent banking. Several policy recommendations were made, such as the construction of digital infrastructure, the expansion of credit accessibility, the promotion of financial literacy, and the enlargement of agent banking networks.

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ABBREVIATIONS AND ACRONYMS

BDF	Business Development Fund
CBN	Central Bank of Nigeria
CRA	Community Reinvestment Act
DCT	Dynamic Capabilities Theory
DFS	Digital Financial Services
GTP	Growth and Transformation Plan
NFIF	National Financial Inclusion Framework
NFIS	National Financial Inclusion Strategy
OLS	Ordinary Least Square
SACCO	Savings and Credit Cooperatives
SME	Small And Medium Enterprises
WBES	World Bank Enterprise Survey
WEF	Women Enterprise Fund
YEDF	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Mojambo et al. (2020) found that financial inclusion enablers significantly impacted the performance of SMEs in different economies. Financial services may be more accessible and inclusive for underserved communities, particularly SMEs, thanks to a number of initiatives and procedures that fall under this category of enablers. Tole and Koori (2020) highlight the growing body of literature that emphasizes the significant influence of financial inclusion enablers on SME performance. These enablers have the ability to spur economic growth, encourage entrepreneurship, and reduce poverty.

Based on data from the Kenya National Bureau and Statistics (KNBS, 2023) survey, it was shown that 46% of SMEs fail in the first year, and 34% fail between the second and fifth years. Economic survey data from KIPPRA shows that SMEs' contribution to GDP has been declining since 2015. Banks impose unwelcoming circumstances such as long procedures, collateral requirements, and high interest rates on small enterprises, making it difficult for them to acquire the finance they need. Financial access concerns make it difficult for small and medium-sized enterprises (SMEs) in Kenya to go beyond the launch phase, as stated by Ndungo et al. (2023), who support this conclusion.

At the heart of financial inclusivity lies access to finance, which is fundamental for SMEs to thrive and expand. Access to credit, in particular, has been identified as a critical determinant of SME performance, facilitating investment in productive assets, technology adoption, and market expansion (Fanta & Mutsonziwa, 2021). According to Ajayi and Ross (2020), SMEs with improved access to credit are more likely to achieve higher growth rates, generate employment opportunities, and contribute significantly to GDP growth. Moreover, financial inclusivity enablers go beyond mere access to credit, encompassing a broader set of financial services such as savings, insurance, and payment systems. These services not only enhance the resilience of SMEs to financial shocks but also enable them to better manage risk, save for future investments and participate more actively in formal economic activities (Mpaata et al., 2020). For instance, access to insurance can protect SMEs from unexpected losses due to natural disasters, market fluctuations, or other unforeseen events, thereby safeguarding their financial sustainability (Rosyadah et al., 2022).

According to Davies et al. (2023), financial literacy and education emerge as crucial determinants of SME performance within the context of financial inclusivity. Empirical evidence suggests that SMEs with higher levels of financial literacy are better equipped to make informed financial decisions, manage resources efficiently and navigate the complexities of financial markets. As such, investments in financial education programs and initiatives are essential for enhancing the capacity of SMEs to leverage available financial resources effectively (Pashkov & Pelykh, 2021). Ndungo et al. (2023) assert that the regulatory environment and institutional frameworks play a significant role in shaping the effectiveness of financial inclusivity enablers in supporting SME performance. Policies that promote competition, transparency, and consumer protection in financial markets are essential for fostering an enabling environment conducive to SME growth and development. Similarly, the presence of supportive institutions, such as microfinance institutions, development banks, and regulatory bodies, is critical for ensuring the effective implementation and enforcement of financial inclusion initiatives (Mndzebele & Kwenda, 2020).

The impact of financial inclusivity enablers on SME performance is contingent upon various contextual factors, including the level of economic development, institutional capacity, and socio-cultural norms prevailing within a given society (Fomum & Opperman, 2023). For instance, in low-income countries with underdeveloped financial infrastructure and limited institutional capacity, the effectiveness of financial inclusivity enablers may be constrained by structural barriers such as inadequate access to technology, weak legal frameworks, and limited human capital (Malaquias & Fernandes, 2022).

Waihenya (2022) elucidates that financial inclusivity enablers hold the promise of fostering SME growth and development, they also entail certain risks and challenges that warrant careful consideration. For instance, excessive credit expansion fueled by indiscriminate lending practices can lead to over-indebtedness among SMEs, exacerbating financial vulnerabilities and systemic risks. Accordingly, sensible regulation and risk management strategies must promote financial inclusion while also guaranteeing financial stability (Muthaura, 2021).

Kulathunga et al. (2020) asserts that financial inclusiveness drivers stimulate economic empowerment, innovation, and poverty reduction by significantly impacting the performance of SMEs. These enablers have the ability to unleash SMEs' potential to create equitable and sustainable economic growth by increasing access to capital, improving financial literacy, and fortifying institutional frameworks (Harun et al., 2021). But lawmakers, banks, and other stakeholders need to work together to remove structural barriers and create a favorable climate SME growth if financial inclusion is to have its full impact (Anshika & Singla, 2022).

1.1.1 Global Perspective of Financial Inclusivity Enablers

Thomas (2023) examined the key facilitators influencing FinTechs offering SME lending services in India, the world's third-largest FinTech community. Along with assessments provided by FinTech practitioners, specialists, legislators, and investors, the Grey DEMATEL method is used to measure the cause-and-effect relationship. Based on the findings, the three most important factors influencing the FinTech industry are the COVID-19 pandemic, the accessibility of alternative data sources, and the need for loans from SMEs. Many factors influence the interdependence of various components, including the degree to which FinTechs and traditional banks work together, the ease with which business operations may scale, and the comprehensiveness of financial solutions. To expand the FinTech sector, the paper suggests that authorities promote financial literacy, enhance the digital data landscape, and cultivate a more cooperative atmosphere. There should be an emphasis on data security when experts provide comprehensive financial solutions to SMEs' borrowers.

If owning and employing information and technology facilities made it simpler for SMEs to secure external financing, then that was the goal of the study by Agyekum et al. (2022). We selected our sample from 6,805 establishments in the expanding Southeast Asian markets that are part of the WBES micro-database. These companies were questioned by survey on their website ownership and email usage. For this study, researchers used a RE panel logistic regression model to examine sample data. The findings indicate that SMEs are more likely to have access to external financing facilities when they use ICT-based services, which aids in their financial inclusion. Efforts by governments to enhance financing to SMEs in developing nations should concentrate on enhancing technical infrastructure and services that help reduce information opacity and asymmetry.

Financial inclusion is a crucial aspect for SMEs worldwide, ensuring that financial services are accessible to all. With the implementation of the Community Reinvestment Act (CRA) of 1977, the US has established a robust banking system that plays a crucial role in promoting financial inclusion (Harun et al., 2021). As part of their legal obligations, banks are required to offer loans to individuals with low to moderate incomes, as well as small businesses, within the communities they operate in. As per the research conducted by Buyinza and Bbaale (2023), it has been observed that small and medium-sized enterprises (SMEs) in the US have a relatively smoother process of accessing banking services and obtaining loans. This favorable situation has contributed significantly to their growth and improved performance.

In China, the government's initiatives to promote financial inclusivity have significantly impacted the performance of SMEs. The establishment of microcredit programs, such as the Rural Credit Cooperatives, has extended financial services to rural areas, where many SMEs operate (Yakob et al., 2021). Additionally, the development of mobile payment platforms like Alipay and WeChat Pay has facilitated transactions for small businesses, thereby expanding their potential clientele and improve their financial performance (Tuffour et al., 2022).

Japan’s approach to financial inclusivity emphasizes technological innovation and collaboration between financial institutions and fintech companies. Initiatives like the

Japanese Bankers Association’s Open Banking API project have enhanced the accessibility of financial services for SMEs by allowing them to integrate banking functions into their business processes seamlessly. Furthermore, government support for digital infrastructure development has accelerated the adoption of online banking and payment solutions, contributing to the growth of SMEs across various sectors (Pakhnenko et al., 2021).

In India, the government's focus on financial inclusion through initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) has expanded access to banking services, particularly in rural and underserved areas (Rosyadah et al., 2022). By providing zero-balance accounts and easy-to-use banking services, PMJDY has enabled SMEs to access credit, insurance, and other financial products essential for their growth. Additionally, the emergence of digital lending platforms like Lendingkart and Capital Float has complemented traditional banking services, further supporting the financial needs of SMEs (Mpaata et al., 2020).

Financial inclusion for SMEs has been greatly improved in the UK as a result of legislative reforms and public-private partnerships (Fomum & Opperman, 2023). According to Sajuyigbe et al. (2020), small companies now have access to financial products and services that are specifically designed to meet their needs, thanks to the increased competition and innovation brought about by the introduction of Open Banking legislation. Lenders are less likely to take a risk when lending to SMEs because to programs like the Enterprise Finance Guarantee scheme run by the British Business Bank (Malaquias & Fernandes, 2022).

Neves et al., (2023) opined that Germany's strong banking sector and supportive regulatory environment have fostered financial inclusivity for SMEs. The presence of a diverse range of financial institutions, including cooperative banks and savings banks, ensures that small businesses have access to a variety of financing options tailored to their needs. Furthermore, initiatives such as the KfW Entrepreneur Loan program provide subsidized loans and guarantees to SMEs, enabling them to invest in innovation and expansion projects essential for their long-term performance (Zhang et al., 2023).

In Brazil, efforts to promote financial inclusivity have focused on leveraging technology and digital platforms to reach underserved populations (Malaquias & Fernandes, 2022). Initiatives like the Brazilian Central Bank's PIX instant payment system have reduced transaction costs and increased the efficiency of financial transactions for SMEs (Luo et al., 2021). Additionally, the development of alternative credit scoring models, such as analyzing digital footprints and transaction data, has enabled fintech companies to extend credit to SMEs that may have been excluded from traditional banking services (Vijayalakshmi & Jayalakshmi, 2022).

Australia's commitment to financial inclusivity is reflected in its policies aimed at supporting SMEs, particularly in rural and remote areas (Isa-Olatinwo et al., 2022). Initiatives like the Regional Australia Bank's Community Partnership Program provide financial education and support services to small businesses in underserved regions, empowering them to navigate complex financial landscapes and access funding opportunities. Moreover, the government's investment in digital infrastructure, such as high-speed internet connectivity, has facilitated online banking and e-commerce, opening new avenues for SME growth and performance (Parmitasari et al., 2023).

In South Korea, government led initiatives like the Industrial Bank of Korea's SME Support Program have been instrumental in enhancing financial inclusivity for small businesses (Anshika & Singla, 2022). By providing subsidized loans and financial advisory services, these programs enable SMEs to overcome funding challenges and invest in innovation and expansion initiatives. Additionally, the widespread adoption of mobile banking and digital payment solutions has streamlined financial transactions for SMEs, enhancing their efficiency and competitiveness in domestic and international markets (Tuffour et al., 2022).

A vibrant fintech ecosystem and supportive regulatory framework have catalyzed financial inclusivity for SMEs. Initiatives like the Monetary Authority of Singapore's Financial Sector Technology and Innovation scheme provide funding and regulatory support to fintech startups, fostering innovation in financial services and expanding access to SME financing solutions (Yasin et al., 2020). Furthermore, the government's efforts to promote digital literacy and entrepreneurship through initiatives like SkillsFuture have empowered SME owners to leverage technology effectively for business growth and financial management (Ajayi & Ross, 2020).

1.1.2 Regional Perspective of Financial Inclusivity Enablers

Fomum and Opperman (2023) explored the relationship between SMEs' performance and financial inclusion in Eswatini. With a population of 1.2 million, the small landlocked country of Eswatini is home to around 59,283 SMEs, or 10% of the total population, as per the report. Over sixteen percent of the working-age population is employed by SMEs Both FinMark Trust and UN Capital Development Fund have pointed out the importance of this industry in reducing the country's high young unemployment, rising poverty rates, and income inequality. Similar to an auditor, the Kingdom of Eswatini has implemented many programs to encourage the development of a long-term, lucrative SME sector. Establishing a policy framework for SME financial inclusion in 2004 and revising it in 2009 to encourage the growth of the SME sector are all part of these efforts. Because of these factors, Eswatini is an interesting case study for learning how policies promoting financial inclusion might create conditions favorable to firm growth, especially in the SME sector. A further dearth of studies examining the effects of financial inclusion on SMEs' productivity is also worth noting. Furthermore, despite initiatives to foster its expansion, the SME sector has underwhelming results in eliminating poverty, increasing employment opportunities, and tackling income inequality.

Research by Sajuyigbe et al. (2020) set out to determine how financial inclusion and literacy affected the output of small firms in Southwest Nigeria. Findings stress the significance of inclusivity and financial literacy as success factors for small businesses. There was a robust and statistically significant relationship between financial literacy and inclusion. It was found that the majority of business owners lack a solid understanding of basic financial principles such as managing working capital, maintaining accurate accounting records, generating revenue statements, reconciling cash on a daily basis, creating a cash budget, and maintaining internal control over cash. Moreover, micro-insurance plan services, business bank loans, hire purchase finance, emergency loans, and micro-financing are all out of reach for many small startups.

Examining the WBES dataset, it becomes evident that credit access potential in Africa's financial markets is hindered by factors such as collateral security and its value, as well as gender biases (Mpaata et al., 2020). As a result, SMEs have a lower perception of their chances of getting credit for their business needs. A survey with 13,783 SMEs from 41 African nations found that the inclination to request for loans also drops. Simba et al. (2024) provide some insightful discoveries that will benefit the study of SME finance and entrepreneurship.

Financial inclusivity and SME success are crucial to African economic growth and development, according to Fanta and Mutsonziwa (2021). By 2020, the Central Bank of Nigeria's National Financial Inclusion Strategy (NFIS) aims to reduce the number of adult Nigerians without financial services to 20%. With initiatives like the Agent Banking Framework and the Shared Agent Network Expansion Facility (SANEF), the NFIS aims to enhance financial service accessibility in rural and underserved areas, which are home to numerous SMEs. Through the implementation of measures such as expanding banking infrastructure and promoting digital financial solutions, there is an anticipation that the performance and sustainability of SMEs in Nigeria will be improved (Mutsonziwa & Fanta, 2021).

According to Ojonta and Ogbuabor (2021), there is a wide variety of programs in South Africa's financial inclusion landscape that target the specific problems that SMEs encounter. For example, the National Small Business Act lays out a set of guidelines for how government agencies might help small firms thrive by expanding their access to capital, expanding their reach in target markets, and enhancing their employees' knowledge and abilities. Increasing access to financial services for historically disadvantaged individuals and SMEs is one of the goals of the Financial Sector Code, which is part of the South African Reserve Bank's effort to promote B-BBEE (Alumasa & Muathe, 2021).

Policies and programs in Ghana that promote digital financial solutions and provide access to banking services have strengthened efforts to increase financial inclusion (Simba et al., 2024). Marginalized groups, such as women, youth, and rural populations, are the primary focus of the NFIDS in its efforts to increase access to financial services (Vijayalakshmi & Jayalakshmi, 2022). Ghana is working to increase financial literacy and provide SMEs with access to a wider range of financial goods and services through the use of mobile banking platforms like Agent Banking and Mobile Money (Thathsarani & Jianguo, 2022).

According to Beloke et al. (2021), the government of Ethiopia has focused on financial inclusivity is reflected in initiatives such as the National Financial Inclusion Strategy and the Growth and Transformation Plan (GTP). These frameworks aim to promote financial access and inclusion for SMEs, particularly in rural and agricultural sectors, through the establishment of microfinance institutions and the expansion of mobile banking services. By providing SMEs with access to credit, savings, and insurance products, Ethiopia seeks to stimulate entrepreneurship, job creation, and poverty reduction, thereby driving inclusive economic growth (Buyinza & Bbaale, 2023).

Tanzania’s efforts to promote financial inclusivity and support SMEs are guided by the National Financial Inclusion Framework (NFIF) and the National Microfinance Policy (Harun et al., 2021). These policies prioritize expanding access to financial services for underserved populations, including women, rural communities, and smallholder farmers. Through initiatives such as the Tanzania Agricultural Development Bank's SME lending program and the establishment of Savings and Credit Cooperatives (SACCOs), Tanzania aims to address the financing needs of SMEs and facilitate their growth and sustainability (Yasin et al., 2020).

In Uganda, the government's commitment to financial inclusivity is evident in initiatives such as the NFIS and the Microfinance and Development Fund. These initiatives aim to promote access to finance for SMEs, particularly in rural areas, through the provision of microloans, training and capacity-building support (Buyinza & Bbaale, 2023). By partnering with financial institutions and microfinance institutions, Uganda seeks to improve the availability and affordability of financial services for SMEs, thereby enhancing their performance and contribution to economic development (Seraj et al., 2022).

Rwanda's financial inclusivity efforts are anchored in the NFIS and the National SME Development Policy. These policies prioritize increasing access to financial services for SMEs, particularly women-owned businesses and those operating in rural areas (Mpaata et al., 2020). Through initiatives such as the Business Development Fund (BDF) and the Women's Guarantee Fund, Rwanda aims to address the financing constraints faced by SMEs and promote their growth and competitiveness in domestic and international markets (Ajayi & Ross, 2020).

Tole and Koori (2020) asserts that the commitment of Senegal's government to financial inclusivity is reflected in initiatives such as the NFIS and the Support Program for Microfinance and SMEs (PAPEM). These initiatives aim to expand access to financial services for SMEs, particularly in rural areas, through the provision of credit, savings, and insurance products. By partnering with financial institutions and microfinance institutions, Senegal seeks to address the financing needs of SMEs and support their growth and development (Sajuyigbe et al., 2020).

In Zambia, efforts to promote financial inclusivity and support SMEs are guided by the National Financial Inclusion Strategy (NFIS) and the National SME Policy (Thathsarani & Jianguo, 2022). These frameworks prioritize increasing access to finance for SMEs, particularly in rural areas, through initiatives such as the Zambia Development Agency's SME financing program and the establishment of SME-focused financial institutions. By improving access to credit, training, and market linkages, Zambia aims to stimulate entrepreneurship and innovation among SMEs, thereby driving inclusive economic growth and poverty reduction (Agyekum et al., 2022).

1.1.3 Local Perspective of Financial Inclusivity Enablers

The purpose of the study by Pyoko et al. (2023) was to investigate how financial inclusion of Kenyan SMEs was impacted by mobile phone technology, agency banking services, and internet banking. Researchers in Kenya found that the use of mobile phones and agency banking services did not significantly improve the financial inclusion of SMEs. The research concluded that SMEs in Kenya benefited greatly from access to internet banking services when it came to financial inclusion. Based on the study's findings, company managers should make the most of internet banking by investigating all of its features. Since online banking helps make financial services more accessible, which boosts financial inclusion, the government should back and develop it. Through the use of alternative research methods, future studies may assess the impact of mobile phone technology and agency banking services on the financial inclusion of SMEs in Kenya.

Mobile money services, especially M-Pesa, have played an integral role in Kenya's local view of financial inclusion enablers and SMEs' success. Since its 2007 launch by Safaricom, M-Pesa has changed the way millions of Kenyans, particularly owners SMEs, have access to low-cost and easy-to-use financial services (Muthaura, 2021). M-Pesa's capacity to enable mobile phone payments, savings, and microloans has been a tremendous boon to SMEs, who are frequently involved in the informal economy and do not have access to conventional banking infrastructure. This has greatly expanded access to banking services for SMEs in Kenya, helping them to bypass obstacles including high costs, lengthy application processes, and physical distance (Orore, 2022).

There are a number of reasons why mobile money has been so successful in Kenya. These include the high rate of mobile phone adoption, creative business models, and legislative frameworks that are helpful to the industry. With more than 90% of individuals in Kenya having a mobile phone, M-Pesa was able to tap into a huge market that was ready for low and easy financial services. SMEs were able to access a variety of financial products and services that were specifically designed to meet their needs because to Safaricom's strategic collaborations with banks and other financial institutions (Waihenya, 2022). Mobile money services have grown and are here to stay in Kenya thanks to the country's progressive policies and the cooperation between public and private entities (Orore, 2022). This has helped SMEs get access to financial services.

MFIs and SACCOs are two more financial inclusion facilitators for SMEs in Kenya, alongside mobile money. For SMEs, these institutions are lifelines; conventional banks might be hard to reach in underserved and rural regions (Osabohien et al., 2022). Credit, savings, and insurance are only some of the services that microfinance institutions and

SACCOs provide to SMEs. These institutions have become key drivers of SME development and growth in Kenya by using localized service delivery strategies and adopting flexible lending criteria (Buyinza & Bbaale, 2023).

Startups in the financial technology space that target SMEs have flourished in Kenya thanks to the country's hospitable regulatory climate. Introduced in 2018, the regulatory sandbox framework by the Central Bank of Kenya fosters innovation in the financial technology sector by giving companies a safe space to try out new products and services (Yasin et al., 2020). Digital lending platforms, invoice financing, and supply chain finance are some of the new solutions that have emerged as a result of this need to meet the specific requirements of SMEs. Fintech firms in Kenya are using data analytics and technology to help small and medium-sized enterprises (SMEs) operate better (Ndirangu & Kimani, 2022).

Several programs, such as those that foster entrepreneurship, provide access to markets, and strengthen capacity, have been put in place by the Kenyan government to help SMEs become financially inclusive (Wairimu, 2020). For example, according to Ojonta and Ogbuabor (2021), the YEDF helps young people launch and expand their firms by providing them with funding and business training. Similarly, the WEF acknowledges the significant role women play in driving economic growth and development in Kenya by focusing on providing non-financial and financial support to SMEs controlled by women (Ajayi & Ross, 2020).

1.1.4 SMEs in Uasin-Gishu County

Uasin Gishu County is located in Kenya's Rift Valley and has a diverse economy that is driven by livestock farming, retail sales, and SMEs. According to Wairimu (2020), SMEs are vital to the county's economy since they generate employment opportunities and tax money. An abundance of agro-dealers, food processors, and small-scale farmers make up the agriculture sector, which has long been acknowledged as the county's economic backbone (Ajayi & Ross, 2020). The significant contributions of these SMEs to the value chain encourage innovation, boost productivity, and ensure food security for both local and national markets (Mojambo et al., 2020).

Eldoret and other major towns in Uasin Gishu rely heavily on trade and commerce as much as they do on agriculture. Retailers, wholesalers, transportation providers, and logistics firms all make their homes in this thriving ecosystem of small and medium-sized enterprises (Ndirangu & Kimani, 2022). Not only do these businesses meet the requirements of the locals, but they also play a crucial role in regional trade networks, allowing commodities and services to move beyond county lines (Mwaiwa et al., 2022). In addition, SMEs have a great chance of success in Uasin Gishu County's expanding industrial sector, particularly in the food processing, textile, and building materials industries. Value addition is greatly aided by small-scale producers, who turn raw materials into completed commodities. This boosts the county's industrial capacity and generates job possibilities. Ndungo et al. (2023) highlights how SMEs may react to changing market dynamics and consumer preferences by diversifying their economic basis.

Despite having a significant effect on the regional economy, SMEs in Uasin Gishu County encounter a number of challenges that impede their growth. Competition in the market is heating up, and there is a lack of infrastructure, bureaucracy, and money (Yasin et al., 2020). The county government, development organizations, banks, and enterprises all need to collaborate to have these problems solved. By establishing a conducive environment with simplified laws, improved infrastructure, and more access to financing, Uasin Gishu County can fully use SME sector, resulting in long-term economic growth and shared prosperity for all residents (Wanyonyi & Ngaba, 2021).

1.2 Statement of the Problem

Seven point four million SMEs were counted in Kenya in the National Economic Surveyin 2022. A whopping 98% of SMEs are actually micro-enterprises, meaning they have ten workers or less. A mere 0.2% of all SMEs are median enterprises. Obtaining licenses, registering with registrar businesses, and following with legislative duties for taxes, social security, and labor rules are all steps toward formalization that SMEs can take in order to get access to services and markets. The SMEs sector accounts for 24% of Kenya's GDP, with microenterprises accounting for 12% and small companies for 11%. People with disabilities, young people, and females predominate in this field.

Results from the SME Tracker Survey showed that by June of 2023, 73% of the SMEs that were active in 2021 were still going strong. Nevertheless, there appears to be some pressure on particularly susceptible groups, such women and rural companies, according to changes in demography. The number of active companies owned by women fell from 74% in October 2022 to 70% in June 2023, while the number of active enterprises in rural areas fell from 72% to 69%. There was an increase from 40% in October 2022 to 59% in the percentage of closed firms that stated they attempted to raise finance before shutting, with 46% citing a shortage of operating capital and 24% citing decreased consumer demand as major factors. While 80% of Kenyan SMEs had modest development, 20% of those same enterprises couldn't pay their operating costs.

