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The Effect of mobile loans acquisition on the financial performance of micro and small-scale enterprises in Mlolongo Town, Kenya.

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THE EFFECT OF MOBILE LOANS ACQUISITION ON THE FINANCIAL PERFORMANCE OF MICRO AND SMALL-SCALE ENTERPRISES IN MLOLONGO TOWN, KENYA

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DECLARATION

Declaration by Candidate:

I declare that this dissertation has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Date ..... 8th June 2023.....

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ABSTRACT

Following the rapid adoption of the use and innovation of mobile phones, this research sought to determine the effect of mobile loans acquisition on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya. Micro and small-scale enterprises encounter difficulties in surviving and growing. The study was guided by the following research objectives: To determine the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, to establish the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises, and to assess the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises in Mlolongo town, Kenya. The study was based on the Diffusion of Innovation Theory. The study employed an explanatory research design. The study population comprised 1682 micro and small-scale enterprises operating in Mlolongo town. The respondents were sampled using the Krejcie and Morgan formula, where a sample size of 313 was used. Data was collected using questionnaires. The researcher first did the pilot study before the real data collection. The information on the data collection instruments was scrutinized to check for validity and reliability. Reliability was ensured by the use of the Cronbach Alpha coefficient while validity was ascertained by giving the instruments to the supervisor. Data was analyzed through the use of descriptive statistics such as percentages and frequencies. Inferential statistics were also used and included correlations and regression analysis. The presentation was in tables and figures. The results for the first objective showed that mobile loans' cost of credit had a significant negative relationship with performance (r = -.799, p = .000). For the second objective, the study found that mobile loans' perceived risk had a significant negative relationship with performance (r = -.688, p = .000) and finally for objective three, it was found that mobile loans' relative advantage had a significant and positive relationship with performance (r = .750, p = .000). Specifically, some reasons made the respondents prefer mobile loans that are the amount for application fees charged on mobile loans, the amount for processing fees charged on loans of mobile loans, and the interest rates charged on mobile loans among others. The study also determined that the risk that the respondents could not be able to repay a loan from a financial institution on time influenced them to acquire a mobile loan. Other factors that made the respondents acquire a mobile loan are the long time taken to process a loan from other financial institutions, the ease of access to mobile loan applications, and also the flexibility of loan applications. The study recommends that SME owners need to be trained on the processes of securing loans, especially from major financial institutions. To encourage the growth of these micro and small-scale enterprises, policy reforms are required that do not exclude these businesses due to their low levels of income.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter provides an introduction to the research study being carried out by the researcher. It entails the background of the study on the effect of mobile loans acquisition on the performance of Micro and Small-Scale Enterprises (MSEs). Further, the chapter gives the problem definition by presenting the statement of the problem, research objectives, and research questions. The significance of the study and the scope of the study are also discussed in this chapter.

1.2 Background to the Study

A few decades ago, mobile money lending was non-existent. The initial service for the unbanked became active in 2001; however, it is the tremendous developments since 2007 of Kenya's mobile platforms that have elevated mobile lending to a worldwide presence (Wainaina, 2017). Kenya in particular has experienced a significant improvement in the financial inclusion landscape with 82.9% of the population having access to formal financial services in 2019 as compared to 2006 when only 26.7% had access (Beck, 2020). The increase is mostly attributable to the growth of the mobile money sector. The same trend can be seen globally, where access to formal financial services is now present in more than 70% of the developing countries (Pankomera & Greunen, 2019).

Mobile loan applications require to be downloaded first on the mobile device. After the process of installation, the user is required to fill in personal details such as the full name, email, and phone number. After that process, the user can start using the application, and make an application for a loan. Mobile lending is the ability to utilize a mobile device to apply for, obtain acceptance on, and check the status of a loan (Gosavi, 2018). A mobile loan, similarly, is identified as a loan disbursed through a mobile loan application without any physical contact with a financial services provider (Alumasa & Muathe, 2021). Performance, on the other hand, is a measure of how an organization can use the resources at its disposal like financial, human, and even intangible resources to generate income or revenue for the organization (Acuna & Gonzalez, 2021). The performance of organizations can be assessed in many ways including employee and financial

performance among others. The performance measurement in MSEs in this study focused on product expansion, profits, and employee increase as key indicators of performance in the industry, as the measures had been adopted in past studies to measure performance in similar organizations (Alumasa & Muathe, 2021; Effiom & Edet, 2020; Macharia, 2021; Muhandachi, 2020; Murage, 2021).

