



Influence of Financial Accessibility on the Financial Performance of Small and Medium-Sized Enterprises (SMEs) in Kenya: A Systematic Review

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ABSTRACT

Small and Medium-Sized Enterprises (SMEs) form the backbone of Kenya's economy, yet many continue to struggle with financial accessibility. Financial accessibility, defined as the ease with which SMEs can obtain financial services, plays a pivotal role in determining their performance. Despite growing interest in SME financing, empirical findings remain scattered and inconclusive. This systematic review consolidates existing literature to evaluate how financial accessibility influences the financial performance of SMEs in Kenya. The objective of this review was to critically assess and synthesise empirical evidence on the relationship between financial accessibility and the financial performance of SMEs in Kenya, with the aim of identifying key factors, trends,

gaps, and policy implications. A systematic literature search was conducted across databases including Google Scholar, ResearchGate, JSTOR, and university repositories, focusing on peer-reviewed articles, theses, and grey literature published between 2013 and 2025. The review followed PRISMA guidelines to ensure transparency and replicability. Inclusion criteria required studies to focus on financial accessibility (e.g., access to credit, banking services, mobile money) and measurable financial performance indicators (e.g., revenue growth, profitability, return on investment). A total of 32 relevant studies were selected and thematically analysed. The review revealed a consistent positive correlation between financial accessibility and SME financial performance. Access to formal credit and digital financial services emerged as the most influential factors. However, challenges such as high interest rates, collateral requirements, and limited financial literacy were found to hinder the full utilisation of accessible financial services. Notably, SMEs in urban areas reported better financial outcomes than their rural counterparts, indicating geographic disparities. Financial accessibility significantly influences the financial performance of Kenyan SMEs, particularly when supported by enabling regulatory environments and financial literacy. However, structural and contextual barriers continue to limit the potential benefits for many enterprises. Policymakers should prioritise reforms aimed at lowering borrowing costs, expanding credit guarantee schemes, and promoting financial education for SME owners. Future research should focus on sector-specific and gender-based analyses to better understand subgroup dynamics. This review provides a comprehensive synthesis of over a decade's worth of evidence on financial accessibility and SME performance in Kenya, offering an updated perspective and identifying underexplored areas such as digital finance adoption and regional inequities.

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Introduction

Background

Small and Medium-sized Enterprises (SMEs) play a pivotal role in global economic development, serving as engines of growth, innovation, and employment generation. In developed nations, access to diverse financial instruments has been crucial in enabling SMEs to thrive. For instance, in the United States, the Small Business Administration (SBA) provides loan guarantees, microloans, and venture capital programs that facilitate SMEs' ability to raise capital and sustain operations (Beck & Demircug-Kunt, 2006). Similarly, in the European Union, the European Investment Bank (EIB) supports SMEs by offering subsidized loans and guarantees, fostering financial inclusion and competitiveness (European Investment Bank, 2020).

In developing regions, particularly in Africa, financial accessibility remains a significant challenge for SMEs. Many African SMEs operate within informal economies where financial records are scarce, and collateral is often unavailable, limiting their access to formal financial services (Ayyagari, Beck, & Demircug-Kunt, 2011). For example, studies in Nigeria and South Africa have shown that limited access to credit and financial services impedes SME growth, resulting in reduced employment opportunities and economic stagnation (Fatoki, 2014; Beck, 2013).

In Kenya, SMEs constitute over 98% of businesses and contribute approximately 30% of GDP and 75% of employment (Kenya National Bureau of Statistics [KNBS], 2022). Despite their economic significance, Kenyan SMEs face considerable barriers to financial accessibility. Although Kenya has witnessed growth in digital financial services such as mobile money platforms like M-Pesa, many SMEs still struggle with high-interest rates, stringent collateral requirements, and lack of financial literacy (Mwangi & Wanjau, 2020). These factors collectively limit SMEs' ability to expand operations, innovate, and compete both locally and internationally.

Humanizing the experience of SME owners, many entrepreneurs report a persistent fear of rejection when applying for loans, often exacerbated by opaque lending processes and inadequate business support systems (Otieno, 2019). This dynamic creates a cyclical problem where SMEs remain financially constrained, unable to leverage growth opportunities that could improve livelihoods and economic resilience.