Alumasa and Muathe (2021) explored the impact of mobile financing on SMEs in Kenya, finding new ways to access cash. Buchdadi et al. (2020) investigated the effect of financial literacy on SME performance, paying special attention to the moderating effects of attitudes towards financial risk and access to finance. Their findings may provide light on the function of knowledge in financial inclusion. The correlation between Malaysian SMEs' performance, loan availability, and tax structure was compared by Cheong et al. (2020). In their study of agro-based enterprises' access to and performance in the Niger Delta credit market, Essien and Arene (2023) highlighted regional variations and sector-specific challenges. Fomum and Opperman (2023) focused on financial inclusion and the performance of SMEs in Eswatini to offer viable examples and lessons for similar circumstances. Financial literacy and saving habits were examined in depth by Mpaata et al. (2020) in their study of SME owners in Kampala, Uganda. The findings shed light on individuals' financial behaviors. The impact of financial literacy and inclusion on small-scale firms in southwest Nigeria was examined by Sajuyigbe et al. (2020) to gain a better understanding of cultural and regional disparities. To address this knowledge vacuum, this study sought to contribute to the existing body of literature as well as actual governmental initiatives by offering a sophisticated analysis that takes into account both local dynamics and larger regional patterns.

1.3 Research Objectives

This study was guided by the following general and specific objectives:

1.3.1 General Objective

To establish the effect of financial inclusivity enablers on performance of small medium enterprises in uasin-gishu county.

1.3.2 Specific Objectives

The specific objectives included:

i. To determine the effect of digital financial services on performance of small medium enterprises in Uasin-Gishu County.

ii. To examine the effect of credit access on performance of small medium enterprises in Uasin-Gishu County.

iii. To assess the effect of financial literacy programs on performance of small medium enterprises in Uasin-Gishu County.

iv. To assess the effect of agent banking on performance of small medium enterprises in Uasin-Gishu County.

1.4 Hypotheses of the study

The study was guided by the following hypotheses.

H_{01}: Digital financial services have no statistically significant effect on performance of small medium enterprises in Uasin-Gishu County.

H_{02}: Credit access has no statistically significant effect on performance of small medium enterprises in Uasin-Gishu County.

H_{03}: Financial literacy programs have no statistically significant effect on performance of small medium enterprises in Uasin-Gishu County.

H_{04}: Agent banking has no statistically significant effect on performance of small medium enterprises in Uasin-Gishu County.

1.5 Significance of the Study

Overall, the study had the potential to inform policy decisions, empower local SMEs, promote socio-economic development, attract investment, and advance scholarly understanding of the relationship between financial inclusivity and SME performance in Uasin-Gishu County.

1.5.1 Policy Makers

Any policy that helps SMEs expand is welcome news for the Kenyan government, which views them as a vital engine of economic growth, poverty reduction, job creation, and GDP contribution. This study aimed to shed light on the impact of financial inclusion enablers on the performance of SMEs in Uasin Gishu County. Its findings hopefully informed policy makers in this area. In order to overcome obstacles that hinder the performance of SMEs, it was useful to establish policies that promote financial inclusion enablers. For several reasons, including but not limited to: increasing national income, creating quality jobs in SMEs, achieving Vision 2030, and distributing national wealth fairly, this might be the first step toward a more financially inclusive culture among the country's SMEs.

1.5.2 SMEs

SMEs play a crucial role in driving economic growth and job creation, particularly in developing regions like Uasin-Gishu County. Investigating how financial inclusivity influences SME performance could empower entrepreneurs by equipping them with the knowledge needed to leverage financial services effectively to grow their businesses.

1.5.3 Investors

Findings from the study could attract investment to Uasin-Gishu County by demonstrating the potential for SME growth and profitability in the region. Investors, including financial institutions and venture capitalists, may be more inclined to allocate resources to areas where there is evidence of a supportive financial ecosystem that fosters SME success.

1.5.4 Researchers and Academicians

The study can contribute to the existing body of knowledge on financial inclusivity and SME development by offering empirical evidence specific to Uasin-Gishu County. This would enrich academic discourse and serve as a reference point for future research endeavors exploring similar topics in other regions or contexts.

1.6 Scope of the Study

This research looked at SMEs in Uasin-Gishu county to see how financial inclusion enablers affected their performance. Uasin-Gishu county SMEs with fewer than 20 workers were selected for the sample from the Revenue Department's database of single business permits. The decision to investigate these financial inclusion facilitators was based on the understanding that SMEs are an important part of the economy, making substantial contributions to the creation of jobs, income, and total economic production. Within the unique context of Uasin-Gishu County, this study aimed to explicate the influence of financial inclusiveness enablers on SME performance. These enablers include digital financial services, credit access, financial literacy initiatives, and agent banking. Among the SMEs that were being studied, the researcher chose one responder who may be the owner, manager, or entrepreneur. Specifically, the research ran from April 2024 to June 2024. Similarly, the scope was constrained to the variables specified by the study's goals.

1.7 Limitations of the Study

Some participants were worried about having their identities exposed, which was one of the study's shortcomings. In order to guarantee that participants were honest, their identities were revealed. Limitations due to the participants' hectic schedules or physically demanding employment persisted. The researcher prolonged the duration of data collecting to ensure sufficient time. All the meantime, the people were under close observation.

It was presumed that the participants were worried about the amount of details they were required to disclose without prejudice because they had consistently displayed anxiety and caution around the investigator. These issues were addressed by include the necessary guarantees in the reply and referring to the communication from Kenya Methodist University. Concerns arose due to the sensitive nature of the topic of secrecy. Still, the researcher made sure the subjects knew their data would only be utilized for the specified purpose.

1.8 Assumptions of the Study

The study operated on the assumption that respondents would be honest in their responses about how different financial inclusivity enablers impacted the bottom line of SMEs in

Uasin-Gishu County. This meant that the study relied on the integrity and candor of the participants to ensure the accuracy and reliability of the data collected. Trusting that the respondents would provide truthful and accurate information was crucial because any false or misleading responses could have distorted the study's findings, leading to incorrect conclusions about the role of financial inclusivity in SME performance.

Additionally, the study assumed that all necessary approvals, such as the authorization for data collection from the respective SMEs, would be obtained smoothly and without any significant delays. This implied that the researcher expected a cooperative environment where permissions would be granted promptly, allowing the study to proceed according to schedule without administrative or procedural hindrances. The timely acquisition of these authorizations was vital for maintaining the research timeline and ensuring that data collection was conducted within the planned period.

In essence, the success of the study hinged on two critical assumptions: honest reporting by respondents and timely authorization for data collection. Honest reporting by participants was fundamental to the integrity of the research, as it ensured that the data reflected the true impact of financial inclusivity enablers on SME performance. Similarly, the prompt granting of necessary approvals was essential for the efficient execution of the research process, preventing any delays that could have disrupted the study's progression. These assumptions were crucial because any deviation such as respondents providing inaccurate information or delays in obtaining authorizations could have compromised the validity and reliability of the study's findings. Thus, the study's design and implementation were built on the expectation of a transparent and supportive research environment.

1.9 Operational Definition of Terms

The thesis was based on the following basic terms as defined.

Agent Banking:	An alternative to brick-and-mortar bank branches that enables financial institutions to provide their services to clients through intermediaries.
Credit Access:	The ability of individuals or businesses to obtain loans or credit from financial institutions or other lenders.
Digital Financial Services:	Financial services such as banking, payments, savings, loans, insurance, and investments are now being delivered digitally.
Financial Access:	The availability of various financial services and products that cater to the requirements of people, households, and corporations.
Financial Inclusivity Enablers:	Factors, strategies or tools that promote and facilitate access to financial services for underserved or marginalized populations.
Financial Inclusion:	The process of providing effective, inexpensive, and ethical financial goods and services to consumers and companies, especially underprivileged ones.

Performance of SMEs: Effectiveness and efficiency with which SMEs achieve their business objectives and goals (Rakhmawati & Nizar, 2023).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covered theoretical framework, conceptual framework, empirical literature review and explanation of variables.

2.2 Theoretical Framework

This section explored the various theories related to digital financial services. These theories are the diffusion of innovation theory, credit rationing theory, dynamic capabilities theory and institutional theory.

2.2.1 The Diffusion of Innovation Theory

To shed light on the social systemic dissemination of new ideas, goods, and technology, Sajuyigbe et al. (2020) utilize Everett Rogers's 1962 Diffusion of Innovation Theory as a basic framework. This theory proposes that the rate of acceptance of new technologies follows a normal distribution, with the first stage consisting of trailblazers and early adopters and the subsequent stages include the early majority, late majority, and laggards. According to Thomas (2023), this theory delves into the complexities of how DFS affect SMEs and how successful these DFS are.

SMEs that are innovative and quick to adapt new technologies are likely to readily accept DFS. These firms are distinguished by their inclination to undertake risks and explore novel technologies (Wu & Huang, 2022). Wu & Huang (2022) conducted study that revealed a positive correlation between proactive attitudes towards technology adoption in SMEs and the efficient integration of DFS into their operations. By adopting DFS at an early stage, these SMEs obtain a competitive edge by utilizing cutting-edge financial tools to enhance efficiency and decision-making.

Diffusion of Innovation Theory describes two distinct majority groups, the early adopters and the late adopters, and how they influence the diffusion process. SMEs follow this pattern. The early majority of SMEs begin to utilize DFS as they become more established and proven (Simba et al., 2021). For SMEs to embrace and use DFS on a large scale, this phase is essential. Most SMEs adopt due to perceived relative benefit and simplicity of use, according to research by Kim et al. (2020). The use of DFS by SMEs has a multiplicative effect on network effects, which in turn boosts performance and increases market penetration (Wu & Huang, 2022).

According to Sajuyigbe et al. (2020), the theory suggests that certain factors influence the rate of adoption and diffusion of innovations among SMEs. Thathsarani and Jianguo (2022) identified factors such as compatibility, complexity, trialability, and observability as critical determinants of adoption. In the case of DFS, compatibility with existing financial practices, ease of use and tangible benefits in terms of cost reduction and access to capital play significant roles. SMEs are more likely to adopt DFS when these factors align with their specific needs and capabilities.

The diffusion of digital financial services among SMEs is facilitated by various channels of communication and social networks. Waihenya (2022) highlighted the role of interpersonal networks and opinion leaders in influencing adoption decisions. In the context of SMEs, peer recommendations and success stories of early adopters can significantly impact the diffusion process. Gupta et al. (2022) observed the magnitude of social networks in disseminating information and reducing perceived risk associated with adopting DFS among SMEs.

The diffusion of digital financial services among SMEs is not uniform across different contexts and industries. Orore (2022) acknowledged the role of contextual factors such as regulatory environment, market conditions, and organizational characteristics in shaping the diffusion process. For instance, SMEs operating in highly regulated industries may face barriers to adopting DFS due to compliance requirements and security concerns. Understanding these contextual factors is crucial for designing effective strategies to promote DFS adoption among SMEs.

According to Pyoko et al. (2023), the Diffusion of Innovation Theory suggests that the rate of adoption tends to accelerate as innovations reach critical mass and become normative within a social system. In the context of DFS and SMEs, this implies that once a significant proportion of SMEs adopt digital financial services, the remaining firms are more likely to follow suit due to social pressure and the need to stay competitive. This phenomenon, known as the tipping point, underscores the importance of early adoption efforts in driving widespread adoption of DFS among SMEs. Beloke et al. (2021) opined that the theory emphasizes the role of innovation champions and change agents in facilitating the diffusion process. These individuals within SMEs play a vital part in supporting the adoption of DFS. By championing the benefits of DFS and providing guidance and support to their peers, these change agents can accelerate the diffusion process and overcome resistance to change within SMEs (Luo et al., 2021).

Diffusion of innovation theory augurs well with the first variable which is DFS. The diffusion DFS among SMEs has implications for their performance and competitiveness.

Research by Agarwal et al. (2022) suggests that firms that adopt innovations early tend to be more successful than their competitors in terms of output, revenue, and market penetration. Similarly, SMEs that embrace DFS are likely to experience improvements in financial management, access to credit, and operational efficiency, leading to enhanced performance and sustainability in the long run.

2.2.2 Credit Rationing Theory

The dynamics of SME loan availability can be better understood by looking at the 1981 credit rationing proposal by Joseph Stiglitz and Andrew Weiss. Despite the potential they have to contribute to economic development, SMEs sometimes have trouble acquiring enough finance to sustain their operations and growth goals (Alumasa & Muathe, 2021). One possible explanation for this phenomena is the credit rationing hypothesis, which states that there are moral hazard issues and knowledge asymmetries in the lending market (Tole & Koori, 2020).

When it comes to obtaining loans, information asymmetry is a major factor for SMEs. Lenders may be hesitant to take chances on small enterprises due to a lack of information on their creditworthiness and viability (Fanta & Mutsonziwa, 2021). Lenders may become more wary of lending to SMEs or increase interest rates to cover the potential losses if they offer too much credit. Because of this wariness, SMEs are unable to get the loans they need to run their businesses and grow (Alumasa & Muathe, 2021).

According to Mpaata et al. (2020), the presence of moral hazard exacerbates the challenges of credit access for SMEs. Lenders may be concerned that SME borrowers, once granted credit, could engage in risky behavior or misallocate funds, thereby increasing the likelihood of default. In response to this perceived risk, lenders may ration credit to SMEs by imposing stricter terms and conditions, such as requiring higher collateral or imposing tighter monitoring mechanisms (Alumasa & Muathe, 2021). These actions reflect the underlying principles of credit rationing theory, whereby lenders adjust their lending practices to mitigate the adverse effects of moral hazard on credit outcomes (Ndirangu & Kimani, 2022).

The concept of credit rationing also sheds light on the role of market imperfections in constraining credit access for SMEs. In many cases, SMEs operate in environments characterized by underdeveloped financial markets and limited access to formal credit sources (Alumasa & Muathe, 2021). This results in a situation where SMEs face difficulty in obtaining credit at reasonable terms, as lenders may perceive them to be riskier investments compared to larger, more established firms. Consequently, SMEs are subjected to credit rationing, wherein they are unable to secure the financing needed to sustain and expand their business activities (Ojonta & Ogbuabor, 2021).

According to Wairimu (2020), credit rationing theory underscores the importance of institutional factors in shaping credit access for SMEs. Regulatory frameworks, banking regulations, and government policies can significantly influence the availability and cost of credit for SMES. For instance, stringent regulatory requirements or bureaucratic hurdles may deter lenders from extending credit to SMEs, thereby exacerbating credit rationing in these segments of the market. Similarly, the absence of supportive policies or financial infrastructure may further limit SMEs' access to credit, perpetuating their credit-constrained status (Buyinza & Bbaale, 2023).

Behavioral economics perspectives offer valuable insights into the credit access challenges faced by SMEs. Behavioral biases and heuristics may influence lenders' perceptions of SME creditworthiness, leading to suboptimal lending decisions (Sajuyigbe et al., 2020). For example, lenders may exhibit overconfidence bias, wherein they underestimate the risks associated with lending to SMEs, leading to excessive credit rationing or unfavorable lending terms. By considering these behavioral factors, credit rationing theory provides a comprehensive framework for understanding the complexities of credit access for SMEs and the underlying mechanisms driving lending decisions. (Ndirangu & Kimani, 2022).

Spatial factors also influence credit access for SMEs, with geographic location serving as a determinant of credit availability and terms. SMEs located in remote or underserved areas may encounter difficulties in accessing formal credit sources, as financial institutions may be reluctant to operate in these regions due to higher transaction costs or perceived risks (Risman et al., 2021). Consequently, SMEs in such areas may experience heightened levels of credit rationing, as they struggle to secure the financing needed to support their business activities and investment projects. This spatial dimension of credit rationing underscores the need for targeted interventions to improve financial inclusion and accessibility for SMEs operating in marginalized regions (Pashkov & Pelykh, 2021).

In conclusion, credit rationing theory provides a comprehensive framework for understanding the challenges of credit access faced by SMEs. By highlighting the role of information asymmetries, moral hazard, market imperfections, institutional factors, behavioral biases, income distribution dynamics, and spatial factors, credit rationing theory offers valuable insights into the mechanisms driving credit rationing in SME markets. In order to promote equitable loan access and help SMEs expand and flourish, which contributes to greater economic prosperity and social welfare, it is vital to address these fundamental causes.

2.2.3 Dynamic Capability Theory

Sajuyigbe et al. (2020) describe the social systemic diffusion of fresh ideas, products, and technology by utilizing Everett Rogers's 1962 Diffusion of Innovation Theory. This theory proposes that the rate of adoption of new technologies follows a bell-shaped distribution, with the most progressive and quick to embrace new ideas at the very top and the rest of the population falling into the early majority, late majority, and laggard categories. Regarding DFS and its consequences on SMEs, this theory elucidates the dynamics of performance and acceptability (Thomas, 2023).

SMEs can enhance their capacity for rapid adaptation by participating in financial literacy programs. These programs help SMEs to improve their financial literacy, which in turn helps them to better understand their financial situations, evaluate risks, and find development and innovation possibilities (Alumasa & Muathe, 2021). The power to perceive and capitalize on possibilities is just one component of dynamic capacities, which also include the ability to alter current resources and habits (Fanta and Mutsonziwa, 2021). By teaching SMEs how to handle their money and adjust to new market circumstances, financial literacy programs make this transition easier (Ndirangu & Kimani, 2022).

A critical component of dynamic capacities, financial literacy training help SMEs enhance their absorptive ability. According to Ndirangu and Kimani (2022), an organization's capacity to absorb new information is defined as its ability to identify valuable information, incorporate it into existing knowledge structures, and use it for commercial purposes. By providing SMEs with access to financial education and training, these programs enable them to acquire and internalize external knowledge related to financial management practices, regulatory requirements, and market trends. As a result, SMEs become more adept at leveraging external resources and expertise to enhance their competitiveness and performance (Risman et al., 2021).

Financial literacy programs promote strategic agility within SMEs, enabling them to respond effectively to competitive threats and market disruptions. To adapt to shifting market conditions, businesses need to be nimble and adaptable, according to dynamic capabilities theory (Buyinza & Bbaale, 2023). By equipping SMEs with the necessary financial knowledge and skills, these programs enable them to make timely and informed strategic decisions, such as reallocating resources, diversifying product offerings, or entering new markets. This strategic agility enhances SMEs' resilience to external shocks and enhances their ability to sustain competitive advantage over time (Risman et al., 2021).

Financial literacy programs can facilitate organizational learning and knowledge sharing within SMEs, which are essential for building dynamic capabilities. Ajayi and Ross (2020) argue that dynamic capabilities are embedded in the collective knowledge and expertise of individuals within organizations. By providing SMEs with opportunities for peer learning, mentorship, and collaboration, these programs enable them to leverage their internal resources and capabilities more effectively (Bapat, 2022). This collective learning process enables SMEs to adapt more quickly to changing market conditions and identify new business opportunities, thereby enhancing their competitive advantage in the long term (Fanta & Mutsonziwa, 2021).

Financial literacy programs can enhance SMEs' ability to recognize and exploit latent market opportunities, a critical aspect of dynamic capabilities. Bapat (2022) emphasize the importance of entrepreneurial vision and foresight in enabling firms to identify and capitalize on emerging market trends and opportunities. By equipping SMEs with the necessary financial knowledge and analytical skills, these programs enable them to assess market demand, evaluate potential risks, and develop innovative business models. This entrepreneurial orientation enables SMEs to seize new market opportunities and gain a first-mover advantage, thereby enhancing their competitive position in the marketplace (Yasin et al., 2020).

Lastly, the idea of dynamic capacities offers a helpful foundation for comprehending how financial literacy programs can enhance the performance of SMEs. By developing absorptive capacity, fostering a culture of learning and innovation, promoting strategic agility, facilitating organizational learning and knowledge sharing, enabling the recognition and exploitation of latent market opportunities, and facilitating strategic partnerships and alliances, these programs enable SMEs to build the dynamic capabilities necessary to thrive in today's rapidly changing business environment. Through continuous investment in financial education and training, policymakers and practitioners can help SMEs unlock their maximum capabilities and contribute to sustainable economic growth and development.

2.2.4 Institutional Theory

Scott (1995), Meyer and Rowan (1977) are all well-known names in the area of institutional theory. There is a broader institutional context in which organizations function, according to their theory. The procedures, policies, and standards that make up this setting influence the way an organization operates and the results it achieves. Institutional theory offers a framework for comprehending the ways in which the institutional setting impacts the acceptance and efficacy of agent banking services within the framework of agent banking (Bapat, 2022).

One new development in the banking industry is agent banking, which tries to reach those who don't normally have access to banking services. Institutional theory states that the institutional setting affects the spread and adoption of new ideas (Bapat, 2022). When it comes to agent banking, the level of adoption and use by SMEs is greatly influenced by the legal environment, government regulations, and industry conventions. More small and medium-sized enterprises (SMEs) will have access to financial services if regulatory incentives and clear standards motivate banks to invest in agent banking networks (Fanta & Mutsonziwa, 2021).

Institutional Theory emphasizes the importance of legitimacy in organizational practices. For SMEs considering whether to engage with agent banking services, the perceived legitimacy of these services within the broader institutional context is crucial (Ndirangu & Kimani, 2022). If agent banking is viewed as a legitimate and endorsed practice by regulatory authorities, industry associations, and other stakeholders, SMEs are more likely to trust and adopt these services. This legitimacy can enhance the perceived reliability and credibility of agent banking, thus facilitating its adoption by SMEs seeking financial services (Fanta & Mutsonziwa, 2021).

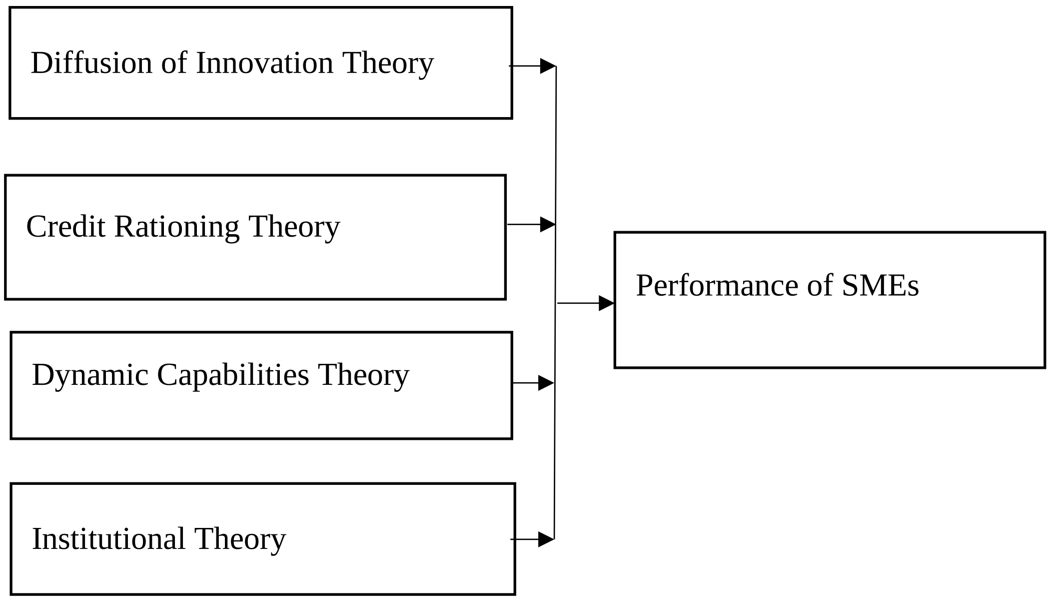
Institutional Theory underscores the role of institutional isomorphism, whereby organizations mimic the structures, processes, and practices of others in their institutional environment to gain legitimacy and acceptance (Wanyonyi & Ngaba, 2021). SMEs may be more inclined to adopt these services if they observe other firms within their industry or locality successfully utilizing agent banking for their financial needs. This process of mimetic isomorphism can contribute to the diffusion of agent banking services among SMEs, thereby influencing their performance (Buyinza & Bbaale, 2023).

Institutional Theory emphasizes the role of institutional logics, which are underlying beliefs, values, and norms that guide organizational behavior. In the context of agent banking, different stakeholders may subscribe to distinct institutional logics regarding the provision of financial services (Fanta & Mutsonziwa, 2021). For example, traditional banks may prioritize profit maximization and risk management, while development agencies may prioritize financial inclusion and social welfare (Anshika & Singla, 2022). The convergence or divergence of these institutional logics can shape the design and implementation of agent banking initiatives, influencing their effectiveness in serving the needs of SMEs (Buyinza & Bbaale, 2023).