1.2.1 Mobile Loans Acquisition

The acquisition of mobile loans by MSEs has been growing significantly all over the world. Over the last decade, the adoption of mobile loans has increased materially in Asia, the Middle East, Latin America, and most importantly Africa. Mobile loans are now present in more than 70% of developing countries (Pankomera & Greunen, 2019). Various reasons have been documented as contributing factors to this growth. In India, Potnis, Gaur, and Singh (2020) found out that the country is among the most populated countries, and that a large part of that population was located in rural areas and did not have access to traditional banking facilities. Consequently, the acquisition of mobile loans and the growth of mobile financial services increased in those regions. Using mobile loan applications, customers can apply for loans easily and safely compared to other methods of loan disbursements. This has greatly reduced the transaction costs involved in the transfer of money as is the case with commercial banks.

The remarkable significance of the informal sector via MSEs has caused significant modifications in development-oriented organizations in Sweden (Pardalis, Mahapatra & Mainali, 2020). International donor organizations, financial institutions, and private institutions are all introducing effective techniques by which the informal sector can be developed through micro-enterprises. Saleh *et al.* (2021) investigated the factors affecting credit access among MSEs and concluded that one of the principal factors considered by commercial banks to disburse a loan to MSEs in Kurdistan is high financial leverage. The more the financial leverage of MSEs increases, the more the probability to obtain a loan increases.

In the African continent, the acquisition of loans through mobile loan applications is among the most significant source of capital for small enterprises. Research by Lepoutre and Oguntoye (2018) determined that Africa has almost 150 million mobile loan application accounts. Bushe (2019) studied the causes of business failure among small to micro and medium enterprises in South

Africa and concluded that the country's micro-enterprises are among the biggest adopters of mobile loans in Africa. Bushe (2019) also found out that despite the high cost of smartphones and the availability of formal commercial bank facilities in many regions, the adoption of mobile loans by enterprises with a low annual turnover was rising.

According to Aurick, Munalula, Mundia, Mwale, and Vincent (2017), the disbursement of loans by financial institutions is a major source of capital and helps in the growth of MSEs in Zambia. However, because of the lack of collateral security, MSEs can get obstacles to accessing loans (Kasase, 2017) and they look for informal sources of funds, due to the low cost of credit, low perceived risk, and high relative advantage attributed to mobile loans (Elizabeth, 2020). Large enterprises are more likely to obtain loans from commercial banks than MSEs. The studies by Kasase (2017) and Elizabeth (2020) informed the choice of these variables in the study.

In East Africa, the adoption of mobile loans has not increased the lifetime of businesses (Pankomera & Greunen, 2019), but most of the people and businesses from the region have turned out to be prisoners of these systems. Wainaina (2017) contradicted this through his study on mobile loans' impact on small-scale enterprises in the East African Countries including Kenya, Tanzania, Rwanda, Burundi, and Uganda, and concluded that the performance of small-scale enterprises in the East African Community has been increasing since the growth of mobile loans uptake in East Africa. Buyinza, Tibaingana, and Mutenyo (2018) also found out that more than 6.5 million Ugandans are adopters of mobile loans, and more than 50% of them are owners of MSEs.

1.1.2 Performance

Performance in an organization is the measure of the output or product out of a process that involves the employment of resources through a value creation chain during a specified time of engagement (Eldor, 2020). In both large and small organizations, several metrics including customer satisfaction, shareholder value, financial, employee increase, and product expansion among others are used in measuring performance (Ramaswamy & Ozcan, 2018; Effiom & Edet, 2020; Muhandachi, 2020). Based on these performance measures, to remain competitive in the contemporary dynamic and unpredictable environment, firms must identify their capabilities and establish a position in the market, have clear objectives and direction, focus on customers, and look at their product expansion among other things.

From the broad measures discussed, performance measurement in MSEs in this study focused on product expansion, profits, and employee increase, in line with various studies such as Alumasa and Muathe (2021), Macharia (2021), Murage (2021) and Chen and Kitsis (2017). The performance perspective is viewed as an outcome of the finished goods or services and how it positions a firm in the market as compared to its competitors (Eldor, 2020). However, performance measurement systems should be applied in every production stage as well as processes within an organization. Integrating performance models with processes refined the quality throughout all levels and provide timely responses to actions that should be taken in advance to control the wastage of resources for the future of an organization (Ramaswamy & Ozcan, 2018). Therefore, there is a need for companies to maximize strategic management decisions and extend design performance systems by department or small units into operational functions (Chen & Kitsis, 2017).