Problem Statement

Ideally, SMEs should have easy and affordable access to a range of financial products and services tailored to their unique needs. Such accessibility should empower SMEs to finance inventory, invest in technology, and sustain cash flow during economic fluctuations, thereby enhancing their financial performance and contribution to economic development.

Contrary to this ideal, Kenyan SMEs face systemic challenges in accessing finance. A majority rely on informal credit sources with exorbitant interest rates, while formal financial institutions demand high collateral, comprehensive documentation, and credit history—often unavailable to SMEs (World Bank, 2021). Additionally, financial literacy gaps further limit SMEs' ability to navigate the financial landscape effectively.

These constraints manifest in poor financial performance characterized by low profitability, limited growth, and high failure rates among SMEs (Kihoro & Njuguna, 2018). Consequently, this undermines not only SME sustainability but also broader economic development and employment creation efforts.

While numerous studies have addressed financial accessibility globally, there remains a gap in contextualized understanding of how these barriers uniquely affect SMEs in Kenya, especially considering the rapid rise of digital financial services and evolving regulatory frameworks. The policy landscape lacks cohesive strategies that integrate financial literacy, digital access, and affordable credit tailored to SMEs. Furthermore, literature often overlooks the interplay between financial accessibility and SME financial performance in the Kenyan informal and formal sectors.

This gap extends to theory and practice, where evidence-based policies are insufficiently informed by systematic syntheses of local empirical data. Bridging this gap is essential for designing interventions that can truly enhance SME financial inclusion and performance in Kenya.

Objectives of the Study

The primary objective of this systematic review is to critically assess and synthesize existing empirical evidence on the influence of financial accessibility on the financial performance of SMEs in Kenya. Specific objectives include:

- i. To identify key financial accessibility factors affecting SME performance in Kenya.
- ii. To analyze trends in financial access across geographic and sectoral divides.
- iii. To evaluate policy gaps affecting SME financing.
- iv. To propose recommendations for improving financial accessibility to enhance SME performance.

Hypothesis

Based on the objectives, the study tests the following hypothesis:

Ho(Null Hypothesis): There is no significant influence of financial accessibility on the financial performance of SMEs in Kenya.

Ho(Alternative Hypothesis): Financial accessibility significantly influences the financial performance of SMEs in Kenya.

Literature Review

A systematic literature search was conducted across Google Scholar, ResearchGate, JSTOR, and university repositories, focusing on studies between 2013 and 2025. Following PRISMA guidelines, the review selected 32 studies examining financial accessibility—including physical access, digital access, account ownership, and inclusive products—and the financial performance of SMEs, measured via revenue growth, ROI, and profitability.

Empirical Literature from Developed Nations

In developed contexts, SMEs benefit from strong financial ecosystems. Berger and Udell (2015) show that U.S. SMEs with access to equity finance, venture capital, and SBA-backed loans report higher ROI. Similarly, EU's Mittelstand model exemplifies how targeted bank–SME integration (e.g., KfW in Germany) supports resilience (OECD, 2019).

Yet, issues persist. Cressy (2014) highlights that even in such contexts, women- and minority-owned SMEs face greater hurdles accessing finance. Furthermore, Zetzsche et al. (2020) argue that fintech adoption often marginalizes less tech-savvy SMEs.

Critique & Gap: While access is high, scholarship often overlooks how SMEs adapt to rapid digital change and the long-term impact of personalized financial education.

Empirical Literature from Developing Nations in Africa

In Africa, reliance on informal finance remains widespread. For instance, Olowe et al. (2016) report that 62% of Nigerian SMEs depend on informal lending due to high costs and bureaucracy in formal finance. In Ghana, Baah Nuakoh & Ghartey (2018) demonstrate that microfinance improves SME profits—particularly when bundled with financial literacy training.

Mobile-money innovations (e.g., MTN in Uganda, EcoCash in Zimbabwe) have improved access, but as Muthinja & Chipeta (2018) caution, trust and regulation significantly shape their impact.

Critique & Gap: Many studies capture availability but not sustained profitability or ROI, particularly in rural and sector-specific contexts. The relationship between national policy and SME financial outcomes remains underexplored.