To sum up, the connection between agent banking and SMEs' performance may be better understood via the prism of institutional theory. By examining the institutional context, legitimacy, isomorphism, entrepreneurship, logics, pressures, uncertainty, and path dependence, this theoretical framework elucidates the mechanisms through which agent banking initiatives are adopted, implemented, and experienced by SMEs. Recognizing the multifaceted nature of institutional influences can inform policymakers, financial institutions, and SMEs themselves in leveraging agent banking to enhance financial inclusion, stimulate economic growth, and improve the overall performance of SMEs in diverse contexts.

Figure 2.1

Theoretical Framework



Source (Author, 2024)

2.3 Empirical Literature Review

2.3.1 Digital Financial Services and Performance

Listed commercial banks in Nigeria were the focus of an investigation by Isa-Olatinwo et al. (2022), who sought to determine the impact of DFS on their margins. This research involves analyzing banks' earnings-per-share (EPS). The number of transactions processed by ATMs and POS terminals acts as the primary independent variable, partially replacing DFS. The primary goal of the study is to establish a relationship between the two variables. Background information was used in the study. Data for the period 2012–2020 was gathered from the targeted banks' annual reports as well as the CBN. Data analysis in the study made use of both descriptive and inferential statistics. According to the research, DFS has a small but noticeable effect on the EPS of Nigerian national banks. Thus, DFS helps banks succeed financially. In conclusion, the proliferation of online banking has increased banking sector efficiency by lowering transaction costs and increasing product accessibility. Hence, the study's findings suggest that commercial banks may boost their bottom lines by putting an emphasis on digital banking.

Wadesango and Magaya (2020) conducted research to determine how the use of internet banking affects the efficiency of commercial banks in Zimbabwe. In order to achieve this goal, the research endeavored to investigate the financial performance of commercial banks in Zimbabwe following the implementation of digital banking services. For the purpose of the study, a quantitative method was chosen. The population that was meant to be studied consisted of a single commercial bank. The use of a data collecting sheet allowed for the collection of information. The Pearson correlation coefficient is a statistical tool that might be utilized to provide a more accurate evaluation of the influence that internet banking has on the bottom lines of participating institutions. Both inferential tests and multiple regression analysis were utilized by the researchers in order to investigate the impact that internet banking had on the ultimate outcomes. The findings of a study revealed that commercial banks in Zimbabwe had an increase in ROA as a consequence of an increase in the number of clients who deposited money online using digital banking systems. Throughout the course of the research project, there was a consistent increase in the proportion of total assets to online bank transactions. The proportion of total assets to expenditures, fees, and commissions associated with information and communication technology (ICT) had been steadily increasing over the past few years.

Digital payment technologies and their impact on the effectiveness of Nigeria's banking industry were the subject of a recent research. World Bank and Central Bank of Nigeria

(CBN) databases were queried to retrieve datasets for the years 2009–2018. After checking the time series for quality with the ADF and Philp-Peron stationarity tests, they used OLS regression. To find out if there was a long-term link, the researchers used the Engle and Granger test for co-integration. The study's rate of correction was calculated using the ECM. The research determines that digital payments which include purchases made at POS terminals, mobile devices, and online platforms have a negative impact on the efficiency of banks in the short and long run. Several aspects connected to the definition of digital payment might affect the effect of digital payment on total cost as a proportion of revenue.

Using data collected from commercial banks in Cameroon, Beloke et al. (2021) assessed how digital financial services affected performance. Based on the research findings, it was observed that the implementation of digital saving, digital withdrawal, and digital transfer services had a significant and favorable impact on the profitability of commercial banks in Cameroon. However, commercial banks experienced a significant reduction in profits with the emergence of digital payments, which accounted for 10% of their revenue. Typically, changes in the usage of digital transfer, savings, withdrawal, and payment services account for 48% of the variations in commercial banks' profitability. In conclusion, commercial banks' bottom lines benefit from digital financial services. The report concluded by advising banking sector policymakers and bank management to diversify revenue streams through robust digital systems and services in order to offset falling profit levels.

Using a sample that included replies from mompreneurs, Malaquias and Malaquias (2022) examined the impact of DFS adoption on satisfaction with company performance. 177

surveys were gathered and included in the database. These questionnaires had complete replies for the issues studied in this article. Findings from a structural equation model and confirmatory factor analysis point to a favorable relationship between attitude toward ICT and DFS adoption. Furthermore, DFS improved satisfaction with business performance, indicating that female entrepreneurs can experience greater satisfaction with their businesses' performance through the utilization of technology for electronic payment processing, account management, and customer electronic payment options.

Wanyonyi and Ngaba (2021) aimed to determine how SACCOs in Kenya's Kakamega County fared financially after implementing digital financial services. The study's stated goal was to analyze SACCOs in Kenya's Kakamega County to find out how digital money transfers, mobile banking, online banking, and credit card usage affected their bottom lines. A descriptive research approach was used in the study. Personnel from the three Kakamega County SACCOs made up the study's population. All 162 participants are current or former employees of SACCOs. Thirty percent of the target population, or 49 individuals, were part of the sample. A fair amount of replies will be distributed among the three SACCOs. The analysis indicated that SACCO financial performance was significantly impacted by the DFS that the SACCO management had introduced.

Since the majority of their clients have signed up for their mobile banking platform and use it for most of their account-related inquiries and updates, it's clear that their mobile banking system is dependable. Considering the study's limitations and its findings, the researcher suggests that SACCOs should improve the sector's dynamics and fully embrace digital banking. This is due to the favorable correlation between digital financial services and bank performance, as well as the fact that e-banking has made banking services more accessible to consumers, which in turn has strengthened the banking industry. Some of the problems with mobile banking include fraud, low transaction speeds, high transaction fees, limits on the amount that may be withdrawn daily, and system delays caused by mobile money transfer providers.

Thathsarani and Jianguo (2022) examined how financial inclusion impacts the efficiency of SMEs. Furthermore, they explored the relationship between digital finance, financial inclusion, and the performance of SMEs, along with the influence of the Technology Acceptance Model (TAM) on this relationship. For this quantitative study, a carefully designed questionnaire was utilized to gather responses from 366 owner-managers of SMEs in Sri Lanka. This is where the study's findings are shared: Several factors influence the likelihood of success for SMEs, such as the total addressable market, digital finance, and financial inclusion. Specifically, digital finance and TAM have a positive impact on the correlation between financial inclusion and performance in SMEs. With a focus on the financial aspect, this study aims to shed light on the strategies for developing and promoting digital financing through the provision of reliable, secure, and affordable services. Having a strong understanding of finance is crucial for effectively embracing and adapting digital financing.

Zhang et al (2023) looked at how R&D investments mediate the link between digital inclusive finance and the financial performance of cultural firms. The study's findings show that cultural businesses' bottom lines can benefit from the expansion of digital inclusive finance, with the impact being most pronounced along the coverage breadth metric. Investment in research and development (R&D) by cultural enterprises also has a mediating influence. The growth of digital inclusive finance has the potential to encourage cultural companies to invest more in research and development, which will help them innovate continuously and improve their financial performance. Third, digital inclusive finance's effect on cultural firms' bottom lines in China shows clear regional differences. There is a statistically insignificant association between digital inclusive finance and the financial success of cultural companies in the western and eastern areas, but a clear correlation in the central and northeastern regions.

Researchers Wu and Huang (2022) looked at how financial restrictions and digital finance affected financial success. The new energy enterprises in China were the primary focus of their investigation. With so many obstacles in the way of investment and funding, it is unclear if digital banking supports China's new energy development objectives. With the use of the generalized moment approach, this study investigates how digital finance and budgetary restrictions affect a business's bottom line. This study uses the digital finance index created by the Peking University Institute of Digital Finance in conjunction with panel data from 157 listed new energy businesses in China. Digital finance may help innovative energy firms improve their financial performance, according to the results. But getting to the same degree of development is really difficult due to budgetary limitations. Budgetary restraints further diminish the relevance of digital finance. Furthermore, a variety of analyses shows the following. The promotion effects of digital money will have a disproportionate influence on small companies and non-state-owned entities. The fact that bigger businesses feel the pinch of budget cuts more acutely is another crucial factor to think about. While shedding light on how digital financing might bolster the expansion of the new energy industry, this research also brings up crucial policy questions.

2.3.2 Credit Access and Performance

Using data on input product stock and finance availability, Ojonta and Ogbuabor (2021) analyzed the performance of non-farm home businesses in Nigeria. Applying multinomial logit regression on the 2018 General Household Survey, this study departs from prior research in its methodology. Finding funding was less of a hassle for non-farm home businesses in cities than in rural locations, according to the data. Credit availability significantly affects the total stock of input supply, even if it might be difficult for non-farmhouse firms in Nigeria to get loans. We proposed, among other things, that loans to non-agricultural firms be thoroughly monitored in order to prevent the disappearance of funds and to increase the profitability of these businesses.

Employing the Average Treatment impact (ATE) and the Average Treatment impact on the Treated (ATT), Mutsonziwa and Fanta (2021) investigated how formal and informal loan availability affected company performance. The data reveals that businesses in Zimbabwe who have access to formal finance do better than their counterparts in the other nations. Firms that use informal credit do worse than those that do not, indicating that informal credit has a value-depleting effect. For that reason, this research set out to add to the conversation by analyzing the Fins cope surveys of 10,830 SMEs within the framework of four SADC emerging nations. Although there is consensus in the research about the relevance of finance to the success and expansion of small businesses, opinions continue to differ on whether formal or informal lending is more crucial to this growth. Previous research has shown that formal credit is crucial for the expansion of enterprises of all sizes, but newer research shows that informal credit is more important for the expansion of small organizations to formal credit.

Looking at 10 of Indonesia's most important provinces for maize production, Alumasa and Muathe (2021) analyzed the effects of official and informal loans on agricultural output and technical efficiency. A quasi-experimental technique, such as propensity score matching (PSM), was used to evaluate data from the Secondary Food Crops Survey conducted by Statistics Indonesia. Preliminary results demonstrate that access to agricultural loans boosts farm output. Compared to more informal sources, productivity and technical efficiency were better enhanced by access to finance from institutions. According to the results of this research, improving access to agricultural loans is an ongoing priority in Indonesia.

A study conducted by Ndungo et al. (2023) looked at how Saccos in Kenya fared financially due to the credit access function. Positive or negative correlations between the variables might be determined by correlation analysis. To determine which factors were significant and to what extent the independent variables affected the dependent variable, regression analysis was deployed. All of the hypothesis testing was done with a basic regression model. Research found a favorable correlation between SACCOs' financial performance and their ability to acquire credit, suggesting that credit reference bureaus may help these organizations out. The implication is that CRBs provide easier access to credit, which in turn increases revenue from interest payments on all loans. Extra modest loans with shorter repayment periods have proliferated thanks to credit reporting agencies. Members were able to have access to credit without worry, and lenders were able to avoid a negative application screening since credit bureaus had it covered.

Research by Osabohien et al. (2022) looked at how loan availability affected agricultural productivity in Nigeria. Researchers drew on time series data from the CBN statistics bulletin and the World Bank's WDI for the study, which covered the years 1998-2018. This research employed the ARDL (Autoregressive Distribution Lag) method. Results showed that loans from commercial banks increased agricultural output by 17.05% and loans from the Agricultural Credit Guarantee Scheme Fund (ACGSF) by 10.30%. Further, agricultural output is often enhanced by 65.51% and 12.40% by the other explanatory variables in the model, which include agricultural employment and arable land, respectively. Based on the findings, farmers should have no trouble getting the loans they need to purchase the agricultural inputs that would increase their harvests.

By analyzing data from the World Bank (2018) enterprise survey in five East African Community (EAC) nations, Buyinza and Bbaale (2023) research aimed to determine what variables affect manufacturing businesses' ability to get loans and how credit restrictions affect such firms' performance. We used a two-step probit model, tobit, basic OLS, and simple probit. Power outages and costs, lack of access to capital, extremely high and unpredictable tax rates, corruption, and macroeconomic instability are the top five most severe restraints that businesses face. Even in the best-performing industry (metal fabrications), where the majority of EAC enterprises are located, access to capital is a problem for many entrepreneurs. There is a statistical correlation between a company's capacity to get a loan and its performance, exports, size, and export focus. Access to credit and extended loan durations boost company performance, whereas higher interest rates have the opposite effect. The regional governments ought to address the most serious commercial restrictions. Loans should be more accessible to people in the business sector if EAC governments negotiated for longer repayment periods and reduced yearly interest rates. The region's governments should prioritize helping the industries that are historically struggling to get the funding they need.

Gender, small business ownership, and access to financing were the subjects of a research conducted in India by Chaudhuri et al.(2020). With the help of an extensive dataset on SMEs in India, we investigate if the gender of the owner has any bearing on the firm's performance and its ability to secure institutional financing. Compared to male-owned businesses, those run by women fare much worse in terms of size, growth, and efficiency, according to the research. Our results agree with previous research suggesting that small businesses controlled by women face additional obstacles when trying to secure financing. If these results hold, closing the gender gap in the small company lending market may help close the performance gap between companies run by men and women.

Sajuyigbe et al. (2020) looked into how SMEs in Nigeria's Kwara State fared when they had easier access to loans from deposit money establishments. A total of 382 participants served as the study's population, with a random selection of 138 chosen to represent the sample. In order to get feedback from SME owners and managers, we used data extracted from the main source. This data was analyzed using descriptive statistics and PLS-SEM estimation methods. SMEs were positively and significantly impacted by deposit money institution credit availability and interest rate charging at the 5% threshold of significance. This shows that deposit money banks' provision of relatively low-cost borrowing is a critical component in enhancing the performance of SMEs. Research shows that SMEs in Kwara State aren't taking use of deposit money banks' lending services, which is causing them to struggle to acquire cash. Consequently, the study's authors recommend that deposit money banks adopt a lending administration structure that is friendlier to SMEs in order to make loans available to them in a more straightforward and cost-effective manner.

This research validated the findings of Sajuyigbe et al. (2020) by investigating how bank loans affected the expansion of small enterprises in Nigeria. From 1995 to 2012, researchers analyzed data using the OLS regression approach. A key factor in the expansion of small firms was determined to be bank loans. Data showed that SMEs' capacity to get funding was positively and strongly correlated with their success. Akano et al. (202) examined correlations in Nigeria and came to similar conclusions. Inconsistent results emerged from the current literature study on the impact of deposit money bank loan availability on the performance of SMEs. Positive associations have been shown in many research. Research that builds on earlier findings of a negative connection calls for more exploration. Some examples of these studies include (Mutsonziwa & Fanta, 2021). To add insult to injury, prior research in this area was carried out in areas outside of Nigeria's Kwara government and neglected to take microfinance institutions into account.

Research conducted by Essien and Arene (2023) focused on the Niger Delta and its small-scale agro-based businesses, specifically looking at their access to credit markets and performance. A multistage sample approach was utilized to identify 264 agro-based firms that had access to informal finance and 96 agro-based enterprises that had access to formal credit. The enterprises were chosen using structured questionnaires and oral interviews, respectively. The variables that significantly affected the company access to credit in the area were investigated using the logistic model. Findings indicate that education, age, firm size, collateral, and social capital are the elements that impact formal loan access, whereas gender, age, and social capital are the elements that impact informal credit access for small-scale agro-based enterprises. While most businesses used informal financing, the handful who used formal credit fared better. For the sake of the region's economic growth, the government should facilitate small agro-based businesses' access to institutional financing.

2.3.3 Financial Literacy Programs and Performance

Recent research by Yakob et al. (2021) sought to examine the relationship between financial literacy and the success of SMEs in Malaysia. Two hundred SME owners and managers participated in the study and supplied the statistical data. The results of a thorough regression study show that SMEs' performance is significantly affected by having a good grasp of financial problems. Managers and owners who have a solid understanding of money concerns including savings, loans, insurance, and investments are better equipped to steer their companies towards success. Similar results have been obtained by research carried out in countries other than Malaysia. Because of the many cultural, cognitive, legal, commercial, and political differences in Malaysia, it is important to study the relationship between financial literacy and the success of SMEs. SMEs must prioritize financial literacy since different people react differently to the same set of circumstances. Furthermore, by looking at SMEs from their own perspective, this study makes the present data on SME performance more coherent and expands the RBV's reach.

Using financial risk mentality and access to finance as intermediate factors Buchdadi et al. (2020) evaluated the influence of financial literacy on the performance of SMEs. The results showed that financial risk attitude, financial literacy, and access to capital all had a favorable effect on the performance of SMEs. This study found that financial literacy was associated with better SME performance; however, it also showed that other characteristics, such attitude toward financial risk and availability to finance, moderated this association. When it comes to banking and financial markets, the SME manager has no idea what they're doing, according to the descriptive data. Evidence like these highlights the critical need for government action to enhance the training of SME managers in banking, risk management, and capital market products.

Tuffour et al. (2022) conducted research in which they investigated the impact that the level of financial literacy of managers had on the non-financial and financial performance of SMEs in the La Nkwantanang Madina Municipality found in Ghana. For the purpose of gathering primary data, it was requested that two hundred directors of small-scale businesses fill out standardized questionnaires. Examining the data was done with the use of a structural equation model. According to the findings, financial literacy has a considerable impact on the success of a firm across a number of measures simultaneously. Financial and non-financial success are positively connected with knowledge, attitude, and awareness, the three components of financial literacy. When tiny businesses are regulated by taxation, personal attributes like age, education level, and experience have little bearing on financial success. Therefore, managers and owners of small businesses should enroll in capacity development programs to increase their knowledge of personal finance.

Research shows that people's economic decisions are correlated with their level of financial literacy. Waihenya (2022) discovered, for instance, that literacy helps one feel better about their financial situation. Financial planning is more common in homes where members have strong financial literacy, according to research by Clark et al. (2021). For each issue involving fiscal management, governments, academics, and industry professionals are turning to financial literacy

Waihenya (2022) examined two financial literacy programs in publicly funded schools and found that participants improved across the board in terms of decision-making, social skills, consumption choices, risk tolerance, and time preference. Their findings demonstrated that both programs significantly and positively affected participants' propensity to save. Research by Kaiser et al. (2020) corroborated this finding, showing that financial education programs often improve participants' financial understanding and subsequent financial habits. Yet, a meta-analysis by Fernandes et al. 2022) found that interventions to increase individuals' financial abilities explained barely 0.1% of the variance in financial behavior analyzed, based on 168 publications reporting on 201 research.

Even in industrialized nations, financial literacy is low, and in other demographics, it's quite high. The widespread lack of knowledge about personal finance is one of the driving forces for this research. To further explain the poor learning levels seen in surveys, it is essential to investigate cognition-related difficulties. Notably, this study adds to previous research that has examined the impact of cognitive capacity on the learning process of financial literacy, as well as its effect on the overall degree of financial literacy. Assuming that those who put in more mental effort are more likely to exercise caution when making judgments, it would be interesting to see if they are abler to benefit from the course material than those who rely on their intuition.

Rakhmawati and Nizar (2023) looked at the effect of small company owners' understanding of Islamic finance on the inclusion of Islamic financial services. Using a quantitative technique, the study follows an explanatory research design. In all, 193 proprietors of small businesses in Malang City, UK, filled out the survey. A 95% confidence level was employed in the sample procedure, which was side proportional random sampling. Linear regression analysis was employed. Study results show a favorable correlation between Islamic financial literacy and inclusion in Islamic financial systems. The research goes on to say that small companies in Malang City have benefited greatly from Islamic financial inclusion. Consistent with other studies, these findings point the way for more investigation in this area.

The causes and effects of financial literacy among SMEs were the subject of a comprehensive literature analysis . Financial literacy affects the attitudes, behaviors, organizational capacities, and performance of SMEs, and it is antecedented by certain educational, cultural, and particular contextual elements, according to the results. The importance of financial literacy for company success and the crucial decisions made by women entrepreneurs in halal business were highlighted by Yasin et al. (2020). Muslim women company owners confront several obstacles, including a lack of knowledge and experience in management, funding, and operations, as well as rules and restrictions imposed by the government. When entrepreneurs have a good grasp of personal finance, it helps their businesses thrive.

Mndzebele and Kwenda (2020) reviewed the literature on academic staff financial literacy and retirement preparation in Eswatini's higher education institutions. With 144 participants drawn at random from a pool of 612 faculty and staff members at Eswatini's educational institutions, this quantitative study employed a descriptive research approach. Research shows that knowing the different types of financial instruments is the one factor that really matters when it comes to being financially prepared for retirement. According to these results, more people would be financially ready for retirement if there were initiatives to raise knowledge about various financial products. This research adds to the body of knowledge on personal financial management by documenting the correlation between academic staff members' financial literacy and their retirement savings among Eswatinian higher education institutions.

2.3.4 Agent Banking and Performance

Agent banking helps Kenyan commercial banks maintain their competitive advantages, according to Mwaiwa et al. (2022) examination of the Bank Led paradigm. In a manner similar to a census, the inquiry has begun contacting the department heads and branch managers of commercial banks spread out over Nairobi County. Research shows that agent banking and long-term competitive advantage are directly proportional. Finally, at the 5% level of significance, the regression model showed that agent banking was a major factor in the commercial bank's competitive advantage. However, with the help of financial rules, which aid in keeping institutions secure and stable, this would decrease dramatically. Bank regulation greatly affects agent banking, which is positively linked to a competitive advantage in the long run. According to the findings, commercial banks might find an advantage by looking into agent banking. Premier commercial banks must allocate resources to agent banking services if they are to remain competitive in the face of rising technological usage. Commercial banks, bakery agents, retail agents, banking regulation, competitive advantage, and strategy.

Wairimu (2020) looked into how agency banking transactions affected the bottom lines of Kenyan commercial banks. The theories of agency, financial intermediation, and bank led theory served as the theoretical framework for the research. The study used a comparative research methodology and its population consisted of sixteen commercial banks in Kenya that had implemented agency banking. According to the results, commercial banks' financial performance, as assessed by ROA and ROE, was positively affected by the value of transactions. According to the results, ROA and ROE were unaffected by the total number of transactions. Additional research showed that transaction costs did not significantly impact ROA or ROE. Based on the results of the investigation, the following suggestions were put forth. To start, instead of focusing on low-value transactions, commercial banks should incentivize high-value ones. In addition, while advertising and formulating policies for agency banking, banks should prioritize transaction value above volume. Finally, in order to lower unit costs, banks should aim to increase volumes of agency banking transactions in order to achieve economies of scale.

The impact of agency banking on the efficiency of Kenyan microfinance institutions was demonstrated by Ndirangu and Kimani (2022). Thirteen microfinance institutions overseen by Kenya's Central Bank were the intended recipients. Thirteen licensed microfinance banks provided the main data and filled out the self-administered surveys. The results of the descriptive statistics showed that agency banking improves MFB performance. Agency banking influences the performance of MFBs, as demonstrated by the fact that 71.7% of respondents agreed with this statement. The results demonstrated a statistically significant correlation between agency and performance. The results showed that agency banking is moderately related to MFB performance. Agency banking is helping the MFBs expand their companies, which means more earnings and capital gain for them. According to the research, more MFB agents should be opened, particularly in rural regions, so that people may more easily access services.

According to Karlan and Valdivia (2011) commercial banks have boosted their market share and profitability by introducing agent banking, which allows them to be more accessible to the people. The study found that when banks embrace agency banking, it helps their bottom lines. Banks may reach out to more customers and provide them additional services with the aid of agency banking. Karlan, and Valdivia wants other financial institutions to adopt an agent banking model, because just one-third of the country's commercial banks have done so. Banks may boost their bottom lines by using agency banking to collect transactional money from customers' withdrawals and deposits.

Agent banking and financial inclusion were the subjects of Waihenya's (2022) investigation in Kenya. To get a good feel for the topic field and its many sources, the study relied on descriptive survey research. In conclusion, the research looked into agent banking in Kenya with a focus on the causes of financial exclusion, which include both natural and man-made obstacles, such as steep fees for financial services and a lack of convenient locations to do business. The study found that financial inclusion is increasing in direct correlation to the expansion of agent banking, which is itself improving and expanding at a rapid pace. Because some people in the population don't like to or are unable to visit bank branches for reasons that are detailed in the study, expanding the areas that agents cover has helped bring financial services to more people and increased the level of financial inclusion. In conclusion, the results demonstrate that agent banking contributes to a higher degree of financial inclusion across the nation. In order to decrease the high compliance costs associated with registration bureaucracy, the research suggests that all parties involved—including banks, governments, and licensing bodies—strongly embrace and promote agency banking as a way to increase financial inclusion. The research goes on to say that all retail banks should start using agency banking.