1.1.3 Micro and Small-Scale Enterprises

According to Nyaga (2017), micro-enterprises are identified as enterprises with Kshs 500,000 annual turnover or below. They are also defined as enterprises with less than 10 employees. Micro enterprises are in the informal sector. They are mostly identified as family-owned, they offer low-cost goods and services which satisfy the basic need of the low-income group and most of them depend on a local fund for establishment or expansion. Small-scale enterprises on the other hand enhance the creation of job opportunities (Omondi & Jagongo, 2018). These are categorized as enterprises with 10 to 49 employees and an annual turnover of Kshs 500,000 to Kshs 5,000,000. Small-scale enterprises significantly enhance the economy and upgrade the standards of living of the population by creating managerial and job opportunities (Masika, 2019). MSEs are mainly located along principal roads and in city estates.

As per Dobson (2020), MSEs have difficulties in accessing credits from formal financial institutions such as commercial banks, therefore, they prefer to acquire mobile loans due to their relative advantage. Relative advantage is a concept used in innovation theory to measure the perceived improvement or superiority of a new innovation compared to the previous or existing idea, product, or practice it replaces. It focuses on the perceived benefits or advantages that the innovation offers over its predecessor. Muraya (2019) also stated that even though MSEs are considered to be one of the important sectors for economic development, it is still difficult for

them to access financing through formal financial institutions. According to a report from the Central Bank of Kenya (CBK) in 2018, MSEs represent 3% of the national Gross Domestic Product (GDP), and also play an important role in the economy; they represent 30% of the jobs generated annually. Out of 850,000 jobs created in 2016, 35% of them were from SMEs.

Most MSEs fall under the informal sector and by extension, the term informal refers to people in self-employment or micro and small-scale industries. The informal sector is estimated to constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 3 percent of Kenya's Gross Domestic Product (GDP) (Murage, 2021). Many small and medium enterprises do not have access to finance and credit, especially from financial institutions such as banks. This is because of the lending conditions given to them such as collateral for the loan, hence banks view them as high-risk and low-creditworthy enterprises. These enterprises may not be able to provide collateral such as immovable assets due to their small asset base (Omondi & Jagongo, 2018). Consequently, most of these enterprises resort to borrowing from friends and relatives. However, this type of finance is inadequate to cater to all the needs of medium and small enterprises. As a result, the lack of credit forces the management to use cheap and local mobile banking firms (Murage, 2021).

Murage (2021) surveyed the adoption of mobile loans and the impact on the financial performance of SMEs in Kenya; after analysis of the data collected, the researcher concluded that the growth of mobile loan uptake has impacted positively the performance of small and micro-enterprises. The interest rate for most mobile loan applications such as Zenka, Tala, branch, and iPesa is fixed between 7.5 percent to 12 percent interest for a one-month loan while the Central Bank fixes the rate at 13.5 percent per annum (Muhandachi, 2020).

1.1.4 Micro and Small-Scale Enterprises in Mlolongo

According to the 2016 Kenya National Bureau of Statistics (KNBS)' National Micro, Small and Medium Establishment (MSME) Survey and Kenya Association of Manufacturers (KAM) (2016), there are about 1.56 million licensed MSMEs and 5.85 million unlicensed businesses in Kenya. Out of these, the total number of MSEs operating in Mlolongo town is 1,682 MSEs (Micro and Small Enterprises Authority (MSEA), 2021). These establishments are both in the formal and informal sectors. Most of the unlicensed establishments are being operated at the household level,

especially in non-urban areas. In addition, most level; most licensed firms were MSEs (92.2%), and therefore can easily be traced.

The report by Mwangi (2016) indicated that the sources of funds for most MSEs were family/own funds, followed by family/friends' loans (not free) and mobile loans. KNBS (2016) and also noted that over 70 percent of all licensed MSMEs were operating from commercial premises and about 28 percent of the unlicensed enterprises were operating in residential areas. Mlolongo town inhibits both these characteristics, as compared to other parts of the county. This study, therefore, focused on MSEs in Mlolongo town, Kenya.