Empirical Literature from Kenya

Kenya's digital revolution, led by M-Pesa, has reshaped access to finance. Jack & Suri (2016) found that mobile money lifted around 194,000 households out of poverty. Awinja & Fatoki (2021) showed that digital financial services improved SME sales and profit, particularly in Nairobi's informal sector. Further evidence from Murage (2023) indicates that urban SMEs using mobile loans (e.g., M-Shwari, Fuli-za) show better financial performance.

However, rural and peri-urban SMEs lag due to geographic and infrastructural barriers. Ngugi et al. (2021) and Kihoro & Njuguna (2018) point to high costs, limited literacy, and strict loan conditions that hinder SMEs outside major towns. Waithaka (2016) found that younger and digitally literate entrepreneurs accessed services more easily, while older business owners struggled.

Critique & Gap: Kenyan research often generalizes SME responses, with few longitudinal studies examining the sustained effects of digital finance across genders, sectors, or maturity stages.

Financial Accessibility Defined

Building on Waithaka (2016) and Niskanen et al. (2010), this review focuses on four core dimensions:

Physical access: proximity to banking agents and branches.

Digital access: use of mobile and internet financial services.

Account ownership: holding formal/digital financial accounts.

Inclusive products: availability of credit options suited to SMEs.

Frimpong et al. (2022) show increased access enhances strategic resources, while Hussain et al. (2018) and Khan et al. (2022) found bulk purchasing and economies of scale improve with finance access. In line, Myovella et al. (2020) argue that digitization attracts customers and boosts revenue—resonating with transformation seen in Nairobi.

Gender & Equity Considerations

Targeted inclusion of women entrepreneurs is critical. Samuel & Mbugua (2019) report that wom-

en-led SMEs in Nairobi performed better when they had equitable access to inclusive products. Similarly, Mutinda et al. (2017) confirm gender-sensitive financial reforms yield measurable financial outcomes.

Critical Reflections & Research Gaps

Geographic Divide: Urban SMEs outperform rural ones (e.g., Ngugi et al., 2021; Njanike, 2021; Chirchir, 2017).

Cost Hurdles: High interest/collateral demands continue to exclude many SMEs.

Digital Literacy Risks: DFS benefits exclude non-digitally literate groups.

Sustainability Concerns: Success of inclusive lending policies, while promising (Li & Sun, 2025), requires long-term evaluation.

Author(s)	Year	Country/Region	Focus	Methodology	Key Findings
Abu Seman, J.	2016	Malaysia	Financial inclusion & financial system roles	Review	System / access factors crucial to inclusion
Agolla, V. A.	2024	Kenya	Affirmative action & MSME development	Comparative best practice	Affirmative programs boost MSME outcomes
Agyekum, F., Locke, S., & Hewa-Wellalage, N.	2016	Ghana	Digital financial services	Empirical	Digital DFS raise inclusion in Ghana
Alibhai, S., Bell, S., & Conner, G.	2017	Global	SME financing gaps	Qualitative	Financing missing middle remains critical
Allen et al.	2014	Africa	Financial development and inclusion gaps	Quantitative	Significant gaps across Africa
Allen et al.	2016	Global	Account ownership	Quantitative	Formal account use
Antwi & Hamza	2015	Global	Research methods	Philosophical reflection	Mixed methods recommended
Appleyard, L.	2011	US & UK	Community Finance Institutions	Case study	CDFIs fill SME credit gap
Atkinson & Messy	2013	OECD	Financial education	Policy analysis	Education key to inclusion
Aziz & Naima	2021	Bangladesh	Digital financial inclusion	Empirical	Digital inclusion needs rethinking