Using a case study of Igembe North Sub County-Meru County, Muthaura (2021) looked into how agency banking helped SMEs in Kenya thrive. Using a pragmatic approach, this research used quantitative and qualitative datasets to boost data correctness and representability for successful data sourcing. The research team employed a case study approach, conducted interviews and questionnaires, and focused on Igembe Sub County. To accommodate the realistic character of the study, data was analyzed using both statistical and content analysis methods. According to the data, SMEs benefit greatly from easy access to credit, and the most important reason agency banking has grown popular is its secure transactional platform. However, in Igembe North, both agents and users of the platform still find that it lacks adequate features. In order to combat hacking and increase effectiveness, it was suggested that the following measures be implemented: first, that agents be adequately trained to improve customer relationships and service delivery; second, that liquidity concerns be included in the minimum threshold requirements; and third, that security technologies be enhanced.

Orore (2022) looked at several of the beaches in Siaya County to see how agency banking affected the returns on investment for local fisherman. The sampling process was based on the census. The study relied heavily on primary data to supplement secondary sources of information. The researchers used a semi-structured questionnaire to gather primary data. Both the pilot test and expert review verified the instruments' validity, and Cronbach's Alpha verified their reliability. Spending on agency banking had a negative and statistically significant link with investment performance, but agency policy guidelines had a positive and considerably connected relationship. There was a statistically substantial negative association between agency banking risks and investment performance. Agency banking is the root cause of low investment returns, according to this and similar evidence. The data was analyzed using a variety of descriptive and inferential statistics, including means, standard deviations, and Pearson's correlation analysis. Information was presented in a tabular style. The findings of this study could be valuable for those responsible for financial policy when they are drafting rules to regulate the bank and agents in general. Determining their impact on profitability might also be beneficial for the existing commercial banks. In addition to providing more empirical data about the effect of agency banking on commercial banks' performance, this study may provide the framework for future research in this area.

Mwaiwa et al. (2022) findings indicate a one-to-one relationship between agent banking and sustained competitive advantage. At the 5% level of significance, the regression model also demonstrated that agent banking had a significant role in the commercial bank's competitive advantage. But with the support of bank regulations, which assist to maintain secure and stable banks, this would go down significantly. Agent banking, which is positively linked to long-term competitive advantage, is significantly affected by bank regulation. According to the findings, commercial banks might find an advantage by looking into agent banking. Premier commercial banks must allocate resources to agent banking services if they are to remain competitive in the face of rising technological usage. Topics covered include banking legislation, baking agents, commercial banks, competitive advantage, and strategy.

The impact of agency banking transactions on the profitability of commercial banks in Kenya was investigated by Wairimu (2020). The study was based on three theories: agency theory, financial intermediation theory, and bank driven theory. The study's population included sixteen Kenyan commercial banks that have adopted agency banking, and the research approach was a comparative one. The financial performance of commercial banks, as measured by ROA and ROE, was positively impacted by the value of transactions, according to the data. There was no correlation between the overall volume of transactions and ROA or ROE, as shown by the data. Supplemental studies failed to find a statistically meaningful relationship between transaction costs and ROA or ROE. These recommendations are based on the findings of the study. First, commercial banks should reward large-value transactions rather than little ones. The advertising and policymaking processes of agency banks should also put transaction value ahead of volume. Finally, increased quantities of agency banking transactions should be the goal of banks aiming to minimize unit costs through economies of scale.

Ndirangu and Kimani (2022) proved that agency banking affected the effectiveness of microfinance organizations in Kenya. Thirteen microfinance organizations that are supervised by the Central Bank of Kenya were supposed to be the beneficiaries. The primary data came from thirteen regulated microfinance institutions, all of whom completed the questionnaires on their own. Agency banking enhances MFB performance, according to the descriptive data. The fact that 71.7% of respondents agreed with this statement shows that agency banking impacts the performance of MFBs. Agency and performance were shown to be statistically significantly correlated. The findings indicated a modest relationship between agency banking and MFB performance. As a result of agency banking, MFBs are able to grow their businesses, which increases their profits and capital gains. The study's authors recommend opening additional MFB agents, especially in rural areas, to improve service accessibility.

Dianga (2022) asserts that commercial banks have increased their market share and profitability through the use of agent banking, which makes them more approachable to the general public. According to this research, financial institutions' bottom lines increase once they adopt agency banking. Banks can potentially reach a wider audience and offer more services to their customers by utilizing agency banking. Even though just a third of commercial banks in the country use agent banking, Dianga is determined that the other two-thirds follow suit. By collecting transaction fees from clients' deposits and withdrawals through agency banking, banks may potentially increase their bottom lines.

The focus of Waihenya's (2022) research in Kenya was on agent banking and financial inclusion. Researchers used descriptive survey methods to gain a sense for the subject area and all of the relevant sources. Finally, the study examined agent banking in Kenya through the lens of the factors that contribute to financial exclusion, which encompass both inherent and extrinsic barriers including high service costs and inconvenient physical locations. The study's main finding is that the fast development and spread of agent banking is directly related to the rising tide of financial inclusion. A higher degree of financial inclusion has resulted from agents' efforts to cover more ground, as certain members of the population either dislike or are unable to visit bank offices for reasons laid out in the research. Finally, the data show that agent banking helps increase the level of financial inclusion nationwide. Banks, governments, and licensing organizations should all wholeheartedly support agency banking to improve financial access and reduce the high compliance costs of registration bureaucracy, according to the report. Following this, the study recommends that all retail banks adopt an agency banking strategy.

Igembe North is used as a case study. Township of Meru County Muthaura (2021) investigated the positive effects of agency banking on Kenyan SMEs. In order to improve data accuracy and representability for effective data sourcing, this study utilized quantitative and qualitative information in a pragmatic manner. Igembe Sub County was the center of attention as the research team utilized a case study technique, administered questionnaires, and interviewed locals. Statistical and content analysis techniques were employed to examine the data in order to conform to the study's realistic nature. Easy access to credit is very beneficial for SMEs and the data shows that agency banking's safe transactional platform is the main reason for its popularity. On the other hand, in Igembe North, the platform is still deemed inadequate by both agents and users. The following steps should be taken to combat hacking and make them more effective: first, agents should be trained to improve customer relationships and service delivery; second, minimum threshold requirements should include liquidity concerns; and third, security technologies should be improved.

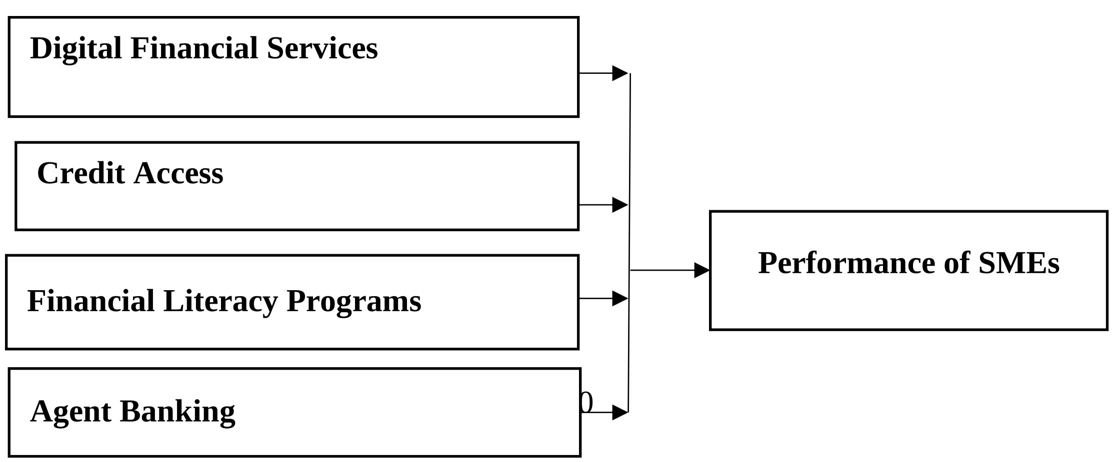
Orore (2022) looked at several of the beaches in Siaya County to see how agency banking affected the returns on investment for local fisherman. The sampling process was based on the census. Primary data was consistently supplemented with secondary data throughout the investigation. A semi-structured questionnaire was used to gather primary data. Expert review and Cronbach's Alpha validated the reliability of these instruments, while the pilot test proved their validity. Agency policy norms were positively connected with investment success, whereas agency banking charges were negatively and statistically significantly correlated with investment performance. Investment returns were negatively and significantly correlated with agency banking risks. This kind of evidence suggests that agency banking is to blame for the low returns on investments. The data was analyzed using a variety of descriptive and inferential statistics, including means, standard deviations, and Pearson's correlation. A tabular approach was used to convey the information. When formulating regulations to oversee the bank and agents generally, the results of this study may prove useful to individuals in charge of financial policy. It could be useful for current commercial banks to find out how they affect profitability as well. Further empirical evidence about the impact of agency banking on the performance of commercial banks can be found in this study, which also has the potential to provide the groundwork for such studies in the future.

2.4 Conceptual Framework

According to Mohajan (2020), a conceptual framework is a condensed description of the research phenomenon that is accompanied by a visual depiction of the relationship that exists between the independent factors and the dependent variable. Presented in Figure 2.2 is the conceptual framework that underpins this research.

Figure 2.2

Conceptual Framework



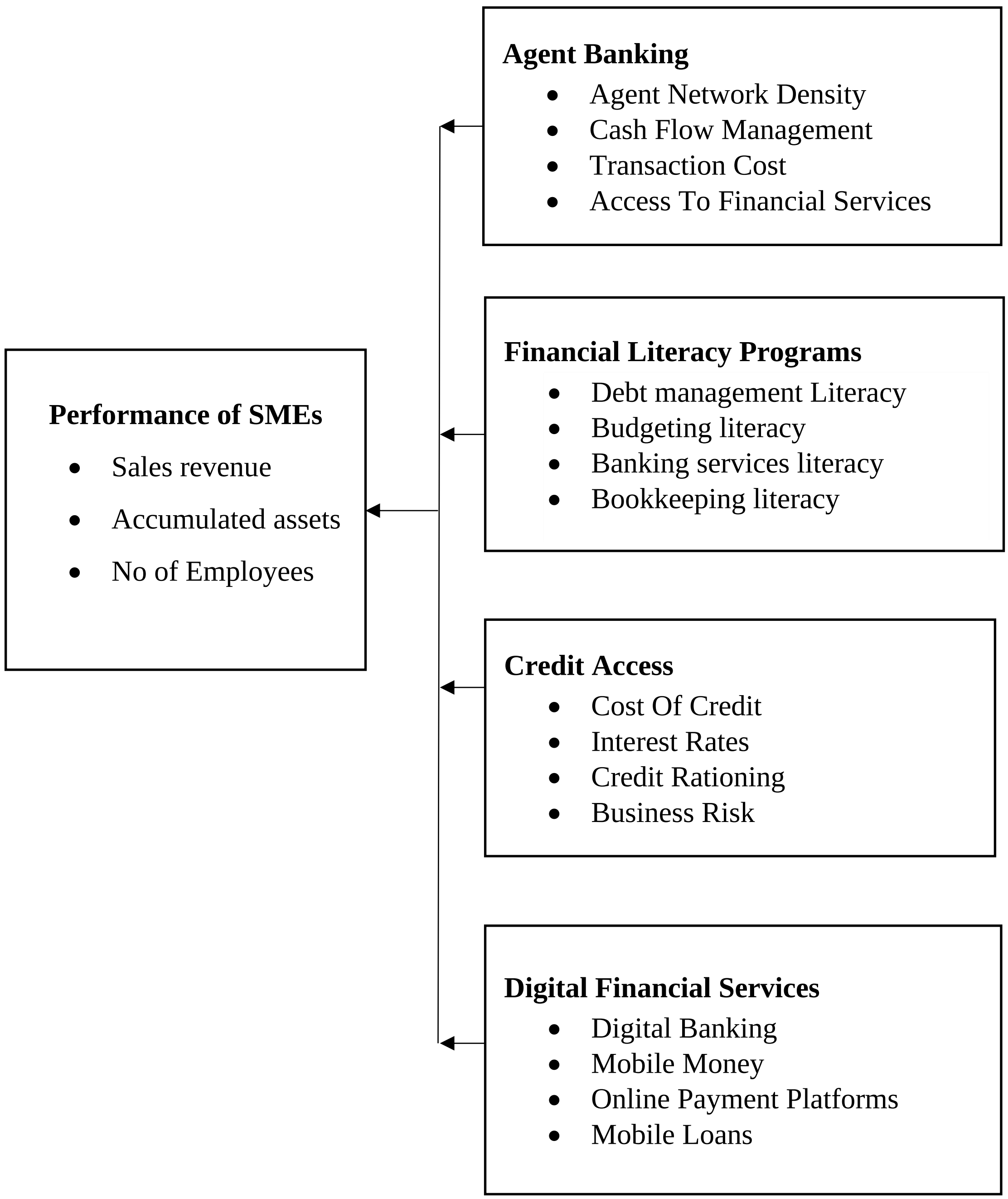
Independent Variables **Dependent Variable**

Source (Author, 2024)

2.5 Operational Framework

Figure 2.3

Operational Framework



Dependent Variables **Independent Variables**

Source (Author, 2024)

2.6 Explanations of Variables

The dependency and independence of the variables were described by the framework.

2.6.1 Digital Financial Services

DFS include a wide variety of financial goods and services that are provided through digital mediums, including the internet, mobile phones, and other electronic devices. Among these services, you may find digital savings platforms, online loans, digital payments, and mobile banking (Mpaata et al., 2020). By bringing low-cost, easy-to-use banking services to marginalized communities, particularly SMEs, DFS has changed the face of financial inclusion (Wairimu, 2020). Factors including geographical isolation, a lack of comprehensive financial records, and expensive transaction fees make it difficult for SMEs to use conventional banking services. In contrast, DFS has become an essential tool for expanding access to capital, which in turn improves the efficiency and effectiveness of SMEs (Mojambo et al., 2020).

When it comes to removing major obstacles to financial inclusion, DFS are indispensable in helping SMEs thrive. SMEs may find the intimidating paperwork and collateral requirements of traditional banking services to be too much to handle, especially when they are working with limited resources (Rakhmawati & Nizar, 2023). On the other hand, DFS platforms streamline the account opening process and provide more leeway in determining eligibility, which greatly facilitates financial services for SMEs. Anshika and

Singla (2022) cite research by Mas and Radcliffe (2022) that found that SMEs saw an uptick in financial management and expansion after using mobile banking services.

DFS facilitate faster and more convenient financial transactions for SMEs, reducing the time and effort involved in traditional banking processes. For instance, digital payment platforms enable SMEs to send and receive payments instantly, eliminating the delays associated with physical checks or cash transactions (Rakhmawati & Nizar, 2023). This speed and efficiency not only enhance liquidity management for SMEs but also contribute to increased productivity and operational efficiency. A study by Waihenya (2022) found that SMEs adopting mobile money experienced significant time savings in conducting financial transactions, enabling them to focus more on core business activities and expansion strategies.

DFS offer tailored financial products and services that cater to the specific needs of SMEs, such as short-term loans, working capital financing, and invoice financing. These customized solutions address the financing gaps faced by SMEs and support their growth aspirations (Luo et al., 2021). For example, digital lending platforms leverage alternative data sources and credit scoring algorithms to assess the creditworthiness of SMEs accurately. This enables SMEs to access credit quickly and conveniently, fuelling business expansion and investment. A study by Wadesango and Magaya (2020) highlighted the positive impact of digital lending on SMEs, including increased investment in equipment, inventory, and workforce.

According to Rakhmawati and Nizar (2023), DFS promote financial resilience and risk management among SMEs by providing access to savings and insurance products. Digital savings platforms offer SMEs a secure and convenient way to accumulate funds for future investments or emergencies. Similarly, digital insurance products protect SMEs against various risks, such as business interruption, property damage, and liability claims. By safeguarding against unexpected events, these financial products enhance the stability and sustainability of SMEs, enabling them to withstand economic shocks and uncertainties.

A study by Demirguç-Kunt et al. (2022) demonstrated the positive correlation between access to digital savings and insurance products and the resilience of SMEs during crises.

DFS foster innovation and entrepreneurship within the SME sector by facilitating access to financial education, market information, and business support services. Digital financial literacy programs educate SME owners and employees on financial management practices, investment strategies, and risk mitigation techniques (Mpaata et al., 2020). Likewise, online marketplaces and e-commerce platforms connect SMEs with potential customers, suppliers and business partners, expanding their market reach and competitiveness. By harnessing the power of digital technologies, SMEs can leverage new opportunities, streamline operations, and differentiate themselves in the marketplace. A study by McKee et al. (2020) highlighted the role of DFS in empowering SMEs to innovate and adapt to changing market dynamics, thereby enhancing their long-term viability and success.

DFS contribute to the formalization of SMEs by promoting transparency, accountability, and regulatory compliance. Digital financial transactions leave a digital footprint that can be easily tracked and audited, reducing the risks of fraud, corruption, and money laundering (Mpaata et al., 2020). Moreover, digital platforms often integrate with government databases and regulatory systems, facilitating regulatory reporting and compliance for SMEs. By operating within the formal financial ecosystem, SMEs can access a wider range of financial services, establish credit histories, and build trust with investors and stakeholders. A study by Mpaata et al. (2020) emphasized the importance of DFS in encouraging SMEs to transition from informal to formal business practices, thereby unlocking growth opportunities and enhancing their credibility in the marketplace.

Digital financial services are instrumental in advancing financial inclusivity and driving the performance of SMEs (Mpaata et al., 2020). By overcoming barriers to access, facilitating faster transactions, offering tailored financial solutions, promoting resilience and innovation, and fostering formalization, DFS empower SMEs to thrive in today's dynamic business environment. As digital technologies continue to evolve and penetrate deeper into the financial ecosystem, the role of DFS in supporting SMEs is expected to grow, unlocking new opportunities for inclusive economic growth and development (Luo et al., 2021).

2.6.2 Credit Access

One of the most important factors influencing the success of SMEs is the availability of credit. Credit access, in its simplest form, is the ease with which SMEs may secure capital for operational expenses, capital expenditures, and growth projects from traditional and non-traditional lending institutions. Asymmetric information, insufficient collateral, and poor credit histories are some of the reasons why SMEs have a hard time getting loans (Aggarwal et al., 2022). But SMEs may be empowered by better access to credit since it gives them the money they need to develop, be more productive, and take advantage of opportunities when they come (Luo et al., 2021).

Research has consistently highlighted the positive correlation between credit access and SME performance. A study by Beck et al. (2022) found that SMEs with better access to credit tend to exhibit higher levels of investment, employment growth, and profitability compared to their counterparts with limited credit access. Access to credit enables SMEs to finance working capital needs, invest in capital assets, and expand their production capacity, thereby driving business growth and competitiveness in the market. Furthermore, credit access allows SMEs to seize timely business opportunities, respond to market demand fluctuations, and navigate through challenging economic conditions, ultimately contributing to their overall performance and sustainability (Vijayalakshmi & Jayalakshmi, 2022).

Credit access facilitates innovation and entrepreneurship within the SME sector by providing the necessary funding for research and development, technology adoption, and product innovation (Pyoko et al., 2023). SMEs often lack the financial resources to invest in innovation and technological advancements, which are crucial for staying competitive in today's dynamic business environment. However, access to credit enables SMEs to finance innovation projects, acquire cutting-edge technologies, and develop new products or services, thereby enhancing their market relevance and differentiation (Neves et al., 2023). A study by Wadesango and Magaya (2020) emphasized the role of credit access in fostering innovation-driven growth among SMEs, leading to higher productivity, job creation and economic development.

Additionally, credit access promotes financial inclusion by extending financial services to underserved segments of the population, including women-owned enterprises, rural SMEs (Waihenya, 2022). SMEs owned and operated by marginalized groups often face greater barriers to accessing formal credit due to social, cultural, and economic factors. However, targeted lending programs, microfinance initiatives, and alternative credit scoring mechanisms can help bridge this gap and improve credit access for these segments (Orore, 2022). By empowering underserved SMEs with access to credit, financial institutions contribute to inclusive economic growth, poverty reduction, and social empowerment .

Credit access enhances the resilience and risk management capabilities of SMEs by providing a financial cushion during periods of uncertainty, volatility, or unexpected shocks (Muthaura, 2021). Access to credit enables SMEs to build up cash reserves, establish emergency funds, and obtain insurance coverage, thereby mitigating the impact of adverse events such as natural disasters, economic downturns, or supply chain disruptions. Research by Khan et al. (2022) demonstrated that SMEs with access to credit are better equipped to withstand financial shocks, recover from setbacks, and maintain business continuity, underscoring the importance of credit access in building financial resilience.

Credit access fosters capacity building and skill development among SMEs by providing access to financial education, training programs, and mentorship initiatives. Financial institutions and government agencies often offer support services to help SMEs improve their financial management practices, enhance their creditworthiness, and navigate the lending process effectively (Fomum & Opperman, 2023). By empowering SMEs with financial knowledge and skills, credit access not only increases their chances of securing funding but also equips them with the tools to manage credit responsibly, invest strategically, and achieve long-term business success. A study by Karlan and Valdivia (2011) highlighted the positive impact of financial literacy programs on credit access and entrepreneurial outcomes among SMEs.

According to Muthaura (2021), credit access stimulates economic growth and job creation by fueling investment, entrepreneurship, and business expansion within the SME sector. SMEs are significant contributors to employment generation, income generation, and wealth creation in both developed and developing economies. However, limited access to credit often constrains the growth potential of SMEs, hindering their ability to create new jobs, expand operations, and contribute to economic development. By facilitating credit access, policymakers, financial institutions, and development agencies can unlock the growth potential of SMEs, stimulate economic activity, and foster inclusive prosperity (Orore, 2022).

Luo et al. (2021) posited that credit access serves as a critical enabler of financial inclusivity that profoundly influences the performance of SMEs. By providing SMEs with the necessary financial resources, fostering innovation and entrepreneurship, promoting financial inclusion, enhancing resilience and risk management, building capacity and skills, and stimulating economic growth, credit access plays a transformative role in driving SME success and contributing to inclusive economic development. Therefore, efforts to improve credit access for SMEs should be prioritized through targeted policy interventions, regulatory reforms, and financial inclusion initiatives to unlock the full potential of SMEs as engines of growth and job creation (Beloke et al., 2021).

2.6.3 Financial Literacy Programs

Anshika and Singla (2022) argue that financial literacy programs are an essential part of financial inclusiveness initiatives because they SMEs how to manage their money, make smart decisions, and use financial services. Financial literacy programs aim to teach people about money and how to handle it better so that they can confidently and competently deal with all the different kinds of financial situations that may arise (Mndzebele & Kwenda, 2020). Programs like this are crucial because they help SME owners and entrepreneurs improve their financial situation, which in turn boosts their businesses' performance and promotes more equitable economic growth (Beloke et al., 2021).

Studies have shown time and time again that financial literacy programs greatly benefit SMEs. Khan et al. (2022) found that SMEs that took part in financial literacy training programs were better able to manage their finances. This included things like creating budgets, keeping track of their cash flow, and preparing for investments. As a result, their businesses performed better and were more sustainable. To take advantage of possibilities in the market and overcome obstacles, SME owners need to be financially literate (Anshika & Singla, 2022). This includes understanding financial statements, evaluating investment opportunities, and managing risks efficiently.

SMEs can benefit greatly from financial literacy programs because they enable them to make well-informed decisions about which financial products and services to use and how to optimize their use (Wairimu, 2020). SMEs frequently have difficulties in gaining access to and comprehending the wide array of market-available financial goods, such as loans, insurance, savings accounts, and investment choices (Mpaata et al., 2020). Nonetheless, SME owners may learn to weigh the pros and cons of various financial products and make educated decisions that support their company goals through financial literacy programs. Clark et al. (2021) found that SMEs benefit from financial literacy when it comes to avoiding predatory lending practices and choosing the right financial solutions.

Financial literacy programs foster entrepreneurial mindset and business acumen among SME owners by instilling principles of financial discipline, goal setting and strategic planning (Wairimu, 2020). Financially literate entrepreneurs are better equipped to identify business opportunities, assess feasibility, and develop robust business plans that articulate their vision, mission, and objectives. By enhancing their entrepreneurial competencies, financial literacy programs enable SME owners to navigate the complexities of the business environment, innovate effectively, and capitalize on emerging trends and market opportunities (Alumasa & Muathe, 2021). A study by Kimaiyo (2021) emphasized the role of financial literacy in promoting entrepreneurship and SME development, leading to increased business growth and job creation.