1.3 Statement of Research Problem

Several researchers have found that MSEs encounter difficulties in surviving and growing. For instance, Wambui and Josphine (2021) found that less than 7% of MSEs go beyond a year of existence in Kenya. One of the main challenges they experience is the shortage of funds and weak loan worthiness from commercial banks and financial institutions. Because of the cost of credit, perceived risk, and relative advantage associated with access to loans in commercial financial institutions, they encounter difficulties in accessing credits from these institutions (Elizabeth, 2020). They, therefore, resort to mobile banking, which is easier, quicker, and more convenient. In Kenya, access to loans by MSEs has been identified as one of the solutions for economic growth and job creation.

However, most of the researchers who have carried out studies on mobile loans have not specifically focused on their acquisition but have essentially focused on their impact on the financial performance of commercial banks, making loan acquisition an area that needs further investigation. For example, Masika (2019) did a study on the effect of mobile lending on the financial performance of commercial banks in Kenya, Akali (2019) investigated the influence of lending innovations on the growth of commercial banks and Sachombe (2017) focused on the factors affecting mobile banking adoption. These studies have shown that some factors may have a negative impact and others a positive impact on loan acquisitions. Mlolongo town, as documented by the 2019 Kenya population and housing census, is one of the low-income residential areas in Machakos County with a population of more than 136,000 people. The majority of the adopters of mobile loans are people with low income, which is the main reason why the

researcher has chosen Mlolongo town, in addition to the over-reliance on mobile loans by the business owners which has not been studied in the area. The research gaps in this study therefore include the limited focus on mobile loan acquisition, the lack of attention to loan acquisition in micro and small-scale enterprises, the limited studies in specific geographical areas like Mlolongo town, and the over-reliance on mobile loans by business owners. These gaps emphasize the need for further research to address the specific dynamics and effects of mobile loan acquisition on micro and small-scale enterprises in Mlolongo town, Kenya. Therefore, this study aimed to determine the effect of mobile loans acquisition on the performance of micro and small-scale enterprises in Mlolongo town, Kenya.

1.4 Research Objectives

1.4.1 General Objective

The main objective of the study was to determine the effect of mobile loans acquisition on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya.

1.4.2 Specific Objectives

The specific objectives were as follows:

i. To determine the effect of mobile loans' cost of credit on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya.
ii. To establish the effect of mobile loans' perceived risk on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya.
iii. To assess the effect of mobile loans' relative advantage on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya.

1.5 Research Questions

i. What is the effect of mobile loans' cost of credit on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya?
ii. What is the effect of mobile loans' perceived risk on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya?

iii. What is the effect of mobile loans' relative advantage on the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya?

1.6 Scope of the Study

This study covered the micro and small-scale enterprises in Mlolongo town, Kenya. The study also focused on mobile loans acquisition aspects of the cost of credit, perceived risk, and relative advantage and how they affected the financial performance of micro and small-scale enterprises in Mlolongo town, Kenya. Methodologically, the population of this study comprised of the staff/employees of these enterprises and the owners of the enterprises. An explanatory research design was used, and primary data was also used through a questionnaire in this study. Theoretically, the study was based on the Diffusion of Innovation Theory. The study was conducted between -March 2021 and May 2022.

1.7 Significance of the Study

The study benefited the following:

1.7.1 MSEs in Kenya

The MSEs sector is one of the fastest-growing subsectors in Kenya today. By establishing the effect of mobile loans acquisition on the performance of micro and small-scale enterprises in Mlolongo town, Kenya, this study provided valuable information, especially to owners of MSEs and other interested parties on how they can adopt mobile loans for business development.

1.7.2 Owners of Mobile Loan Applications

The owners of mobile loan applications benefited from this study because they got more information on their customers, that is if their customers were satisfied with the services provided and how to improve customer satisfaction.

1.7.3 Government of Kenya

The study benefited the government. The government gained more information on mobile loans such as how to regulate the way mobile loan applications operate in Kenya and why the users of

mobile loan applications keep increasing. In addition to that, policymakers specifically the CBK can effectively revise their role in supervision and credit provision.