Author(s)	Year	Country/Region	Focus	Methodology	Key Findings
Beck, Demirguc-Kunt & Peria	2007	Cross-country	Banking access	Quantitative	Banking access shows inequality
Beck, Senbet & Simbanegavi	2015	Africa	Inclusion & innovation	Review	Innovation needed in African finance
Bermeo, E.	2019	Global	Inclusion determinants	Multilevel analysis	Macro/micro factors influence inclusion
Cowling, Liu & Zhang	2018	UK	Post-crisis SME performance	Quantitative	Access fosters recovery
Fernandes, Lynch & Netemeyer	2014	US	Financial literacy impact	Quantitative	Literacy improves financial behavior
Frimpong, Agyapong & Agyapong	2022	Ghana	Digital finance & literacy	Quantitative	Digital access mediates performance
Gunawan, Jufrizen & Pulungan	2023	Indonesia	Fintech and MSME performance	Empirical	Fintech + literacy = better MSME outcomes
Hussain, Salia & Karim	2018	UK	Financial knowledge & access	Quantitative	Literacy boosts access finance
Jaradat et al.	2018	Global	Accessibility & regulations	Quantitative	Constraints hinder performance
Johnson, S.	2016	Kenya	Mobile money & policy	Qualitative	Competing inclusion visions via M-PESA
Khan, Siddiqui & Imtiaz	2022	Global	Literacy & inclusion	Review & synthesis	Literacy essential for inclusion
Kshetri, N.	2021	Developing countries	AI & inclusion	Review	AI holds promise for inclusion
Li & Sun	2025	China	Inclusive lending & SMEs	Quantitative	Inclusive lending boosts constrained SMEs
Marini et al.	2024	Indonesia	Fintech & SME performance	Quantitative	Fintech improved financial outcomes
McDonald	2015	Multidisciplinary	Research methods	Methodological	Mixed methods suit SME studies

Author(s)	Year	Country/Region	Focus	Methodology	Key Findings
Moïse & Hongyi	2017	Rwanda	Financial inclusion	Overview	Inclusion steadily growing in Rwanda
Mugenda, Momanyi & Naibei	2012	Kenya	Risk management in sugar firms	Mixed methods	Risk management improves performance
Mutegi et al.	2017	Kenya	Open data & SDGs	Conference	Data improves SDG metrics in Kenya
Myovella, Karacuka & Haucap	2020	Africa & OECD	Digitalisation & growth	Comparative	Digital economy boosts SMEs
Ndemi & Mungai	2018	Kenya	Credit & SME performance	Empirical	Formal credit enhances SME results
Niskanen, Niskanen & Laukkanen	2010	Finland	Family firm debt	Quantitative	Debt costs constrained family SMEs
Abu-Seman (duplicate entry?)	2016	Malaysia	Inclusion determinant	See entry 1	

Table 1: Summary of Selected Empirical Studies

Underserved Groups: Female entrepreneurs, sector-specific SMEs, and older business owners need inclusion strategies.

Notes & Observations

Most studies demonstrate a positive correlation between financial accessibility (credit, accounts, fintech) and SME performance. Literature spans developed, African, and Kenyan contexts. Methodological diversity: quantitative, qualitative, mixed methods. Several gaps remain: few longitudinal studies, sector-specific analyses, gender/disparity breakdowns, and deeper exploration of policy–practice links.

Methods and Materials

Review Design

This study utilized a systematic review design to test hypotheses related to the influence of financial accessibility on the financial performance of small and medium-sized enterprises (SMEs) in Kenya. Systematic reviews apply structured, transparent, and replicable methods to identify, appraise, and synthesize relevant empirical evidence. This design was

chosen to ensure methodological rigor, minimize bias, and support evidence-based conclusions.

Hypothesis

Based on the study objectives, the following hypotheses guided the review:

Ho (Null Hypothesis): There is no significant influence of financial accessibility on the financial performance of SMEs in Kenya.

Ho(Alternative Hypothesis): Financial accessibility significantly influences the financial performance of SMEs in Kenya.

Eligibility Criteria

To ensure relevance and consistency, studies included in this review met the following criteria:

Inclusion Criteria:

Empirical studies published between 2013 and 2024. Studies examining the relationship between financial accessibility (e.g., access to credit, mobile money, digital banking, microfinance) and SME fi-

financial performance (e.g., profitability, sales growth, return on investment) Peer-reviewed journal articles, theses, and dissertations Studies conducted in Kenya or similar Sub-Saharan African contexts

Exclusion Criteria:

Conceptual or theoretical papers without data analysis Studies lacking clear hypotheses or financial performance metrics Non-English publications or articles without full-text access

Search Strategy

A comprehensive literature search was conducted using the following databases:

Google Scholar

Scopus

EBSCOhost

ProQuest

AJOL (African Journals Online)

Keywords and Boolean operators were used to refine search results. Sample search strings included:

“financial accessibility” AND “SMEs” AND “Kenya” “access to finance” OR “microfinance” OR “mobile banking” AND “financial performance” “SME growth” AND “credit access” Manual searching of references in key articles was also employed to capture additional relevant literature.