Financial literacy programs promote responsible borrowing and debt management practices among SMEs, thereby mitigating the risks of over-indebtedness and financial distress. SMEs often rely on external financing to fund their business operations, investments, and expansion initiatives (Ojonta & Ogbuabor, 2021). However, inadequate financial knowledge and skills may lead to poor borrowing decisions, excessive debt accumulation, and financial vulnerability. Financial literacy programs educate SME owners on the importance of prudent borrowing, debt repayment strategies, and credit management techniques, enabling them to avoid common pitfalls and maintain healthy financial practices (Pashkov & Pelykh, 2021). A study by Ojonta and Ogbuabor, (2021) demonstrated that financial literacy training led to improved debt management and reduced default rates among SME borrowers.

Financial literacy programs facilitate access to formal financial services by improving SMEs' understanding of banking procedures, credit requirements and regulatory frameworks. SMEs often face barriers to accessing formal financial services due to factors such as lack of awareness, documentation requirements, and perceived complexity of financial institutions (Pashkov & Pelykh, 2021). However, financial literacy programs demystify the banking system, educate SME owners on their rights and responsibilities as financial consumers, and promote transparency and accountability in financial transactions. By empowering SMEs with financial knowledge and skills, these programs enhance their confidence in engaging with formal financial institutions, thereby increasing their likelihood of accessing credit, savings, and other financial services (Alumasa & Muathe, 2021). A study by Kimaiyo (2021) highlighted the role of financial literacy in improving SMEs' interactions with banks and enhancing their access to financial services.

Financial literacy programs contribute to the formalization of SMEs by promoting compliance with regulatory requirements, tax obligations, and accounting standards. Informal businesses often operate outside the formal regulatory framework, leading to legal and financial risks, as well as limited access to formal credit and market opportunities (Wairimu, 2020). However, financial literacy programs educate SME owners on the importance of formalization, the benefits of legal compliance, and the implications of operating within the formal sector. By encouraging SMEs to formalize their operations, these programs enhance their credibility, transparency, and access to institutional support services, thereby facilitating their integration into the formal economy (Zhang et al., 2023). A study by Kimaiyo (2021) demonstrated that financial literacy training led to increased formalization and improved business practices among SMEs.

According to Beloke et al. (2021), financial literacy programs foster collaboration and knowledge sharing among SMEs by creating platforms for networking, peer learning, and best practice exchange. SME owners often face isolation and limited access to resources, information, and support networks, particularly in rural or marginalized communities. However, financial literacy programs bring together SMEs from diverse backgrounds, industries, and regions, enabling them to share experiences, insights, and lessons learned. By fostering a culture of collaboration and mutual support, these programs empower SMEs to overcome common challenges, explore new opportunities, and collectively advocate for their interests (Anshika & Singla, 2022). A study by World Bank (2018) highlighted the role of financial literacy programs in promoting social capital and collective action among SMEs, leading to enhanced resilience and sustainability.

Financial literacy programs serve as powerful enablers of financial inclusivity that significantly impact the performance of SMEs By equipping SME owners and entrepreneurs with the knowledge and skills necessary to make informed financial decisions, manage resources effectively, access financial services efficiently, and navigate the complexities of the business environment, these programs empower SMEs to achieve their full potential, drive economic growth, and foster inclusive prosperity (Anshika & Singla, 2022). Therefore, efforts to promote financial literacy among SMEs should be prioritized through targeted interventions, partnerships, and capacity-building initiatives to unlock the transformative power of knowledge and enable SMEs to thrive in today's dynamic marketplace (Pashkov & Pelykh, 2021).

2.6.4 Agent Banking

Agent banking, also known as branchless banking or banking correspondent model, refers to a financial service delivery model that allows banks and other financial institutions to extend their reach and offer basic banking services through authorized agents or thirdparty service providers, rather than traditional brick-and-mortar branches (Pashkov & Pelykh, 2021). Under this model, agents, who are typically local businesses or individuals, act as intermediaries between customers and banks, enabling them to perform banking transactions such as deposits, withdrawals, fund transfers, and bill payments in remote or underserved areas where traditional banking infrastructure is lacking. Agent banking has emerged as a powerful enabler of financial inclusivity, particularly for SMEs by improving access to financial services, reducing transaction costs, and enhancing convenience and affordability (Zhang et al., 2023).

According to Ojonta and Ogbuabor (2021), by extending banking services to previously underserved and remote areas, agent banking increases SMEs' access to formal financial services, thereby facilitating cash management, savings mobilization, and credit access. A study by Dupas et al. (2022) found that SMEs located in areas with access to agent banking services were more likely to use formal financial services and experienced higher levels of business growth compared to those in areas without such services. This increased access to financial services enables SMEs to better manage their finances, invest in business expansion, and seize growth opportunities, ultimately contributing to improved business performance.

Agent banking reduces the cost and complexity of accessing financial services for SMEs, particularly those operating in rural or remote areas. Traditional banking infrastructure, such as branches and ATMs, often entail high fixed costs, making it economically unfeasible for banks to establish a presence in sparsely populated or geographically remote areas (Yasin et al., 2020). However, agent banking leverages existing retail networks and distribution channels, allowing banks to extend their reach at a fraction of the cost of establishing new branches. As a result, SMEs benefit from reduced transaction costs, lower fees, and greater affordability when conducting financial transactions, thereby enhancing their financial viability and competitiveness. A study by Mas and Ng'weno (2022) demonstrated that agent banking led to a significant reduction in transaction costs for SMEs, leading to increased usage of formal financial services and improved business performance.

Agent banking enhances the convenience and accessibility of financial services for SMEs by bringing banking closer to their doorstep. SMEs, particularly those located in rural or peri-urban areas, often face challenges in accessing traditional bank branches due to distance, transportation costs, and time constraints (Yakob et al., 2021). However, agent banking agents are typically located within the community or nearby retail outlets, making it easier and more convenient for SMEs to conduct banking transactions without the need for extensive travel or time off work. This increased accessibility enables SMEs to manage their finances more efficiently, access credit when needed, and respond quickly to business opportunities, thereby enhancing their agility and competitiveness (Pashkov & Pelykh, 2021). A study by World Bank (2018) highlighted the role of agent banking in improving access to financial services and reducing the time and effort required for SMEs to conduct financial transactions.

Agent banking fosters trust and confidence among SMEs in the formal financial system by providing personalized and face-to-face interaction with agents who are often familiar with the local community and culture. SMEs, particularly those in rural or informal sectors, may have limited trust in formal financial institutions due to past experiences, cultural beliefs, or lack of familiarity with banking practices (Ajayi & Ross, 2020).

However, agent banking agents serve as trusted intermediaries who can provide assistance, guidance, and support to SMEs in navigating the banking system, understanding financial products, and addressing their specific needs. This personalized approach builds trust and credibility, encouraging SMEs to engage more actively with formal financial services and adopt formal banking practices. A study by Mbiti et al. (2019) demonstrated that agent banking agents play a critical role in building trust and confidence among SMEs, leading to increased usage of formal financial services and improved financial outcomes.

Agent banking fosters economic development and poverty reduction by channeling financial resources to underserved and marginalized segments of the population, including SMEs owned by women, youth, and minorities. These groups often face systemic barriers to accessing formal financial services due to factors such as limited collateral, credit history, and social exclusion (Yakob et al., 2021). However, agent banking extends the reach of financial services to remote and marginalized communities, enabling SMEs owned by women, youth, and minorities to access credit, savings, and other financial products that support their business aspirations (Ojonta & Ogbuabor, 2021). By empowering these underserved SMEs with access to financial resources, agent banking contributes to inclusive economic growth, job creation, and poverty alleviation. A study by Afande and Mbugua (2015) demonstrated that agent banking led to increased financial inclusion and improved economic outcomes for women-owned SMEs.

2.6.5 Performance of SMEs

The performance of SMEs encompasses various aspects of their operational, financial, and strategic success in the marketplace. It involves evaluating SMEs' ability to achieve their business objectives, meet stakeholder expectations, and sustainably grow and prosper over time (Fanta & Mutsonziwa, 2021). Performance metrics commonly used to assess SME performance include financial indicators such as revenue growth, profitability and liquidity ratios, as well as non-financial measures such as market share, customer satisfaction, and employee productivity. Understanding and optimizing SME performance is crucial for enhancing competitiveness, driving innovation and contributing to economic development and job creation (Zhang et al., 2023).

Mpaata et al. (2020) identified several factors that influence their success and effectiveness in the marketplace. For instance, studies have found a positive relationship between innovation and SME performance, highlighting the importance of adopting new technologies, products, and processes to stay competitive and meet evolving customer needs. Additionally, organizational capabilities such as strategic planning, leadership effectiveness, and human resource management have been shown to impact SME performance by enabling them to adapt to change, leverage opportunities, and overcome challenges more effectively. Moreover, access to finance, markets, and networks plays a critical role in determining SME performance, as it influences their ability to invest, expand, and seize growth opportunities in the marketplace (Fanta & Mutsonziwa, 2021).

Financial performance is a key aspect of SME performance, reflecting their ability to generate revenue, manage costs, and generate profits over time. Financial indicators such as sales growth, profit margins, and return on investment are commonly used to assess SME financial performance and evaluate their business sustainability and viability (Fanta & Mutsonziwa, 2021). High levels of profitability and liquidity indicate efficient resource allocation and effective financial management practices, while low levels may signal operational inefficiencies, financial constraints, or market challenges. Therefore, improving financial performance is a top priority for SMEs seeking to enhance their competitiveness and achieve long-term success in the marketplace (Orore, 2022).

In addition to financial performance, non-financial indicators such as customer satisfaction, market share and brand reputation are equally important in evaluating SME performance (Pashkov & Pelykh, 2021). These measures provide insights into SMEs' ability to deliver value to customers, build strong relationships, and differentiate themselves from competitors in the marketplace. For instance, high levels of customer satisfaction and loyalty are indicators of SMEs' ability to meet customer needs, exceed expectations, and maintain a competitive edge. Similarly, increasing market share and brand recognition are signs of SMEs' successful marketing and branding efforts, which contribute to their overall performance and success (Rakhmawati & Nizar, 2023).

Operational efficiency and effectiveness are critical determinants of SME performance, as they impact productivity, cost competitiveness and service delivery (Buyinza & Bbaale, 2023). SMEs that streamline processes, optimize resources, and adopt best practices are better positioned to achieve operational excellence and outperform competitors in the marketplace. For example, lean manufacturing principles, supply chain optimization and technology integration can help SMEs reduce waste, improve quality, and enhance customer satisfaction, thereby driving performance improvement and business success (Anshika & Singla, 2022).

Organizational culture and leadership have a significant impact on SME performance by shaping employee attitudes, behaviors, and performance outcomes. A positive organizational culture that values innovation, teamwork, and continuous improvement fosters employee engagement, creativity and productivity, leading to higher levels of performance and business success (Wanyonyi & Ngaba, 2021). Similarly, strong leadership that sets a clear vision, inspires trust, and empowers employees to take ownership and initiative can drive SME performance by aligning individual and organizational goals, fostering a sense of purpose, and creating a supportive and conducive work environment (Anshika & Singla, 2022).

External factors such as regulatory environment, market dynamics, and competitive landscape influence SME performance by shaping the opportunities and challenges they face in the marketplace (Muthaura, 2021). SMEs operating in highly regulated industries or facing intense competition may need to adapt their strategies, business models, and operations to thrive in the marketplace. Similarly, changes in consumer preferences, technological advancements, and global economic trends can impact SME performance by creating new opportunities or disrupting existing business models and markets (Anshika & Singla, 2022).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Methods for conducting the study were covered in this chapter. Data processing and analysis, data gathering method, research instrument, research instrument pre-testing, research instrument, research instrument, and study population were also covered. How the study’s findings were presented is also detailed there.

3.2 Research Philosophy

Positivism guided the research. According to Agarwal et al. (2022) positivism held that the common world could be researched objectively by a researcher who separated themselves from personal biases to focus on the study subject. According to the research philosophy, truth was frequently found in positive information from observed experience. The philosophy considered all knowledge other than visible facts hypothetical Positivism research philosophy stressed accepting only analytic propositions as true when reason prevailed. The ideology promoted quick, precise, and succinct conversations in social research to prevent the researcher's subjective feelings and interpretations from affecting data analysis and processing.

3.3 Research Design

In an effort to strike a balance between methodological efficiency and relevance to the study's purpose, research design is defined by Abu-Bader (2021) as the process of coordinating data gathering and analysis. This inquiry made use of a cross-sectional survey methodology. Researchers in Uasin Gishu County used a cross-sectional survey to collect data from many SMEs simultaneously. Offering insights into the relationship between financial inclusion and SME success, this snapshot captures the present situation of both variables. Compared to longitudinal methods, which follow the same sample over time and look for changes, cross-sectional surveys saved time and money. Studies with a large and varied population of SMEs in a defined geographic area, such as Uasin Gishu County, benefited greatly from this efficiency.

Cross-sectional research was chosen because it provides a rapid and efficient picture of variable relationships at one time. This method was ideal for assessing a phenomenon over a broad population since it permitted simultaneous data collecting from many respondents. This cross-sectional study examined the association between financial inclusion and SME performance in a small span without extensive data collecting. Avoiding longitudinal studies' long duration and resource needs made this strategy cost-effective and time efficient. The cross-sectional methodology produced a wide, representative sample in a short time, making it suited for investigations of geographically heterogeneous populations like SMEs in Uasin Gishu County. Taking this picture made it easy to assess connections and patterns across variables, supporting the study's goal of timely, relevant findings.

3.4 Target Population

The objective of researchers is to extrapolate the findings of a study to a certain group, known as the target population (Adams & McGuire, 2022). This research focused on SMEs in Uasin-Gishu county that have less than 20 employees and are registered with the Revenue Department under a single business permit. According to the Uasin-gishu county tax department's data as of December 2023, there were a total of 1300 SMEs.

Uasin-Gishu County was a compelling choice for this study for several reasons. Its dynamic economic landscape, particularly in agriculture, makes it an ideal setting to explore the interplay between the agricultural sector and SMEs, shedding light on how financial inclusivity enablers impact SME performance within an agrarian economy. Moreover, its demographic and geographic diversity, spanning urban centers and rural areas, allowed for a nuanced analysis of how financial inclusivity enablers operate across different socio-economic contexts, enhancing the study’s generalizability. Additionally, the county's history of development initiatives aimed at promoting entrepreneurship and economic growth provided a conducive environment for assessing the effectiveness of financial inclusivity enablers, offering insights for policy alignment and intervention refinement. Overall, Uasin-Gishu County's vibrant economic landscape, demographic diversity, and ongoing development efforts made it ideal research setting for investigating the impact of financial inclusivity enablers on SME performance.

Table 3.1

Target Population

Category	**Population**
Retail	638
Service	438
Agribusiness	148
Manufacturing	76
Total	**1300**

Source: Uasin-gishu county revenue department (2023)

3.5 Sampling Frame

Busetto et al. (2020) state that researchers may identify and include any element in a sample if the sampling frame has that property. A common sampling frame enumerates all variables in the study population from which a statistically valid sample was selected. All Uasin-Gishu County SMEs with fewer than 20 employees and under a Revenue Department business permit were sampled for this study. A single respondent, possibly the owner, manager, or entrepreneur, was chosen by the researcher from among the identified SMEs. This approach ensured that the sample was representative of the SMEs in the region, focusing on those officially recognized and operating with a small workforce.

3.6 Sample Size and Sampling Technique

According to Surucu and Maslakci (2020), sampling is a technique that allows researchers to choose a subset of a population to represent the whole. The researcher utilized an approach known as stratified proportional sampling. The first step involved classifying SMEs according to their industry: service, retail, manufacturing, or agriculture. The number of respondents from each stratum was then determined using proportionate sampling, ensuring equitable representation and reducing sampling errors. The sample size calculation was done using Yamane's approach (1967), and a total of 306 SMEs were chosen for the study. The next step was to determine a percentage of the total sample size. This percentage was used to determine the number of items from each stratum that would be reviewed, ensuring a representative sample from each industry category.

Stratified proportionate sampling was used because it represented all significant demographic segments, resulting in more accurate and dependable results. This strategy stratified the population by size, geography, or sector to ensure that each subgroup was proportionally represented in the sample. This study found that stratified proportional sampling was particularly effective in capturing population diversity, such as SMEs in

Uasin Gishu County, by ensuring that each stratum, regardless of size, contributed proportionally to the sample. This method enhanced findings accuracy and decreased bias from underrepresented groups. Stratified proportionate sampling further improved the study's generalizability by reflecting the population's genuine structure and revealing varied connections across subgroups. By targeting critical subgroups, our technique optimized resource usage while retaining research representativeness and validity.

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

Therefore, the size of the sample based on the formula was depicted in equation below.

$$\mathbf{n} = \frac{\mathbf{1300}}{\mathbf{1+1300(0.05^2)}}$$

n = 306

Table 3.2

Sample Size

Strata	**Population**	**Proportion**	**Sample Size**
Retail	638	0.4908	150
Service	438	0.3369	103
Agribusiness	148	0.1138	35
Manufacturing	76	0.0585	38
Total	**1300**		**306**

3.7 Data Collection Instruments

The primary data were collected using a standardized questionnaire consisting of closed-ended questions. The questions were developed using a 5-point Likert scale. The process of collecting secondary data involved analyzing governmental records and reports, scientific journal articles, and relevant industry reports. This method allowed the researcher to gain a better understanding of the data by using both inductive and deductive reasoning. Combining these approaches ensured a comprehensive analysis, integrating primary quantitative data from the questionnaire with qualitative insights from secondary sources.

3.8 Data Collection Procedures

The researcher secured the essential approvals from Kenya Methodist University through an introduction letter. Following this, to legally gather data in Kenya, the researcher applied for a NACOSTI study authorization. The researcher then enlisted the help of three study assistants to distribute surveys and gather data. Additionally, the researcher conducted a pre-visit to familiarize themselves with the study location. Once the list of registered firms was collected, sampling was conducted and questionnaires were given to the selected respondents. To implement the proposed strategy for raising the response rate, researchers used a drop-and-pick approach to distribute surveys. This method involved delivering the questionnaires to the respondents and arranging to collect them at a later time, ensuring a higher likelihood of participation.

3.9 Pilot Study

Prior to conducting the main research, questionnaires will undergo a pre-testing phase. According to Kothari (2004), 10% of the total sample was used in the pilot research. A total of 31 participants were selected at random from this pool. There was no participation from the pre-testers in the subsequent research. Validity and reliability of the research instrument for data collection were the primary goals of pre-testing.

Before the main study, a pilot study assessed research instrument reliability and validity. For its parallels to the main study's target population in Uasin Gishu County, notably in SMEs' size and variety, Nakuru County hosted this pilot. The pilot study helped researchers assess questionnaire clarity, identify data collecting issues, and improve data collection methods. Pilot participants helped refine question phrasing and structure, making the final survey clear and able to collect the necessary data. The pilot study's findings improved the main study's research strategy.

3.9.1 Reliability

One definition of reliability is the degree to which a research instrument or data gathering tool consistently produces the same results. The most popular and highly recommended reliability test, the Cronbach alpha coefficient, was employed in this study. dependability was measured on a scale from 0 to 1, with higher values indicating more dependability, using the Cronbach alpha coefficient. According to Halperin and Heath (2020), the reliability criterion for each research construct is an alpha coefficient of 0.7.

3.9.2 Validity

In academic research, ensuring the validity of the research instrument was paramount, as it directly influenced the credibility and trustworthiness of the study findings. Validity testing rigorously examined whether the chosen instrument effectively served its intended purpose of collecting accurate and relevant data. As emphasized by Halperin and Heath (2020), a valid instrument had to meet the criterion of reliability, indicating consistency and stability in its measurement outcomes over time and across different contexts.

In this study, content validity was the chosen method for ensuring the validity of the research instrument. Content validity focuses on whether the instrument adequately covered the relevant content domain of the study (Clark et al. 2021). In the context of examining the effect of financial inclusivity enablers on the performance of SMEs in Uasin Gishu County, content validity was meticulously assessed through the expert opinion of a university supervisor. This approach involved seeking input from a knowledgeable and experienced individual in the field, who possessed the requisite expertise to evaluate the instrument's alignment with the research objectives and its capacity to capture the multifaceted dimensions of financial inclusivity and SME performance. By leveraging the insights and discernment of a seasoned expert, the study attained a robust level of content validity, thereby enhancing the trustworthiness and credibility of its findings.

3.10 Data Analysis and Presentation

Removing inconsistent quantitative data and discarding incomplete data was standard procedure. The questions were then coded once they had been cleaned and edited. Data analysis made use of descriptive statistics in tandem with SPSS V.28. The study utilized inferential statistics to evaluate hypotheses. The researcher compared the computed F statistic with the tabulated F statistic to check that the independent variables in the model were correct. To further prove the relevance of the whole model, a key p value of 0.05 was used. An easy P estimate was used to find out how crucial the specific variable was. The study's ideas were put to the test by multiple regression. In order to characterize the performance of SMEs, the researcher calculated the following statistical models using the regression results:

$Y= \beta_0 +\beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Y = Dependent Variable (Performance of SMEs)

‘$\mathbf{B_0}$ = Constant

X_1 = Digital Financial Services

X_2 = Credit Access

X_3 = Financial Literacy Programs

X_4 = Agent Banking

ε = error term

3.11 Diagnostic Tests

The study used diagnostic tests to check the validity of the regression assumptions before actually performing the regression. By and large, assuming the assumptions of regressions are upheld, the findings of parametric tests like regression and correlations are acceptable.

3.11.1 Multicollinearity

Multicollinearity, identified as the presence of high correlations between independent variables within a regression model, posed a significant challenge to the integrity of statistical analyses. This phenomenon, as outlined by Hennink, Hutter and Bailey (2020) and supported by King (2022), can lead to inflated standard errors and exaggerated regression coefficients, thus undermining the accuracy of model predictions. In this study, multicollinearity was assessed through the VIF, in accordance with Lindner, Puck and Verbeke (2020) criterion. A VIF threshold of approximately 5 was utilized to identify variables exhibiting multicollinearity, necessitating their removal from the regression model to maintain the integrity of the analysis.

3.11.2 Normality

The central tendency of the normal distribution was presumed for both the independent and dependent variables. According to King (2022), the normal distribution has a central peak and is symmetrical around its mean. It is often assumed that data follows a normal distribution when conducting parametric testing. Regression residual values must follow a normal distribution for the researcher to draw accurate conclusions from the data. Nevertheless, as pointed out by Lo et al. (2020), the breach of the normalcy assumption shouldn't pose any issues with big samples or any sample size over 30. Even when data does not follow a normal distribution, Nind and Lewthwaite (2020) noted that parametric tests may still be used. While the K-S test is the most often employed, Mohajan (2020) warned that it is no longer sufficient on its own due to its lack of power and instead suggested using a combination of eye inspection and the Shapiro-Wilk test to determine normalcy.

3.11.3 Heteroscedasticity

The dispersion of residual values throughout the observed range is a measure of the degree to which independent and dependent variables undergo systematic variation. One reason heteroscedasticity might be problematic when using OLS in regression is that it presumes all data come from a population with a constant variance (Surucu & Maslakci, 2020). When the variance of the residuals or error term is the same for the variables, then there is no heteroscedasticity. It is usual practice to test for heteroscedasticity at a significant level α by examining the p-value that is produced.

3.11.4 Autocorrelation

A data feature known as autocorrelation indicates that the values of connected variables tend to stay relatively constant throughout time intervals. The traditional models' foundational assumption of independence is rendered useless by the existence of autocorrelation. Autocorrelation was tested in the study using residuals or error term observations. A mathematical method for uncovering recurring patterns, autocorrelation analysis can reveal periodic signals hidden by noise or the missing fundamental frequency of a signal that is inferred by its harmonic frequency. The Durbin-Watson test, which is widely used, can identify data autocorrelation. There is no autocorrelation if the calculated Durbin-Watson statistic is between 1.5 and 2.5.

3.12 Ethical Considerations

The study ensured that ethics in the data collection process were maintained. Various ethical considerations included obtaining necessary authorizations such as from KeMU and NACOSTI through introduction letters and research permits respectively. The researcher explained the study's purpose and obtained participants' consent before initiating data collection. Participants were assured that their responses would remain confidential, and they were not required to provide personal details such as names, phone numbers, work codes, or emails in the questionnaires or interviews.

To ensure data security, responses in the form of answered questionnaires and interview transcripts were stored in a secure and tamper-proof location. Research assistants were recruited based on their good moral standards and ability to communicate courteously with participants. Furthermore, the researcher committed to making the study's findings accessible to the public by publishing them on platforms like Google, ensuring transparency and accountability in disseminating the results derived from the study. These measures collectively aimed to uphold ethical standards throughout the research process, protecting participants' rights and maintaining the integrity of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

Both descriptive and inferential analysis were utilized in the present chapter to examine the data. The study's findings are influenced by the conceptual relationship outlined in the conceptual framework. This chapter covers topics such as response rate, validity, reliability, and assumptions related to regression analysis.

4.2 Response Rate

Only 280 out of 306 questionnaires were really filled out and sent back. The response rate was 91.5% due to this. According to Akano et al. (2024) a response rate of 60% is seen as favorable, a rate of 70% or above as extremely praiseworthy, and a rate of 50% as satisfactory. Therefore, the response rate of 91.5% in this study is excellent and in line with expectations. The high number of responses indicates that people were really interested in taking part in the study. The majority of the curious survey takers were enthralled by the experience.

4.3 Pilot Results

4.3.1 Reliability Analysis

The Cronbach alpha values for each variable are indicated in Table 4.1. The dependability of the data collecting sheet was assessed by calculating the Cronbach's alpha coefficient. Cronbach’s alpha is a statistical measure used to assess the internal consistency of a test. It determines how closely the items on the test are related to each other and to the overall test score. The coefficient ranges from 0 to 1.0, with a higher coefficient indicating a more trustworthy test .

The findings from the reliability analysis of various scales used in the study indicate strong internal consistency across all measures, as reflected by the Cronbach's Alpha values, which are all above the commonly accepted threshold of 0.70. The scale measuring Digital Financial Services achieved a Cronbach’s Alpha of 0.872, signifying a high level of reliability. This suggests that the items within this scale are consistently measuring the construct of digital financial services, providing confidence in the results derived from this scale.

Similarly, the Credit Access scale demonstrated an even higher reliability with a Cronbach’s Alpha of 0.881. This high reliability indicates that the items included in this scale are well-correlated and reliably capture the concept of credit access. Such a robust measure is crucial for drawing valid conclusions about the accessibility and utilization of credit among the subjects studied. The Financial Literacy Programs scale yielded a Cronbach’s Alpha of 0.885, which is indicative of excellent internal consistency. This suggests that the scale items are effectively measuring financial literacy programs, thereby ensuring that any inferences made regarding financial literacy are based on a reliable set of data.

Agent Banking, another critical scale in the study, recorded the highest Cronbach’s Alpha value of 0.893. This exceptional level of reliability underscores the precision with which the scale measures the concept of agent banking. The high alpha value reassures that the items are highly interrelated, which enhances the credibility of the findings related to agent banking. Lastly, the Performance of SMEs scale attained a Cronbach’s Alpha of 0.862, demonstrating solid internal consistency. This indicates that the scale items are consistently reflecting the performance metrics of SMEs. A reliable measure of SME performance is vital for assessing the impacts of various financial services and literacy programs on business outcomes.

Overall, the consistently high Cronbach’s Alpha values across all scales reinforce the reliability of the data collected, providing a strong foundation for the study's conclusions and ensuring that the findings related to digital financial services, credit access, financial literacy programs, agent banking, and SME performance are based on dependable and precise measures.

Table 4.1

Reliability Test

Scale	**Cronbach’s Alpha**	**Comments**
Digital Financial Services	0.872	Accepted
Credit Access	0.881	Accepted
Financial Literacy Programs	0.885	Accepted
Agent Banking	0.893	Accepted
Performance of SMEs	0.862	Accepted

Source (Author, 2024)

4.3.2 Validity

The KMO and Bartlett's test of sphericity is presented in Table 4.2. The KMO and Bartlett's Test of Sphericity are recommended measures to assess the sufficiency of sampling in a study by checking the ratio of cases to variables. KMO & Bartlett's test is crucial in academic and business studies for determining the appropriateness of a sample. The KMO index is a measure that spans from 0 to 1, with a threshold of 0.5 being widely accepted worldwide. The Bartlett's Test of Sphericity assesses the significance of the study and demonstrates the validity and appropriateness of the gathered replies in relation to the problem being investigated. In order for Factor Analysis to be considered appropriate, the Bartlett's Test of Sphericity must have a value lower than 0.05.

The study utilized the KMO measures of sampling adequacy and Bartlett's test of sphericity to determine the significance of the association among the variables, as presented in table 4.2. Factor 1 was determined by eight items that represented digital financial services. Factor 2 was determined by six items that represented credit access. Factor 3 was determined by ten things that represented staffing strategies. Factor 4 was determined by eight items that represented financial literacy programs. Factor 5 was determined by six items that represented performance of SMEs. The Kaiser-Mayor-Oklin measures of sampling adequacy indicate that the test statistic has a value of 0.803, which exceeds 0.5, therefore making it a satisfactory index. The Bartlett's test of sphericity indicates a test statistic value of 0.000, which is below the permissible threshold of 0.05. This outcome demonstrates a strong and statistically significant correlation between the variables. This was also useful in determining the significance of these variables on the performance of SMEs.

Table 4.2

KMO and Bart Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.803
Bartlett's Test of Sphericity	Approx. Chi-Square	829.328
	df	10
	Sig.	.000

Source (Author, 2024)

4.4.1 Level of Education

The data presented in Table 4.3 provides a detailed breakdown of the educational levels among the study's respondents, offering valuable insights into the educational background of the sample population. The majority of respondents, constituting 36.43%, hold a college diploma. This significant proportion suggests that vocational and technical training at the diploma level is prevalent and might be a preferred or accessible educational path for many individuals within the population.

Following closely, 31.43% of the respondents have completed undergraduate degrees. This substantial percentage indicates a strong presence of individuals with higher education, reflecting a considerable investment in undergraduate studies. The relatively high number of undergraduate degree holders also suggests that a significant portion of the population values and pursues higher education, potentially seeking better job opportunities and career advancement.

Respondents with a master's degree make up 28.57% of the sample, highlighting a notable segment of highly educated individuals who have pursued advanced studies beyond the undergraduate level. This indicates a commitment to further specialization and expertise in their respective fields, which could translate into higher levels of professional competence and leadership within the workforce. The smallest group, representing 3.57% of the respondents, comprises individuals with a PhD. Although this is a relatively small percentage, it nonetheless represents a highly educated segment with advanced research skills and in-depth knowledge. The presence of PhD holders in the sample underscores the existence of a highly specialized and academically accomplished group, contributing to the diversity of educational qualifications within the population.

In summary, the distribution of educational levels among the respondents reveals a well-educated population with a wide range of academic qualifications, from college diplomas to PhDs. This diversity in educational attainment highlights the varied academic backgrounds and the potential for different perspectives and skills within the population. The data suggests a strong emphasis on higher education, with significant portions of the population achieving undergraduate and graduate degrees, which could have positive implications for the workforce's skill level and professional capabilities.

Table 4.3

Level of Education

Level	**Frequency**	**Percent (%)**
College Diploma	102	36.43
Undergraduate	88	31.43
Masters	80	28.57
PhD	10	3.57
TOTAL	**280**	**100.0**

Source (Author, 2024)

4.4.3 Operation Period

Table 4.4 presents the operation periods of SMEs included in the study. The data shows that out of a total of 280 SMEs, 56 (20%) have been in operation for less than 5 years. This suggests a significant proportion of relatively new businesses within the SME sector. A further 66 SMEs (23.57%) have been operating for between 6 and 10 years, indicating a stable segment that has surpassed the initial establishment phase and is likely experiencing growth or stabilization in their market presence. The category with 11 to 15 years of operation includes 72 SMEs (25.71%). This group represents businesses that have achieved a degree of maturity and likely have established themselves firmly within their respective markets. Finally, the largest segment comprises 86 SMEs (30.71%) that have been in operation for more than 15 years. This indicates a considerable number of long-standing SMEs that have likely weathered various market challenges and have maintained sustainable business practices over time.

Overall, the distribution of operation periods among SMEs reveals a balanced spread across different stages of business maturity, with a slight skew towards more established enterprises. This diversity suggests a healthy ecosystem where new businesses are emerging while older ones continue to sustain and grow, contributing to the overall stability and dynamism of the SME sector.

Table 4.4

Operation Period

Operation Period	Frequency	Percent (%)
Less than 5 years	56	20
6-10 years	66	23.57
11 - 15 years	72	25.71
Above 15 years	86	30.71
TOTAL	**280**	**100.0**

Source (Author, 2024)

4.5 Descriptive Results

The descriptive findings are presented in this section. The study's analysis made use of standard deviations, means, frequencies, and percentages. The results showed how respondents felt about various claims made in the polls. The descriptive results for the dependent variable were summarized in this section.

4.5.1 Digital Financial Services

A relatively low standard deviation (SD =.62098) and the highest mean score (M = 4.1929) for the statement "Mobile money usage is associated with improved cash flow management for SMEs" suggest that there is a strong consensus among respondents that mobile money greatly improves CFM for SMEs. This indicates that, perhaps as a result of the accessibility and ease they provide, mobile money services are critical in enabling effective financial operations within SMEs. Loans for mobile devices help SMEs expand and flourish. In addition to a low std dev of.60590 and a high average score of 4.1750, the assertions also succeeded. A large majority of people think that mobile loans are very important for SMEs to grow and expand since they provide them with flexible financing and the capital they need.

The statement "Online payment platforms are crucial for expanding the market reach of SMEs" had an average score of 4.1393, with a std dev of .60927. This suggests that online payment systems are viewed as highly important in extending the market reach of SMEs. This discovery is consistent with the increasing prevalence of digital transactions and e-commerce, which allows SMEs to reach a wider range of customers outside geographical boundaries.

The significance of digital banking in making it simpler for SMEs to acquire loans was also recognized by respondents, as seen by the average score of 4.0357 (SD =.76585). There seems to be more variety in replies, as indicated by the somewhat higher standard deviation. This might be because SMEs have different levels of expertise or different access to digital banking services. With a mean score of 4.1000 (SD =.68050), the statement "SMEs utilizing online payment platforms experience improved customer satisfaction" is supported by the data, indicating that digital payment systems improve operational efficiency and consumer satisfaction. This is probably because customers are more likely to be satisfied and trusting when they shop online because of the safety and ease of the process.

With an average score of 4.0643 and a std dev of.64714, the statement "Mobile money platforms contribute to the financial inclusion of SMEs" clearly indicates that there is widespread agreement that these platforms play a crucial role in bringing SMEs into the financial system. This discovery highlights how mobile financial services step in to help

SMEs that may not have access to traditional banking systems. Lastly, with a mean score of 3.8464 (SD =.90478), "Utilizing digital banking services is crucial for enhancing SME competitiveness" was rated well, while "Access to mobile loans positively influences the investment decisions of SMEs" was rated as good, although, underrated. Digital banking and mobile loans remain strongly support SMEs' competitiveness and investment decisions, even though these ratings are significantly lower than other assertions.

Finally, Table 4.6 results show that most people agree that digital financial services improve several parts of SMEs' operations, including customer happiness, financial inclusion, market reach, and cash flow management. With low to moderate standard deviations and relatively high mean ratings across all assertions, digital financial services are generally seen as crucial instruments for SMEs to develop, expand, and gain a competitive edge.

Wu and Huang (2022) examined the impact of digital finance and financial restrictions on financial performance; their findings are consistent with these findings. The new energy enterprises in China were the primary focus of their investigation. With so many obstacles in the way of investment and funding, it is unclear if digital banking supports China's new energy development objectives. Use of the generalized moment approach, this study investigates how digital finance and budgetary restrictions affect a business's bottom line. Combining the digital finance index created by the Peking University Institute of Digital Finance with panel data from 157 listed new energy businesses in China, this study attempts to provide a comprehensive analysis. Digital finance may help innovative energy firms improve their financial performance, according to the results. But getting to the same degree of development is really difficult due to budgetary limitations. Budgetary restraints further diminish the relevance of digital finance. Furthermore, a variety of analyses shows the following. The promotion effects of digital money will have a disproportionate influence on small companies and non-state-owned entities. The fact that bigger businesses feel the pinch of budget cuts more acutely is another crucial factor to think about. While shedding light on how digital financing might bolster the expansion of the new energy industry, this research also brings up crucial policy questions.

Table 4.5

Digital Financial Services

Statements	**N**	**Mean**	**Std. Dev**
Digital banking enables access credit more easily.	280	4.0357	.76585
Leveraging digital banking services is vital for boosting competitiveness.	280	3.8464	.90478
The use of mobile money is linked to better cash flow management	280	4.1929	.62098
Mobile money systems improve access to money	280	4.0643	.64714
Internet payment systems are crucial for market expansion	280	4.1393	.60927
Internet payment systems report higher customer satisfaction.	280	4.1000	.68050
Mobile loans support expansion and continual growth.	280	4.1750	.60590
Access to mobile lending has a positive impact on the investment choices	280	3.9750	.65808
Valid N (listwise)	**280**		

Source (Author, 2024)

4.5.2 Credit Access

Table 4.6 shows the results of the study, which shed light on the consequences of loan availability for SMEs and other small and medium-sized businesses. Several credit-related elements have a substantial effect on the operational and financial performance of SMEs, as seen in the assessed statements. As a first point, the statement "The cost of credit significantly impacts the operational costs of my SME" gets an average score of 3.8464 and a std of 0.85172. In other words, most people who took the survey think that interest rates on loans have a big impact on their operating budgets. It appears that the impact of loan costs on SMEs is widely acknowledged, as indicated by the relatively high mean score.

In addition, with a mean score of 4.2107 and a std of 0.71484, the statement "Borrowing costs have affected the profitability of my SME" performed better. It may be inferred from this result that the majority of respondents believe that borrowing costs play a pivotal role in determining profitability. The questioned SMEs appear to be in strong agreement on this subject, as indicated by the smaller standard deviation, which indicates less diversity in replies.

The impact of interest rate fluctuations is further demonstrated by the statement "Fluctuations in interest rates influence my SME's decision to take on credit," which carries an average score of 4.1143 and a std of 0.56271. Interest rate volatility appears to be a consistently important component impacting SMEs' loan decision-making, as indicated by the dataset's high mean score and lowest std.

Additionally, with a std of 0.91402, the statement "Lower interest rates would facilitate the expansion plans of my SME" obtained an average score of 3.9429. Although most people think that lower interest rates would be good for expansion plans, the responses are more varied than with other assertions, suggesting that people have different opinions about how much of an effect lower rates would have.

Statements like "Credit rationing has impeded the growth prospects of my SME," with a mean score of 3.9107 and the largest std of 1.09212, suggest that credit rationing is a significant growth inhibitor. A significant standard deviation indicates that people have different experiences and perspectives on how serious of a problem credit rationing is, but a reasonably high mean score indicates that most people see it as a growth obstacle.

Finally, the statement "Mitigating business risk is a priority for my SME in securing favorable credit terms" (mean score: 4.0250, std: 0.73525) emphasizes the significance of reducing business risk in order to obtain favorable credit terms. The moderate standard deviation and high mean score show that a consistent priority of risk management across the sample, which is important for SMEs looking to improve their credit circumstances.

Studying the impact of bank loans on the growth of small enterprises in Nigeria, Agbonna (2022) found similar outcomes. Research employed the OLS regression approach to analyze data collected from 1995 to 2012. Lending money from banks allowed small firms to grow, according to the results. Having access to capital is positively correlated with the success of SMEs, according to the research. Correlation analysis was also employed by Adelekan et al. (2020) to describe comparable findings in a Nigerian context. Findings from previous research reviews on the subject of how the availability of loans from deposit money banks affects the performance of SMEs were inconsistent. Some research has revealed positive associations. Given that prior research has shown a negative association, such as that of Adelekan et al. (2020) and Clark et al. (2021), more examination is necessary. There has also been a lack of focus on microfinance institutions and studies conducted outside of the Kwara government in Nigeria in the literature.

Table 4.6

Credit Access

Statements	**N**	**Mean**	**Std. Dev**
The expense of obtaining credit greatly influences the operational expenses	280	3.8464	.85172
The costs associated with borrowing have had a notable effect on profitability.	280	4.2107	.71484
Variations in interest rates play a crucial role in decisions regarding taking on credit.	280	4.1143	.56271
Reduced interest rates would enable my SME to pursue its expansion plans more effectively.	280	3.9429	.91402
The restriction of credit has hindered the growth opportunities	280	3.9107	1.09212
Minimizing business risk is essential to secure advantageous credit conditions	280	4.0250	.73525
Valid N (listwise)	**280**		

Source (Author, 2024)

4.5.3 Financial Literacy Programs

Various financial literacy skills are crucial for SMEs to improve their stability, profitability, and overall financial health, according to the statements that were examined. First, with a mean score of 4.2679 and a std of 0.48972, the assertion "Improved debt management skills lead to better financial stability for my SME" is well-supported. With such a high mean score, it's clear that most people think that good debt management is important for anyone's financial security. Debt management was deemed important by all questioned SMEs, as indicated by the low standard deviation, which suggests an agreement on this perspective.

Secondly, with a std of 0.63074 and a mean of 4.1464, the statement "Proficiency in debt management contributes to enhanced profitability within my SME" was evaluated. In spite of a somewhat greater standard deviation, the high mean score demonstrates that respondents' perceptions of the link between debt management abilities and profitability are rather variable. With an average score of 4.0821 and a std of 0.79675, the statement "Implementing effective budgeting practices leads to improved financial performance for my SME" brings attention to the significance of good budgeting practices. The fact that there is a wide range of answers shows that most people think budgeting is important for financial success, but it also shows that various SMEs have varied ideas about how to achieve this.

Also, with a standard deviation of 0.95997 and a mean of 3.9179, the statement "Better budgeting skills result in more efficient resource allocation within my SME" is rather credible. A larger standard deviation indicates a more diverse set of experiences and perspectives on the topic of budgeting abilities' significance in resource allocation, notwithstanding the generally favorable mood towards this area. The statement

"Knowledge of banking services leads to better financial decision-making within my SME" came out on top with an average score of 4.2429 and a std of 0.52700. The high mean score indicates that the respondents firmly feel that knowing banking information is valuable for making good financial decisions. The low standard deviation shows that everyone is in agreement on how important it is to know banking services.

Also, with a std of 0.66555 and a mean of 4.0929, the statement "Optimal utilization of banking services contributes to increased competitiveness for my SME" was also evaluated. While there is considerable variation in answers, the results show that most people agree that using financial services effectively gives you a competitive edge.

Having a strong grasp of accounting is also emphasized as crucial. The statement "Proficiency in bookkeeping leads to better financial transparency within my SME" received an average of 4.1321 with a std of 0.54250. With a low standard deviation and a high mean score, it's clear that respondents agreed that good bookkeeping is essential for ensuring financial openness.

Finally, with a mean of 3.8357 and a maximum std of 1.25359, the statement "Effective bookkeeping is essential for achieving long-term financial goals within my SME" has significant weight. Although there is consensus on the necessity of bookkeeping for long-term goals, there is a lot of variation in viewpoints, as seen by the large standard deviation. This variability might be due to varying degrees of understanding or application of successful bookkeeping techniques.

The results show that financial literacy programs are critical for SMEs to improve their financial management in many ways. Financial stability, profitability, resource allocation, decision-making, competitiveness, and long-term goal attainment are all influenced by competent bookkeeping, thorough understanding of banking services, efficient budgeting, and improved debt management. These findings point to the fact that SMEs may gain a lot from financial literacy programs, which can help them develop and stay afloat in a tough market.

Buchdadi et al. (2020) used financial risk attitude and financing availability as intermediary factors to assess the influence of financial literacy on the performance of SMEs. This study concurs with their findings. A financial risk attitude, access to capital, and financial literacy were found to favorably affect the performance of SMEs in this study. While this study did find a correlation between financial literacy and improved SME performance, it also revealed that factors such as access to financing and attitude toward financial risk mediated this relationship. When it comes to banking and financial markets, the SME manager has no idea what they're doing, according to the descriptive data. Evidence like these highlights the critical need for government action to enhance the training of SME managers in banking, risk management, and capital market products.

These findings support Tuffour et al. (2022), who examined how SME managers' financial literacy in La Nkwantanang Madina Municipality, Ghana, influenced their financial and non-financial performance. Standardized questionnaires were given to 200 small-scale managers to collect primary data. The data was analyzed using structural equation modeling. We found that financial literacy greatly impacts firm success across multiple parameters. Financial literacy knowledge, attitude, and awareness improves financial and non-financial success. Financial success in tax-regulated small firms is unaffected by age, education, and experience. To learn personal finance, small business managers and owners should enroll in capacity building programs.

Table 4.7

Financial Literacy Programs

Statements	N	Mean	Std. Dev
Enhanced debt management skills contribute to greater financial stability	280	4.2679	.48972
Mastery of debt management plays a key role in boosting profitability	280	4.1464	.63074
Adopting effective budgeting strategies improves the financial performance	280	4.0821	.79675
Advanced budgeting skills enable more efficient allocation of resources	280	3.9179	.95997
Understanding banking services supports financial decision	280	4.2429	.52700
Effective use of banking services enhances the competitiveness	280	4.0929	.66555
Strong bookkeeping skills lead to improved financial transparency	280	4.1321	.54250
Effective bookkeeping is crucial for reaching long-term financial objectives	280	3.8357	1.25359
Valid N (listwise)	**280**		

Source (Author, 2024)

4.5.4 Agent Banking

The importance of Agent Banking on several facets of SMEs' finances is brought to light by an examination of the results in Table 4.8. SMEs financial decision-making, cash flow management, transaction costs, and accessibility to financial services are all affected by Agent Banking networks and services, according to the responses.

With a mean of 4.1036 and a std of 0.79424, the statement "A denser Agent Banking network impacts the financial performance of my SME" is among the most prominent. Respondents clearly believe that a powerful Agent Banking network has a favorable impact on their financial performance, as indicated by the high mean score. The moderate standard deviation shows that there is some disagreement on the topic, suggesting that people have different levels of expertise with Agent Banking network density. With a low std of 0.49218, the statement "Increased Agent Banking presence leads to improved accessibility to financial services for my SME" earned a mean of 4.1929. The high average score shows that most people agree that having Agent Banking makes financial services much more accessible. The relevance of Agent Banking for financial service accessibility is highlighted by the low standard deviation, which implies consistent agreement throughout the respondents.

A mean of 3.8821 and a std of 0.98576 were recorded for the statement "Utilizing Agent Banking services improves cash flow management" in relation to cash flow management. Although there is a large variation in responses (greater standard deviation), the mean score suggests that most people have a favorable impression of Agent Banking's contribution to better cash flow management.

With a std of 0.72437, the statement "Effective cash flow management facilitated by Agent Banking leads to better financial stability for my SME" achieved an average score of 4.0964.

This high mean score indicates that most people think Agent Banking is important for improving financial stability by managing cash flow better. There is some variation in replies, as seen by the moderate standard deviation, suggesting that SMEs have varied degrees of efficacy. According to the statement "Lower transaction costs lead to increased efficiency in financial transactions for my SME through Agent Banking," which has a mean score of 4.1607 and a std of 0.74720, lower transaction costs are considered as favorable. With such a high mean score, it's clear that people are confident in Agent Banking's ability to reduce transaction costs and increase efficiency. Respondents' perceptions of these advantages vary, as seen by the moderate standard deviation.

With an average score of 3.9536 and a std of 0.94735, the statement "Savings on transaction costs due to Agent Banking directly contribute to improved bottom-line performance for my SME" provides solid evidence. Despite the increased standard deviation, this finding shows that respondents had various experiences, but overall they had a good impression of how cost reductions affected bottom-line performance. The statement "Improved access to financial services leads to better financial decision-making within my SME" had the largest standard deviation at 1.18981 and a mean score of 3.8107. The mean score shows that most SMEs agree that better access to financial services helps with decision-making, but the high standard deviation shows that SMEs' experiences and opinions vary significantly, maybe because they have different levels of access to and use of Agent Banking services.

All things considered, the results highlight the critical importance of Agent Banking in helping SMEs with their financial performance, service accessibility, cash flow control, transaction efficiency, and decision-making. There is a general consensus that it would be beneficial to increase the reach and visibility of the Agent Banking network in order to lower transaction costs and make financial services more accessible. The variety of responses, however, suggests that while the overall impact is positive, the extent to which SMEs benefit may vary according on their unique situations and experiences with Agent Banking services.

These findings validate the earlier research conducted by Mojambo et al (2020), which observed that commercial banks have successfully enhanced their market share and profitability by increasing their accessibility to the public through the use of agent banking. The study's findings indicate that banks can enhance their financial performance by implementing agency banking. Through the use of agency banking, banks may effectively expand their reach and offer a wider range of services to a larger customer base. Even though just one-third of the country's commercial banks use agent banking, Dianga is certain that the rest do as well. Banks can improve their financial performance by gaining access to transactional cash through agency banking, which is vital for processing consumer withdrawals and deposits.