Screening and Study Selection

Search results were imported into Zotero for reference management and de-duplication. The screening process occurred in two stages:

Title and abstract screening to exclude irrelevant studies

Full-text screening using a pre-defined checklist based on inclusion/exclusion criteria

Two reviewers conducted the screening independently. Conflicts were resolved through discussion or arbitration by a third reviewer.

Data Extraction

A structured Excel-based extraction template was used to gather:

Authors and year of publication

Country and sector of study

Study design and sample characteristics

Variables and hypotheses tested

Financial accessibility indicators

Measures of SME financial performance

Statistical techniques and key findings

Significance of hypothesis results

Quality Assessment

The Mixed Methods Appraisal Tool (MMAT) 2018 was employed to evaluate study quality. Only studies that scored at least 60% on methodological rigor, clarity, and validity were included in the synthesis.

Data Synthesis

Due to heterogeneity in study designs and performance metrics, a narrative synthesis approach was used. The synthesis grouped findings thematically, particularly examining:

- Types of financial accessibility (e.g., digital finance, bank credit, SACCOs)
- Their measured effects on profitability, sales growth, and return on assets
- Statistical significance of findings in relation to the stated hypotheses

The findings were then assessed to determine whether they consistently supported or refuted the null hypothesis.

Ethical Considerations

As this study is a systematic review of existing literature, it did not involve direct interaction with human or animal subjects, and therefore posed minimal ethical risks. Nonetheless, the review process adhered to accepted research integrity principles, including accurate representation of sources, proper attribution, and avoidance of fabrication or falsification of data. All included studies were assumed to have been conducted in compliance with relevant ethical standards as reported by their authors. A plagiarism scan was conducted to confirm originality of the work, and no significant overlaps with existing publications were identified. The authors declare that there are no conflicts of interest that could have influenced the conduct or interpretation of this review.

Results / Findings

The systematic review revealed several critical challenges that hinder the full utilization of accessible financial services by SMEs in Kenya. Key barriers identified across multiple studies include:

High interest rates imposed by financial institutions, which increase the cost of borrowing and discourage SME owners from seeking credit.

Collateral requirements that many SMEs, especially smaller or informal businesses, struggle to meet.

Limited financial literacy, which affects SME owners' ability to navigate financial products and services effectively.

Geographic disparities were evident, with SMEs located in urban areas reporting better financial outcomes compared to their rural counterparts. This disparity points to differences in financial infrastructure, access to formal institutions, and business support services.

Overall, the findings confirmed that financial accessibility significantly influences the financial performance of SMEs in Kenya. However, this positive influence is strongly conditioned by enabling factors such as:

Supportive regulatory environments that promote fair lending practices and protect borrower rights.

Improved financial literacy among SME owners, enhancing their ability to make informed financial decisions.

Despite these enabling factors, structural and contextual barriers such as inadequate infrastructure, market access challenges, and socio-economic inequalities continue to limit the benefits for many SMEs.

The review synthesizes over a decade of evidence, highlighting underexplored areas including:

The rising importance of digital finance adoption, which shows promise in expanding accessibility but still faces adoption challenges.

Persistent regional inequities in financial service distribution and SME outcomes, particularly disadvantaging rural enterprises.

Discussion

The findings from this systematic review highlight several persistent challenges and contextual factors that critically influence the financial performance of SMEs in Kenya, shedding light on the complex dynamics between financial accessibility and business outcomes.

First and foremost, high interest rates emerge as a fundamental barrier limiting SMEs' ability to fully benefit from accessible financial services. The elevated cost of borrowing imposes significant financial

strain on SMEs, many of which operate on thin profit margins. This finding aligns with prior research indicating that excessive interest rates discourage loan uptake and can lead to unsustainable debt burdens, thereby undermining business growth and profitability. Policymakers and financial institutions must therefore consider strategies to reduce lending rates or offer more flexible repayment terms to improve credit affordability.

Similarly, collateral requirements pose a notable challenge, especially for smaller and informal SMEs that typically lack substantial physical assets to pledge as security. This requirement effectively excludes many enterprises from accessing formal credit, pushing them toward informal and often more expensive financing sources. This barrier not only restricts capital inflow but also stifles the potential of numerous SMEs to expand operations or invest in productivity-enhancing resources.