Table 4.8

Agent Banking

Statements	N	Mean	Std. Dev
A denser Agent Banking network boosts financial performance.	280	4.1036	.79424
More Agent Banking presence improves access to financial services.	280	4.1929	.49218
Using Agent Banking enhances cash flow management.	280	3.8821	.98576
Better cash flow through Agent Banking strengthens financial stability.	280	4.0964	.72437
Lower transaction costs increase efficiency via Agent Banking.	280	4.1607	.74720
Savings from Agent Banking improve profitability.	280	3.9536	.94735
Better access to financial services enhances decision-making.	280	3.8107	1.18981
Valid N (listwise)	**280**		

Source (Author, 2024)

4.5.5 Performance of SMEs

Considerable light is shed on the elements impacting the performance of SMEs from the examination of the data offered in Table 4.9. A number of factors influencing SME performance were considered in the replies, including the following: inexpensive financing, microfinance, government efforts, financial literacy programs, and access to credit.

First, with a mean of 3.8393 and a std of 1.26402, the statement "Access to credit facilities has facilitated our SME in expanding its market reach and increasing sales revenue" provides some useful information. The large standard deviation shows that there is a lot of variation in the experiences and views of SMEs about the amount to which access to financing is advantageous for market development and revenue growth, but overall, respondents seem to agree that it is. With a std of 0.85314 and a mean of 4.1786, the statement "The utilization of financial technology (FinTech) solutions has contributed to the growth of our SME's sales revenue" was evaluated. The good assessment of FinTech's involvement in boosting sales revenue growth is indicated by the high mean score. Although the majority of respondents have a positive impression of FinTech, the moderate standard deviation indicates that various SMEs have diverse experiences with its effects.

"Participation in government-sponsored financial inclusion initiatives has played a significant role in enhancing our SME's accumulated assets," with a mean of 4.0786 and a std of 0.69373, indicates that participation in government-sponsored financial inclusion initiatives is also perceived positively. There is a firm and continuous conviction that these programs greatly aid SMEs in amassing assets, as shown by the high mean score and low standard deviation.

With a mean of 4.3536 and a standard of 0.52191, the statement "The accessibility of financial literacy programs has enabled our SME to effectively manage and grow its accumulated assets" stands out as a highly impactful example of how financial literacy programs are meant to be accessible. This shows that the need of financial literacy programs for asset management and growth is highly agreed upon by respondents.

"The availability of microfinance options has enabled our SME to increase its workforce, enhancing productivity and performance" (mean: 3.7571, std: 1.16318) is a statement on microfinance options. Although most people think that microfinance helps SMEs increase their workforce size and productivity, the large standard deviation shows that people's experiences with the program vary greatly, suggesting that not all SMEs reap the same advantages. Lastly, with a std of 0.85592 and a mean of 4.0964, the statement "Access to affordable financing options has supported our SME in hiring and retaining skilled employees" was selected. The results demonstrate that respondents think reasonable financing is important for bringing in and keeping talented workers, and the moderate standard deviation indicates that there is some variation in how SMEs perceive this assistance.

The results show that different financial assistance and activities have different effects on SMEs' performance. Factors that are considered crucial to the growth and success of SMEs in several aspects include inexpensive financing, microfinance, government efforts, financial literacy programs, access to credit, and FinTech solutions. Despite the fact that these characteristics are typically helpful, the amount to which they affect SMEs might vary greatly, as shown by the answers' variability; hence, targeted methods are needed to make the most of their influence.

Table 4.9

Performance of SMEs

Statements	N	Mean	Std. Dev
Credit facilities have enabled us to broaden our market reach and increase sales revenue.	280	3.8393	1.26402
Leveraging FinTech solutions has contributed to the growth of our sales revenue.	280	4.1786	.85314
Involvement in government financial inclusion programs has been crucial in building our accumulated assets.	280	4.0786	.69373
Access to financial literacy programs has allowed us to effectively manage and grow our assets.	280	4.3536	.52191
Microfinance options have empowered us to expand our workforce, boosting productivity and performance.	280	3.7571	1.16318
Affordable financing has helped us hire and retain skilled employees.	280	4.0964	.85592
Valid N (listwise)	**280**		

Source (Author, 2024)

4.6 Correlation Analysis

The correlation matrix presented provides a comprehensive view of the relationships between independent variables and the dependent variable. Each correlation coefficient indicates the strength and direction of the linear relationship between pairs of variables. The Pearson correlation coefficient between Digital Financial Services and the

Performance of SMEs is 0.731, which is statistically significant at the 0.01 level. This strong positive correlation suggests that as the availability and usage of digital financial services increase, the performance of SMEs improves significantly. Digital financial services can enhance SME performance by providing easier access to financial transactions, reducing transaction costs, and offering more efficient financial management tools. This improvement in financial accessibility and management can lead to better business decisions, increased financial stability, and overall growth in SME operations.

The correlation coefficient between Credit Access and the Performance of SMEs is 0.691, also significant at the 0.01 level. This strong positive correlation indicates that better access to credit is closely associated with improved SME performance. Access to credit allows SMEs to invest in their business operations, purchase necessary inventory, expand their services, and navigate cash flow challenges. With sufficient credit, SMEs can leverage growth opportunities and enhance their market competitiveness, leading to better overall performance.

Financial Literacy Programs exhibit a correlation coefficient of 0.587 with the Performance of SMEs, significant at the 0.01 level. This moderate positive correlation suggests that the presence and effectiveness of financial literacy programs are moderately associated with better performance of SMEs. Financial literacy equips SME owners and managers with the knowledge to make informed financial decisions, manage resources efficiently, and plan strategically for long-term success. Enhanced financial literacy can lead to improved financial planning, better risk management, and ultimately, enhanced business performance.

The correlation between Agent Banking and the Performance of SMEs is 0.669, which is statistically significant at the 0.01 level. This strong positive correlation indicates that an increase in agent banking services is associated with an improvement in SME performance. Agent banking provides a more accessible and convenient way for SMEs to conduct financial transactions, especially in areas where traditional banking infrastructure may be limited. By facilitating easier deposits, withdrawals, and other banking services, agent banking can improve the financial operations and liquidity of SMEs, thereby enhancing their performance.

The correlations in the table demonstrate significant positive relationships between all four financial services variables (Digital Financial Services, Credit Access, Financial Literacy Programs, and Agent Banking) and the Performance of SMEs. The strongest correlation is with Digital Financial Services (0.731), followed by Credit Access (0.691), Agent Banking (0.669), and Financial Literacy Programs (0.587). These findings underscore the importance of improving financial services and literacy to support the growth and performance of SMEs. Enhancing digital financial services, credit access, financial literacy, and agent banking can provide SMEs with the tools and resources needed to thrive in competitive markets.

Table 4.10

Correlations Analysis

		DFS	CA	FLP	AB	PS
DFS	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	280				
CA	Pearson Correlation	.739**	1			
	Sig. (2-tailed)	.000				
	N	280	280			
FLP	Pearson Correlation	.467**	.369**	1		
	Sig. (2-tailed)	.000	.000			
	N	280	280	280		
AB	Pearson Correlation	.492**	.464**	.696**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	280	280	280	280	
PS	Pearson Correlation	.731**	.691**	.587**	.669**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	280	280	280	280	280

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

Key: DFS-Digital Financial Services: CA-Credit Access: FLP- Financial Literacy Programs: AB-Agent Banking: PS-Performance of SMEs

Source (Author, 2024)

4.7 Model Diagnostics

For the purpose of determining whether or not it is possible to carry out a regression analysis test, this section examines both dependent and independent variables. Normality, multicollinearity, and linearity are all encompassed under this analysis.

4.7.1 Normality Test using Kolmogorov-Smirnov

For the purpose of determining normality, the K-S and S-W tests are shown in Table 4.11. Using the normal distribution, Kothari (2014) proved that the descriptive, normality, and verification tests may be assessed. According to Nanjundeswaraswamy and Divakar (2021) it is possible that the data contains outliers, multiple modes, improper measuring devices, incorrect distributions, zero or infinite boundaries, or that there is not enough data collected if these tests show non-normality. A normal distribution on the dependent variable is required for linear model fitting.

The Kolmogorov-Smirnov test was used to look for signs of normality in the performance of SMEs, which is the dependent variable. The hypothesis was tested at a 0.05 level of significance, where the default setting is to not reject the null hypothesis (H0) unless the probability (P) value is less than 0.05. A normal distribution for the dependent variable is necessary for the study's analysis to be conducted using a multiple regression model. An assumption of normalcy must be satisfied for this model to work. According to the results of the Shapiro-Wilk and Kolmogorov-Smirnov tests, which are shown in Table 4.11, the data for the variables follow a normal distribution. We can confirm this using p-values of 0.000, which are all less than the 0.05 level of significance. That being the case, we may conclude that H1 is more plausible and reject H0 as the alternative. With the use of normal score correlation, the Shapiro-Wilk test may be applied . Its statistical power is higher than that of the K-S test, even after accounting for the Lilliefors adjustment. If α is set at 0.05 for both H0 and H1, the rule dictates that if the p-value is less than α, then H0 should be discarded. Other than that, we shouldn't rule out the possibility that H0 is correct.

Table 4.11

Tests of Normality

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Digital Financial Services	.201	280	.000	.912	280	.000
Credit Access	.185	280	.000	.906	280	.000
Financial Literacy Programs	.112	280	.000	.970	280	.000
Agent Banking	.109	280	.000	.965	280	.000
Performance of SMEs	.164	280	.000	.906	280	.000

a. Lilliefors Significance Correction

Source (Author, 2024)

4.7.2 Test for Autocorrelation

The Durbin-Watson helps to identify whether there is a pattern in the errors of a regression model, which might indicate that the model is not capturing all the information in the data. The D-W statistic can take on values between zero and four. If it's near to two, it means the residuals don't have any autocorrelation.

Values approaching 0 indicate positive autocorrelation, where the residuals are positively correlated with each other. This means that an error at one point in time is likely to be followed by a similar error. Conversely, values approaching 4 indicate negative autocorrelation, where an error at one point is likely to be followed by an error in the opposite direction.

Given a Durbin-Watson statistic of 2.105, it suggests that there is little to no autocorrelation in the residuals of the regression model. The value is very close to 2, implying that the errors are independent and there is no significant pattern in the residuals. This is generally a good indication for the reliability of the model, as it means that the residuals do not show systematic patterns and the model has likely captured the underlying trends in the data well.

Table 4.12

Durbin-Watson

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.835[a]	.697	.692	.13740	2.105

a. Predictors: (Constant), Agent Banking, Credit Access, Financial Literacy Programs, Digital Financial Services

b. Dependent Variable: Performance of SMEs

Source (Author, 2024)

4.7.3 Test for Multicollinearity

When there is a strong correlation between two or more predictor variables in a multiple regression model, this statistical phenomenon is called multicollinearity. The presence of strong correlations among the independent variables is a negative indicator of the situation. Perfect multicollinearity occurs when some of the variables in a set have exactly one linear connection with one another. Table 4.13 displays the results.

Tolerance and VIF values were determined for the variables. There is no multicollinearity if the VIF is less than 10 and the tolerance is more than 0.2. Verifying that the variables do not exhibit collinearity is critical for the credibility of multiple regressions. The variance inflation factor and tolerance are two popular measures used to evaluate multicollinearity. Table 4.13's variables all have VIF values below 10 and tolerance values over 0.2, as shown by the findings. Digital financial services, credit access, financial literacy initiatives, and agent banking are the independent variables that do not show signs of multicollinearity.

Table 4.13

Multicollinearity test using Tolerance and VIF

		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	Digital Financial Services	.408	2.453
	Credit Access	.437	2.287
	Financial Literacy Programs	.492	2.033
	Agent Banking	.464	2.157

a. Dependent Variable: Performance of SMES

Source (Author, 2024)

4.7.4 Test for Linearity

The Normal Q-Q Plot for Digital Financial Services is a graphical representation used to assess whether the data for this variable follows a normal distribution. On the plot, the observed values are plotted on the x-axis, and the expected normal values are plotted on the y-axis. The straight line represents the ideal case where the data points exactly follow a normal distribution.

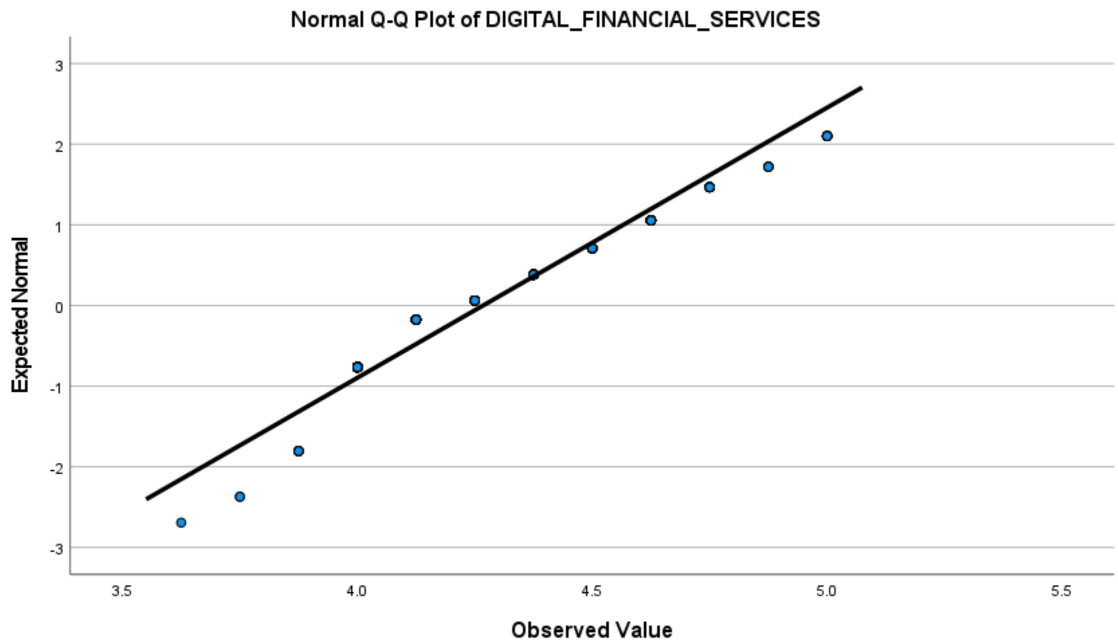
In figure 4.1, the majority of the data points fall along the reference line, indicating that the distribution of Digital Financial Services values is approximately normal. However, there are some deviations at the lower end (left side of the plot) and the higher end (right side of the plot). Specifically, the points at the lower end are below the line, and the points at the higher end are above the line, which suggests some degree of skewness in the data.

Despite these deviations, the points overall follow the reference line reasonably well. This indicates that while the data for Digital Financial Services may not perfectly follow a normal distribution, it is close enough for many practical purposes. Small deviations from the reference line are common and often acceptable, especially in larger datasets where slight deviations do not significantly impact the analysis.

In summary, the Normal Q-Q Plot suggests that the data for Digital Financial Services is approximately normally distributed with some minor deviations, particularly at the tails. This approximation to normality is generally sufficient for many statistical analyses that assume normality, although further investigation might be needed if these deviations are found to have a significant impact on specific analyses or model assumptions.

Figure 4.1

Normal Q-Q plot of Digital Finance Services



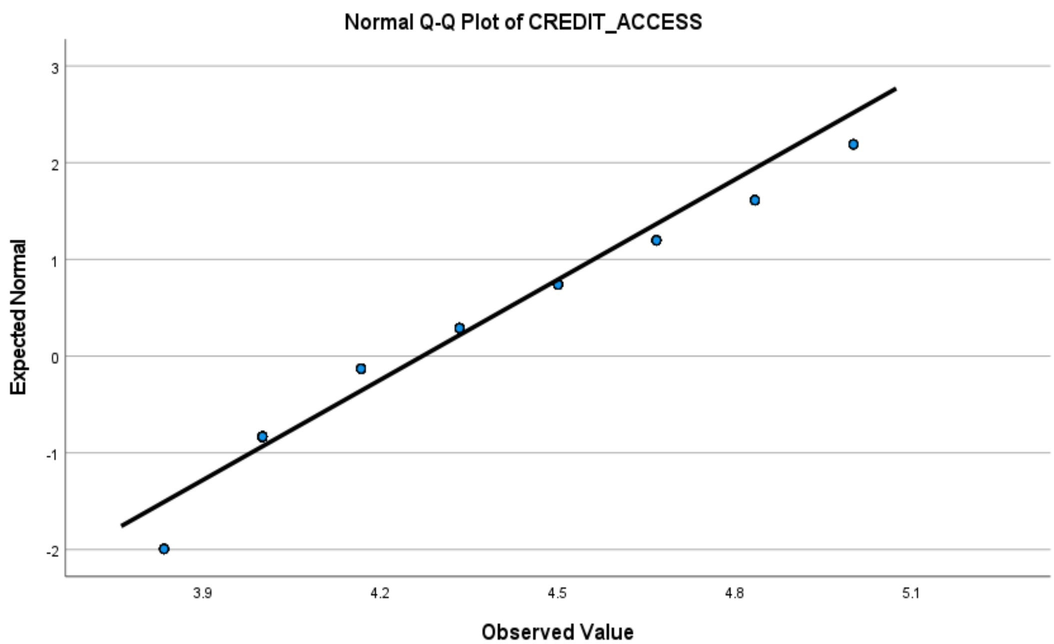
Source (Author, 2024)

Figure 4.2 displays the actual values on the x-axis and the predicted normal values on the y-axis. If the data were exactly normally distributed, the diagonal line would show the distribution that would be followed. Based on the proximity of the data points to the reference line in this figure, it can be inferred that the Credit Access data follows a normal distribution. The left side of the graph, which represents the bottom end of the distribution, is where you may see the most outliers, though. In particular, there is a little left-skew in the data, as the lower-end points are lower than the reference line. The fact that the data points at the top of the distribution (on the right side of the graph) are marginally higher than the reference line lends credence to the idea of skewness.

Despite these deviations, the overall alignment of the points with the reference line indicates that the data for Credit Access is generally close to normally distributed. Minor deviations are common and often acceptable, especially in larger datasets where slight non-normality does not significantly affect the analysis.

Figure 4.2

Normal Q-Q plot of Credit Access



Source (Author, 2024)

Figure 4.3 depicts a normal Q-Q plot, a statistical tool used to assess the normality of a dataset by comparing its quantiles to the quantiles of a standard normal distribution. Assuming normality in the data, a straight diagonal line would result from the plotting of the expected versus observed quantiles. Deviations from this linearity signify a departure from normality. In this case, the observed data deviates from the expected normal distribution, as indicated by the non-linearity of the plotted points.

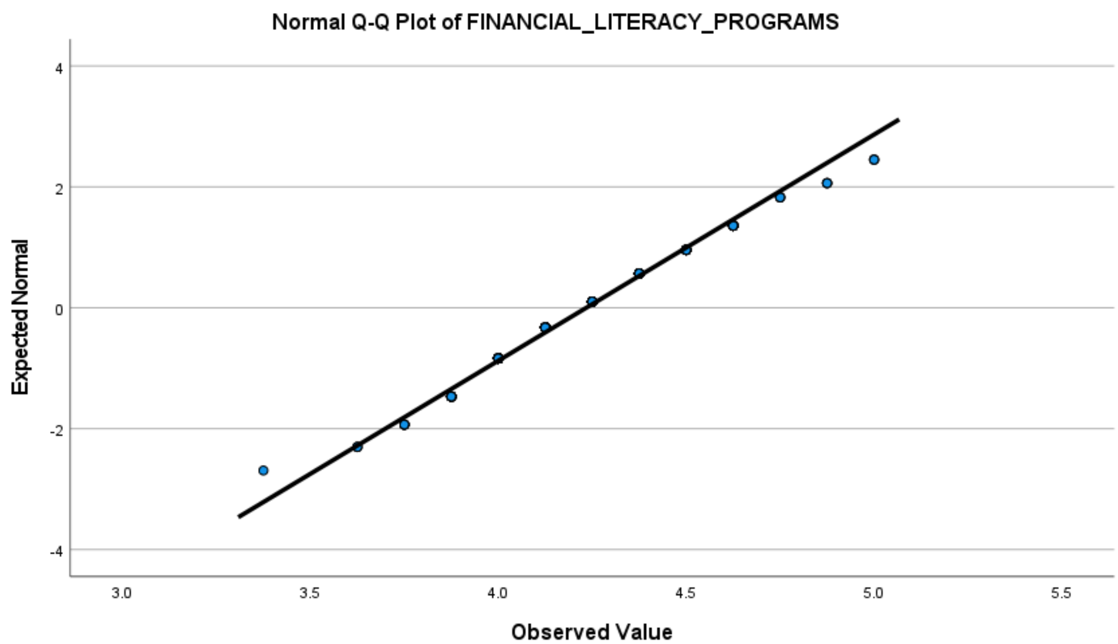
Specifically, the data points in the lower-left quadrant fall beneath the expected line, suggesting a greater frequency of observed values in the tail of the distribution than predicted under a normal assumption. This implies a potential skew towards lower values for the financial literacy programs.

Conversely, the data points in the upper-right quadrant lie above the expected line, indicating a higher occurrence of observed values in the upper tail of the distribution than anticipated under normality. This suggests that there might be a small number of financial literacy programs with exceptionally high values.

In conclusion, the analysis of the normal Q-Q plot suggests that the distribution of financial literacy programs deviates from normality. There is evidence of a potential skew towards lower values, alongside the possibility of outliers on the higher end. It is important to acknowledge, however, that normal Q-Q plots are merely one tool employed in normality assessments.Additional statistical tests can be conducted to confirm or refute this initial observation.

Figure 4.3

Normal Q-Q plot of Financial Literacy Programs



Source (Author, 2024)

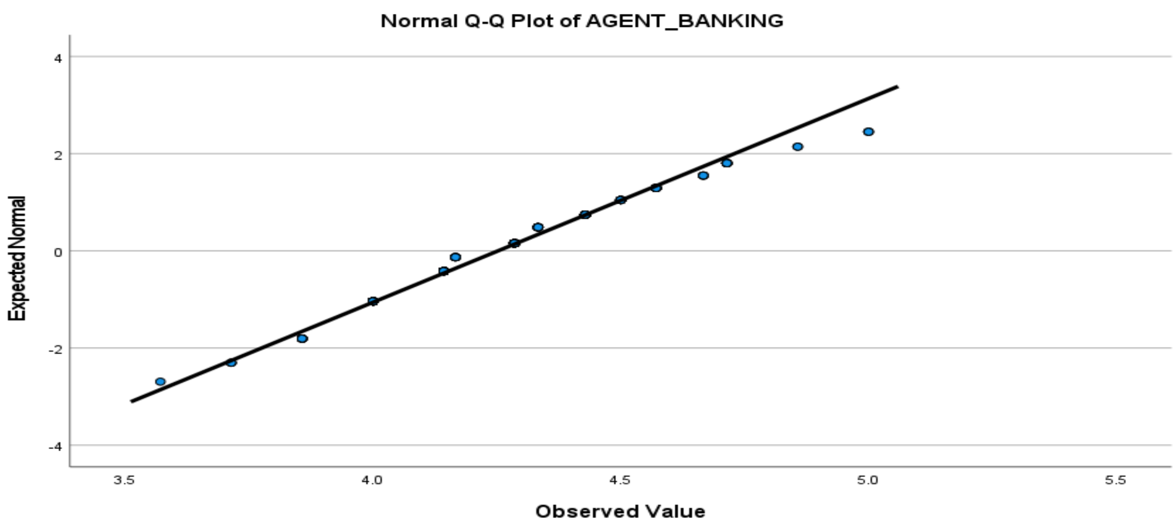
The plot in figure 4.4 appears to be relatively symmetric about the line y = x, suggesting that the distribution of the data does not show significant skewness. A skewed distribution would show a systematic pattern of deviations from the reference line, which is not evident here. There are a few points that noticeably deviate from the reference line at both ends of the plot. These points might be considered outliers or may suggest that the data has heavier tails than a normal distribution, indicating the presence of a few extreme values.

Overall, the fit appears reasonably good, suggesting that the assumption of normality is fairly valid for this dataset. However, the slight deviations at the tails should be noted, especially if extreme values are of particular interest in the analysis.

In conclusion, the Q-Q plot of the agent banking dataset indicates that the data is approximately normally distributed, with some minor deviations at the tails. This suggests that while normality is a reasonable assumption for most of the data, there may be some extreme values that do not fit perfectly within the normal distribution. This insight can guide further statistical analyses, suggesting that normality-based methods will generally be appropriate, but caution may be needed when interpreting results involving extreme values.