An important dimension of the review is the role of financial literacy in moderating the impact of financial accessibility. The evidence shows that SMEs whose owners possess higher financial literacy are better able to navigate complex financial products, make informed borrowing decisions, and effectively manage funds. Conversely, limited financial knowledge often leads to underutilization or mismanagement of available financial services, reducing their positive impact. This underscores the necessity for comprehensive financial education programs tailored specifically to SME contexts, which could empower entrepreneurs to maximize the benefits of accessible finance.

The review also uncovers significant geographic disparities in financial outcomes. SMEs in urban areas tend to report better financial performance compared to those in rural regions, indicating unequal access to financial infrastructure, formal institutions, and support services. Urban SMEs generally benefit from proximity to banks, microfinance institutions, and digital financial platforms, as well as more developed markets. In contrast, rural SMEs face challenges such as limited physical banking presence, lower digital literacy, and infrastructural deficits, which compound financial exclusion. Addressing these rural-urban gaps is critical for inclusive economic development and requires targeted interventions.

Beyond these immediate factors, the review highlights that enabling regulatory environments

significantly amplify the positive effects of financial accessibility. Regulations that ensure transparency, protect borrower rights, and encourage fair lending practices create a more supportive ecosystem for SME financing. Conversely, weak or inconsistent regulatory frameworks can exacerbate risks and inhibit credit flow.

Despite the clear benefits associated with improved financial access, the review reveals that structural and contextual barriers persist. These include socio-economic inequalities, inadequate infrastructure, and limited market access, all of which restrict SMEs' capacity to fully leverage financial resources for growth. These multifaceted challenges suggest that improving SME financial performance requires a holistic approach combining financial reforms with broader economic development efforts.

A noteworthy observation from the synthesis is the growing significance of digital finance adoption. Although digital financial services present promising avenues to overcome traditional access barriers—especially in underserved regions—their uptake remains uneven due to challenges such as limited internet connectivity, lack of trust, and digital literacy gaps. Encouraging broader digital finance adoption could revolutionize SME access to credit and payment services but will require coordinated efforts to build infrastructure and capacity.

Lastly, the review identifies critical research gaps, notably the limited focus on sector-specific dynamics and gender-based disparities within SME populations. Understanding how financial accessibility impacts different sectors and genders differently would enable more nuanced policy and program design, ensuring that interventions are equitable and context-sensitive.

In summary, this discussion emphasizes that while financial accessibility is a key driver of SME performance in Kenya, its effectiveness is conditional on a combination of affordability, literacy, geographic equity, regulatory support, and the removal of structural barriers. Addressing these intertwined factors is essential to unlock the full potential of SMEs as engines of economic growth and employment.

Conclusion

This systematic review provides a comprehensive synthesis of the relationship between financial accessibility and the financial performance of SMEs

in Kenya. The evidence underscores that financial accessibility is a significant determinant of SME success, but its impact is moderated by factors such as financial literacy, regulatory frameworks, and geographic location.

While urban SMEs benefit more noticeably from accessible financial services, rural enterprises continue to face substantial obstacles. Addressing these disparities is crucial for fostering inclusive economic growth and enhancing SME contributions to Kenya's economy.

The findings emphasize the need for holistic approaches that combine improved financial products with capacity building and regulatory reforms. By doing so, the potential of financial accessibility to drive SME performance can be fully realized.

Recommendation

Based on the findings of this review, the following recommendations are proposed:

i. Policy Reforms to Lower Borrowing Costs Policymakers should implement measures to reduce interest rates and associated borrowing costs, making credit more affordable for SMEs.

ii. Expansion of Credit Guarantee Schemes Credit guarantee programs should be broadened to reduce collateral barriers and encourage financial institutions to lend more freely to SMEs.

iii. Promotion of Financial Literacy Programs Targeted financial education initiatives should be expanded, focusing on equipping SME owners with the skills to manage finances, understand credit products, and leverage digital financial tools.

iv. Address Geographic and Structural Inequities Investments in rural financial infrastructure and tailored support services are essential to reduce the urban-rural divide in financial access and SME performance.

v. Encourage Digital Finance Adoption Stakeholders should promote and facilitate the use of digital financial services, which can increase access especially in underserved areas.

vi. Focus Future Research on Subgroup Analyses Further research should explore sector-specific and gender-based differences in financial accessibility and performance to tailor interventions more effectively.

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