Figure 4.4

Normal Q-Q plot of Agent Banking



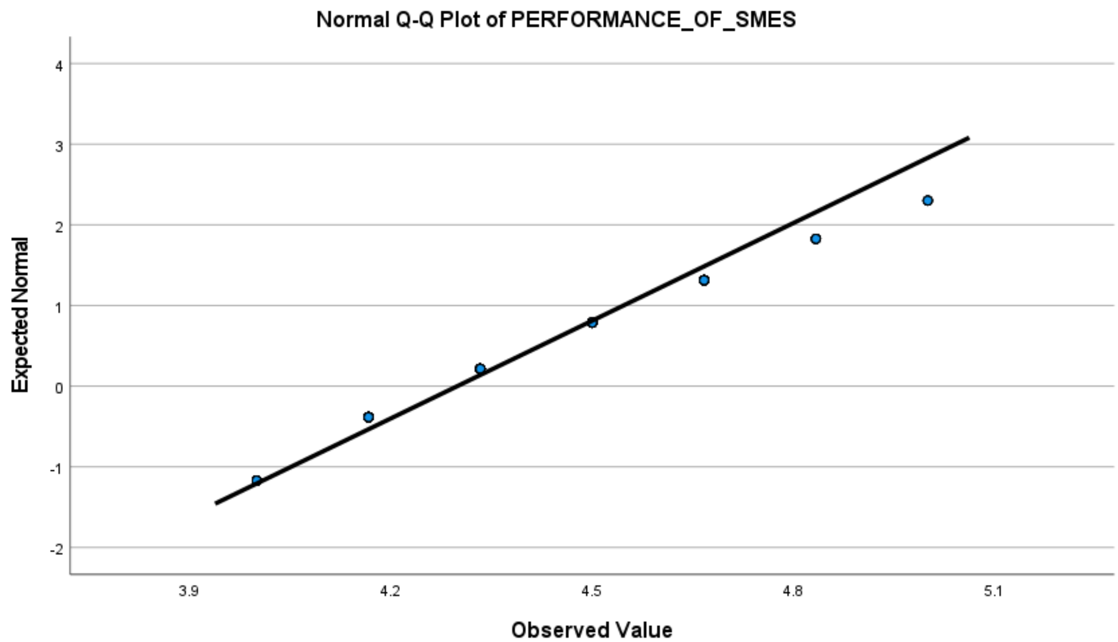
Source (Author, 2024)

The data points in figure 4.4 largely follow a straight line, suggesting that the data approximates a normal distribution. The closer the points are to the reference line, the stronger the indication that the data follows a normal distribution. This alignment suggests that for the most part, the distribution of performance of SMEs is close to normal. There is some deviation from the reference line, particularly at the tails of the distribution. The lower end of the plot (left side) shows data points slightly below the line, and the upper end (right side) has data points above the line. These deviations imply that the tails of the distribution are not perfectly normal, indicating potential outliers or a slight departure from normality at the extremes.

The data points in the middle of the distribution closely follow the reference line, suggesting that the central portion of the dataset adheres well to a normal distribution. This characteristic is important as it indicates that the bulk of the data is normally distributed, even if the tails show some deviations. The points that deviate from the line at both ends may represent outliers or influential points that could affect statistical analyses. These outliers might be due to inherent variability in the performance of SMEs or measurement errors.

Figure 4.5:

Normal Q-Q plot Performance of SMEs



Source (Author, 2024)

4.8 Regression Analysis

An overall regression analysis was conducted between all the independent variables and performance of SMEs.

4.8.1 Model Summary

Table 4.14 offers a description of the model that evaluates the elements that influence the performance of SMEs. Approximately 69.7% of the variance in the performance of SMEs can be described by the predictors that are included in the model, according to the coefficient of determination, which is denoted by the mathematical symbol R Square. This indicates that there is a link between the independent factors and the performance of the SMEs that is considered to be somewhat strong.

The adjusted R Square, which accounts for the number of predictors in the model, remains very close to the R Square at 69.2%, indicating that the additional predictors contribute marginally to explaining the variance once the model complexity is considered.

The standard error of the estimate (0.13740) represents the average distance that the observed values fall from the regression line, providing a measure of the accuracy of predictions made by the model. A lower standard error suggests that the model predictions are more precise and closer to the actual values of SME performance.

Overall, the model in Table 4.14 suggests that Agent Banking, Credit Access, Financial Literacy Programs, and Digital Financial Services collectively play a significant role in influencing SME performance, as evidenced by the high R Square value. These findings underscore the importance of these factors in fostering growth and success within the SME sector.

Table 4.14

Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.835[a]	.697	.692	.13740

a. Predictors: (Constant), Agent Banking, Credit Access, Financial Literacy Programs, Digital Financial Services

b. Dependent Variable: Performance of SMEs

Source (Author, 2024)

4.8.2 ANOVA

In order to determine how Agent Banking, Credit Access, Financial Literacy Programs, and Digital Financial Services affected the performance of SMEs, a regression model was used. Table 4.15 shows the results of the ANOVA, which assesses the overall significance of the model. A p-value (Sig.) of.000, significantly lower than the customary threshold of 0.05, indicates that the regression model is significant. This proves that the predictors all work together to explain performance variances and that the model generally provides accurate predictions of the dependent variable, SME performance.

One indicator of how much variance in SME performance can be explained by the model's predictors is the Sum of Squares for the regression, which comes out at 11.919. The 5.192 value of the Residual Sum of Squares represents the performance variance that is still unexplained after the predictors have been taken into consideration. When these two numbers are compared, it becomes clear that the model accounts for a significant amount of the performance variance.

The ratio of the square of the regression to that of the residual is represented by the F-statistic, which is 157.831. This high F-value further supports the model's strength and importance by showing that the predictors explain a much larger amount of variance than the unexplained variation.

The findings of the analysis of variance indicate that a combination of Agent Banking, Credit Access, Financial Literacy Programs, and Digital Financial Services significantly impacts the performance of SMEs. If this is the case, then these monetary interventions will most certainly play a pivotal role in determining the success or failure of SMEs.

Table 4.15

Overall Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.919	4	2.980	157.831	.000[b]
	Residual	5.192	275	.019		
	Total	17.111	279			

a. Dependent Variable: Performance of SMES

b. Predictors: (Constant), Agent Banking, Credit Access, Financial Literacy Programs, Digital Financial Services

Source (Author, 2024)

4.8.3 Regression Coefficients

Table 4.16 provides an in-depth analysis of the multiple regression coefficients, elucidating the impact of various financial factors on the performance of SMEs. The unstandardized coefficient (B) for the constant is 0.360, with a standard error of 0.163. This implies that when all independent variables are zero, the baseline performance of SMEs stands at 0.360. The t-value for the constant is 2.213, and its significance level (Sig.) is 0.028. Since the p-value is less than 0.05, the constant term is statistically significant, indicating that other factors not included in the model also contribute to SME performance.

Digital Financial Services has an unstandardized coefficient of 0.277, suggesting that for every unit increase in the use of digital financial services, SME performance increases by 0.277 units, holding all other variables constant. The standardized coefficient (Beta) is 0.334, indicating the relative importance of Digital Financial Services compared to other predictors. A Beta of 0.334 signifies a substantial positive effect on SME performance. The t-value of 6.417 and a significance level of 0.000 underscore that this variable is highly significant. The strong statistical significance ($p < 0.001$) highlights the crucial role of Digital Financial Services in enhancing SME performance, attributable to the efficiency, accessibility, and convenience these services provide.

Credit Access has an unstandardized coefficient of 0.222, meaning that an increase in access to credit by one unit results in a 0.222 unit increase in SME performance, assuming other factors are constant. The standardized coefficient is 0.260, demonstrating a significant positive impact on SME performance, though slightly less than Digital Financial Services and Agent Banking. With a t-value of 5.174 and a significance level of 0.000, Credit Access is highly significant. This reflects its essential role in providing SMEs with the necessary financial resources to invest in growth opportunities, manage cash flow, and handle unexpected expenses.

Financial Literacy Programs exhibit an unstandardized coefficient of 0.123, indicating that for each unit increase in participation in these programs, SME performance improves by 0.123 units, holding other factors constant. The standardized coefficient is 0.133, showing that while Financial Literacy Programs are significant, their impact is relatively smaller compared to other variables. The t-value of 2.802 and a significance level of 0.005 confirm its statistical significance. These programs equip SME owners with vital knowledge and skills to make informed financial decisions, manage resources effectively, and understand financial markets, thereby contributing to better business performance.

Agent Banking has an unstandardized coefficient of 0.303, suggesting that an increase in the utilization of agent banking services by one unit leads to a 0.303 unit increase in SME performance, assuming other variables are constant. The standardized coefficient is 0.292, indicating a strong positive effect on SME performance, second only to Digital Financial Services in standardized terms. With a t-value of 5.978 and a significance level of 0.000, Agent Banking is highly significant. The positive impact of agent banking is attributed to its ability to extend financial services to underserved and remote areas, providing SMEs with greater access to banking services, facilitating financial inclusion, and enhancing business operations.

The high R Square (0.697) and Adjusted R Square (0.692) from Table 4.14 indicate that approximately 69.7% of the variance in SME performance can be explained by these four predictors, demonstrating the model's strong explanatory power. The low standard error of the estimate (0.13740) suggests that the model's predictions are quite accurate, with observed values closely aligned with predicted values.

In conclusion, the regression analysis reveals that Digital Financial Services, Credit Access, Financial Literacy Programs, and Agent Banking all significantly contribute to the performance of SMEs. Digital Financial Services and Agent Banking have the most substantial effects, highlighting the critical role of technology and financial accessibility in driving SME success. Credit Access and Financial Literacy Programs also play important roles, underscoring the necessity of financial resources and education for SME growth. These findings emphasize the need for policymakers and financial institutions to focus on enhancing these factors to support SME development and sustainability.

Table 4.16

Multiple Regression (Coefficients)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.360	.163		2.213	.028
	Digital Financial Services	.277	.043	.334	6.417	.000
	Credit Access	.222	.043	.260	5.174	.000
	Financial Literacy Programs	.123	.044	.133	2.802	.005
	Agent Banking	.303	.051	.292	5.978	.000

a. Dependent Variable: Performance of SMEs

Source (Author, 2024)

$Y = 0.360 + 0.277X_1 + 0.222X_2 + 0.123X_3 + 0.304X_4$

Y = Dependent Variable (Performance of SMEs)

‘B_0 = Constant

X_1 = Digital Financial Services

X_2 = Credit Access

X_3 = Financial Literacy Programs

X_4 = Agent Banking

ε = error term

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a concise overview and final analysis of the study, aligning with the established objectives and hypotheses. Additionally, it includes recommendations based on the study's findings and concludes by identifying potential topics for additional exploration.

5.2 Summary of the Study

The main objective of the study was to establish the effect of financial inclusivity enablers on performance of small medium enterprises in uasin-gishu county. Specifically, the study examined the effect of digital financial services on performance of small medium enterprises in Uasin-Gishu County, the effect of credit access on performance of small medium enterprises in Uasin-Gishu County, the effect of financial literacy programs on performance of small medium enterprises in Uasin-Gishu County and the effect of agent banking on performance of small medium enterprises in Uasin-Gishu County.

5.2.1 Effect of Digital Financial Services on Performance of SMEs

The first objective of the study was to determine the effect of digital financial services on performance of small medium enterprises in Uasin-Gishu County. Digital financial services were found to be satisfactory in explaining performance of small medium enterprises. Further, results showed that digital financial services were a good predictor of performance of small medium enterprises. Correlation analysis revealed that digital financial services were positively and significantly associated to performance of small medium enterprises. Regression of coefficient revealed that there was a positive and significant relationship between digital financial services and performance of small medium enterprises. This implies that an improvement in digital financial services leads to an improvement in the performance of small medium enterprises.

5.2.2 Effect of Credit Access on Performance of SMEs

The second objective of the study was to examine the effect of credit access on performance of small medium enterprises in Uasin-Gishu County. Credit access was found to be satisfactory in explaining performance of small medium enterprises. Further, results showed that credit access was a good predictor of performance of small medium enterprises. Correlation analysis revealed that credit access was positively and significantly associated to performance of small medium enterprises. Regression of coefficient revealed that there was a positive and significant relationship between credit access and performance of small medium enterprises. This implies that an improvement in credit access leads to an improvement in the performance of small medium enterprises.

5.2.3 Effect of financial Literacy Programs on Performance of SMEs

The third objective of the study was to assess the effect of financial literacy programs on performance of small medium enterprises in Uasin-Gishu County. Financial literacy programs were found to be satisfactory in explaining performance of small medium enterprises. Further, results showed that financial literacy programs were a good predictor of performance of small medium enterprises. Correlation analysis revealed that financial literacy programs were positively and significantly associated to performance of small medium enterprises. Regression of coefficient revealed that there was a positive and significant relationship between financial literacy programs and performance of small medium enterprises. This implies that an improvement in financial literacy programs leads to an improvement in the performance of small medium enterprises.

5.2.4 Effect of Agent Banking on Performance of SMEs

The fouth objective of the study was to assess the effect of agent banking on performance of small medium enterprises in Uasin-Gishu County. Agent banking was found to be satisfactory in explaining performance of small medium enterprises. Further, results showed that agent banking was a good predictor of performance of small medium enterprises. Correlation analysis revealed that agent banking was positively and significantly associated to performance of small medium enterprises. Regression of coefficient revealed that there was a positive and significant relationship between agent banking and performance of small medium enterprises. This implies that an improvement in agent banking leads to an improvement in the performance of small medium enterprises.

5.3 Conclusions

5.3.1 Digital Financial Services

Based on the findings, the study concluded that digital financial services have a significant effect on performance of small medium enterprises in Uasin-Gishu County. The study concluded that digital banking facilitates easier access to credit for SMEs. Utilizing digital banking services is crucial for enhancing SME competitiveness. Mobile money usage is associated with improved cash flow management for SMEs. Mobile money platforms contribute to the financial inclusion of SMEs. Online payment platforms are crucial for expanding the market reach of SMEs. SMEs utilizing online payment platforms experience improved customer satisfaction. Mobile loans contribute to the growth and expansion of SMEs. Access to mobile loans positively influences the investment decisions of SMEs.

5.3.2 Credit Access

Based on the findings, the study concluded that credit access has a significant effect on performance of small medium enterprises in Uasin-Gishu County. The study concluded that the cost of credit significantly impacts the operational costs of my SME. Borrowing costs have affected the profitability of my SME. Fluctuations in interest rates influence my SME's decision to take on credit. Lower interest rates would facilitate the expansion plans of my SME. Credit rationing has impeded the growth prospects of my SME. Mitigating business risk is a priority for my SME in securing favorable credit terms.

5.3.3 Financial Literacy Programs

Based on the findings, the study concluded that financial literacy programs have a significant effect on performance of small medium enterprises in Uasin-Gishu County. The study concluded that improved debt management skills lead to better financial stability for my SME. Proficiency in debt management contributes to enhanced profitability within my SME. Implementing effective budgeting practices leads to improved financial performance for my SME. Better budgeting skills result in more efficient resource allocation within my SME. Knowledge of banking services leads to better financial decision-making within my SME. Optimal utilization of banking services contributes to increased competitiveness for my SME. Proficiency in bookkeeping leads to better financial transparency within my SME. Effective bookkeeping is essential for achieving long-term financial goals within my SME.

5.3.4 Financial Literacy Programs

Based on the findings, the study concluded that agent banking has a significant effect on performance of small medium enterprises in Uasin-Gishu County. The study concluded that a denser Agent Banking network impacts the financial performance of my SME. Increased Agent Banking presence leads to improved accessibility to financial services for my SME. Utilizing Agent Banking services improves cash flow management. Effective cash flow management facilitated by Agent Banking leads to better financial stability for my SME. Lower transaction costs lead to increased efficiency in financial transactions for my SME through Agent Banking. Savings on transaction costs due to Agent Banking directly contribute to improved bottom-line performance for my SME. Improved access to financial services leads to better financial decision-making within my SME.

5.4 Recommendations

To enhance the performance of SMEs in Uasin-Gishu County, both managerial and policy recommendations are crucial.

5.4.1 Managerial Recommendations

1. From a managerial perspective, the adoption and utilization of digital financial services should be a priority for SMEs. Managers should encourage the use of mobile money, online payment platforms, and digital banking to improve cash flow management and expand market reach.

2. In order to guarantee that all workers can make good use of these digital tools for improved company performance, it is crucial to invest in training programs that increase employees' competency with them. Additionally, by investigating potential collaborations with fintech firms, SMEs may enhance their operations

with cutting-edge digital solutions, which in turn improves their access to credit and other financial services.

3. When it comes to accessing credit, managers should borrow strategically, thinking about how borrowing costs and interest rates would affect profitability. The growth goals might be greatly aided by negotiating better terms with lenders and aiming for lower interest rates. It is equally critical to implement strong risk management techniques in order to obtain favorable lending conditions. Keeping a high credit rating and competently handling operational risks are essential components of this.

4. Another important area that managers should prioritize is financial literacy education. In order to improve financial stability and decision-making, managers and staff need ongoing financial education on subjects including budgeting, accounting, and debt management. Improved resource allocation and a competitive edge for SMEs can be achieved by promoting their optimal use of banking services.

5. Managers should take use of these services for agent banking to better monitor cash flow and make finances more accessible. This will increase financial stability and minimize transaction costs. A company's productivity and success can be enhanced by incorporating agent banking into routine tasks.

5.4.2 Policy Recommendations

1. In order to guarantee that SMEs have dependable access to digital financial services, it is crucial from a policy standpoint to encourage the development of strong digital infrastructure. One aspect of this is expanding the reach of mobile

networks and enhancing internet access. With an emphasis on data protection and transaction security, policymakers should establish a regulatory climate that promotes the expansion of digital financial services.

2. Providing discounted interest rates or specific credit facilities are two examples of measures that might help small and medium-sized enterprises (SMEs) gain access to finance. Small and medium-sized enterprises (SMEs) might find it simpler to get loans by establishing credit guarantee systems, which minimize the risk for lenders.
3. National campaigns aimed at SMEs can enhance their knowledge of budgeting, debt management, and financial management by promoting financial literacy. To guarantee that aspiring business owners have the necessary financial literacy abilities, financial literacy should be included in educational programs at all levels.
4. Improved financial inclusion for SMEs depends on growing and sustaining agent banking networks, particularly in underserved and rural regions. One way to help agent banking operators expand is to provide them incentives like tax rebates or subsidies when they open new service stations.

5.5 Areas for Further Research

The purpose of this research was to identify the factors that facilitate financial inclusion and how they influence the success of small and medium-sized businesses in Uasin-Gishu county. However, digital financial services, credit availability, financial literacy initiatives, and agent banking were the exclusive topics of emphasis in this thesis. To further understand the factors that facilitate financial inclusion, more studies are required.

The effect of financial inclusion facilitators on the performance of small and medium-sized businesses in Uasin-Gishu county should be strengthened with more study into the identification of statistically significant moderating factors. To make it easier to compare the results of this study, more research should be carried out in different counties.

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APPENDICES

Appendix I: Letter of Introduction to Respondents

Dear Respondent

RE: DATA COLLECTION

I am pursuing a Master of Business Administration degree (MBA, Finance Option) at Kenya Methodist University. In the midst of researching **"Effect of financial inclusivity enablers on performance of SMEs in Uasin-Gishu County."**

I humbly ask that you provide me with information on the study variable so that I can do this research. Rest assured that your response will be utilized just for academic reasons and will be handled with the highest secrecy.

Please accept my sincere appreciation in advance for your cooperation with this research.

Kind Regards.

Abraham Limo

Researcher,

KeMU.

Appendix II: Questionnaire

Thank you for your response. With the data collected from this survey, we hope to better understand how SMEs in Uasin-Gishu county are impacted by factors that promote financial inclusion and how well they compete. The data provided will be handled with the utmost secrecy and will only be used for classroom purposes. Carefully follow the provided directions to complete the questions.

SECTION A: DEMOGRAPHICS

1. What is your level of education?

a) College Diploma [ ]   b) Undergraduate [ ] c) Masters [ ]   d) Doctorate [ ]

e) Others (please specify) [ ]

2. Operation Period

0 – 5yrs [ ] 6yrs-10 [ ] 11- 15yrs [ ] Above 15 yrs [ ]

SECTION B: DIGITAL FINANCIAL SERVICES

Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, Strongly Disagree=1

	Statement	1	2	3	4	5
B1	Digital banking enables access credit more easily.					
B2	Leveraging digital banking services is vital for boosting competitiveness.					
B3	The use of mobile money is linked to better cash flow management					
B4	Mobile money platforms play a significant role in enhancing the financial inclusion					

B5	Online payment platforms are essential for increasing the market reach					
B6	SMEs that use online payment platforms report higher customer satisfaction.					
B7	Mobile loans support the growth and expansion					
B8	Access to mobile loans has a positive impact on the investment choices					
	SECTION C: CREDIT ACCESS					
C1	The expense of obtaining credit greatly influences the operational expenses					
C2	The costs associated with borrowing have had a notable effect on profitability.					
C3	Variations in interest rates play a crucial role in decisions regarding taking on credit.					
C4	Reduced interest rates would enable my SME to pursue its expansion plans more effectively.					
C5	The restriction of credit has hindered the growth opportunities					
C6	Minimizing business risk is essential to secure advantageous credit conditions					
	SECTION D: FINANCIAL LITERACY PROGRAMS					
D1	Enhanced debt management skills contribute to greater financial stability					
D2	Mastery of debt management plays a key role in boosting profitability					
D3	Adopting effective budgeting strategies improves the financial performance					
D4	Advanced budgeting skills enable more efficient allocation of resources					

D5	Understanding banking services supports better financial decision-making in my SME.					
D6	Effective use of banking services enhances the competitiveness					
D7	Strong bookkeeping skills lead to improved financial transparency					
D8	Effective bookkeeping is crucial for reaching long-term financial objectives					
	SECTION E: AGENT BANKING					
E1	A denser Agent Banking network boosts financial performance.					
E2	More Agent Banking presence improves access to financial services.					
E3	Using Agent Banking enhances cash flow management.					
E4	Better cash flow through Agent Banking strengthens financial stability.					
E5	Lower transaction costs increase efficiency via Agent Banking.					
E6	Savings from Agent Banking improve profitability.					
E7	Better access to financial services enhances decision-making.					
	SECTION F: PERFORMANCE OF SMES					
F1	Credit facilities have enabled us to broaden our market reach and increase sales revenue.					
F2	Leveraging FinTech solutions has contributed to the growth of our sales revenue.					
F3	Involvement in government financial inclusion programs has been crucial in building our accumulated assets.					
F4	Access to financial literacy programs has allowed us to effectively manage and grow our assets.					

F5	Microfinance options have empowered us to expand our workforce, boosting productivity and performance.					
F6	Affordable financing has helped us hire and retain skilled employees.					

Your time, effort, and cooperation in assisting me with my study are greatly appreciated.

Appendix III: Introduction Letter from Kemu

KENYA METHODIST UNIVERSITY

P. O. Box 267 Meru - 60200, Kenya
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Fax: 254-64-30162
Email: deanrd@kemu.ac.ke

DIRECTORATE OF POSTGRADUATE STUDIES

Our Ref: KeMU/NACOSTI/BUS/25/2024

May 30, 2024

Commission Secretary
National Commission for Science, Technology and Innovations
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: ABRAHAM LIMO (REG. NO. BUS-3-2018-1/2023)

This is to confirm that the above named is a bona fide student of Kenya Methodist University, in the Department of Business Administration, undertaking a Master's Degree in Business Administration. He is conducting research on: **"Financial Inclusivity Enablers and Performance of Small Medium Enterprises in Uasin-Gishu County".**

We confirm that his research proposal has been defended and approved by the University.

In this regard, we are requesting your office to issue a research license to enable him collect data.

Any assistance accorded to him will be highly appreciated.

Yours sincerely,

Dr. John M. Muchiri (PhD)
Dean, Postgraduate Studies

Cc: Dean, KeBS
CoD - Business Administration
Postgraduate Coordinator - BA
Supervisors

Appendix IV: NACOSTI RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **410584**

Date of Issue: **11/June/2024**

RESEARCH LICENSE

This is to Certify that Mr.. ABRAHAM CHERUIYOT LIMO of Kenya Methodist University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Uasin-Gishu on the topic: FINANCIAL INCLUSIVITY ENABLERS AND PERFORMANCE OF SMALL MEDIUM ENTERPRISES IN UASIN-GISHU COUNTY for the period ending : 11/June/2025.

License No: **NACOSTI/P/24/36679**

410584

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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See overleaf for conditions