1.7.4 Theory and Literature

The research findings had practical implications for researchers and academicians by serving as a reference and guidance for future research on the effect of mobile loan acquisition on the performance of micro and small-scale enterprises in Kenya. Researchers could refer to the study's methodology, findings, and recommendations when designing their own studies in similar contexts. Academicians could incorporate the research findings into their teaching materials or curriculum to enhance understanding of the topic among students and promote further research in the field. Overall, the study contributed to the existing literature by bridging the research gaps identified earlier and providing valuable insights into the relationship between mobile loan acquisition and the performance of micro and small-scale enterprises in Kenya.

1.7.5 Owners / managers of MSEs

The findings of the study on the effect of mobile loan acquisition on the performance of MSEs in Mlolongo town, Kenya offered valuable insights and practical guidance to the owners/managers of MSEs. By understanding the impact of mobile loan acquisition, they could make informed decisions regarding their financing options and assess the potential benefits and risks associated with mobile loans. The study findings shed light on how mobile loan acquisition affected various aspects of business performance. This knowledge assisted owners/managers in optimizing their financial strategies, identifying opportunities for expansion, and addressing potential challenges related to mobile loan acquisition. Ultimately, the study findings empowered owners/managers of MSEs in Mlolongo town to make informed decisions that could positively influence the overall performance and sustainability of their businesses.

1.8 Chapter Summary

This chapter provides an introduction to the research study on the effect of mobile loans acquisition on the performance of Micro and Small-Scale Enterprises (MSEs). It highlights the significant growth of mobile lending in Kenya and other developing countries, where access to formal financial services has increased due to the expansion of the mobile money sector. The chapter

explores the concept of mobile loans acquisition, which allows MSEs to apply for and obtain loans through mobile loan applications, and discusses the performance measurement in MSEs, focusing on product expansion, profits, and employee increase. The chapter also emphasizes the challenges faced by MSEs in accessing credit from formal financial institutions, leading to their reliance on mobile loans. The specific geographical area of Mlolongo town in Kenya is chosen for the study, given its population and the prevalence of mobile loan usage among low-income business owners. Specifically, the background, problem statement, objectives, research questions, scope and significance of the study have been presented in the chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature related to the research problem is reviewed in this chapter. The section contains the theoretical underpinnings of the research, an empirical review of previous studies as well as a conceptual framework depicting the relationship between the study variables. The literature review was done based on the objectives of the study.

2.2 Theoretical Review

This study adopted the Diffusion of Innovation Theory by Rogers (1995). The theory, obtained from the broader Innovation Diffusion Theory (IDT), is a model that explains the process by which innovations are assimilated by consumers, in this regard, mobile applications for loans. Innovation is the notion, practice, or object that is perceived as new by a consumer or any other adapter (Rogers, 1995). Further, diffusion is regarded as the process through which an innovation is communicated through certain mediums of a given period by parties of a particular social system. As the innovation diffusion theory is a group of sub-theories, this study focuses on the Diffusion of Innovation Theory.

The Diffusion of Innovation Theory has been extended by authors such as Sanson-Fisher (2004), Kaminski (2011), and Dearing (2009) to consider a set of attributes associated with innovations that affect their rate of widespread adoption such as the cost of adoption, perceived risk, and their relative advantage. Rogers further defines these attributes as; relative advantage - the degree to which an innovation is perceived to be better than the idea it supersedes; compatibility - the extent to which an innovation is thought to be of importance to the experiences, and needs of potential adopters; complexity - the extent to which a new product or service is assumed to be difficult to understand and use; trialability- the extent to a new product or service can be given for trial basis for a limited period; observability-the level to which an innovation impact can be actively seen by others. Relative advantage, which is a specific objective in this study, is therefore covered by this theory.

In addition, among the above attributes, only relative advantage, compatibility, and complexity are consistently related to innovation (Dolinska, 2015). This theory was scrutinized by Dingfelder and Mandell (2011) as it had mainly four determinants that influenced how members of an organization adopt an innovation. These factors include the communication mode used to channel information about the innovation, type of innovation, composition, nature of the group, and time (Dingfelder & Mandell, 2011). Diffusion of Innovation Theory gives a framework that facilitates interrogation of why mobile loan applications may be adopted by other people and rejected by others, including such factors as the cost of innovation and the risk associated with the innovation. Buc and Divjak (2015) characterized this theory as the presentation of something new where that something could be a thought, cycle, or item. Tolba and Mourad (2011) portray adoption as when an individual incorporates another innovation into their life and diffusion as the aggregate adoption measure over the long run. The study contemplates that the adoption of the Diffusion of Innovation Theory alludes to the cycle including the spread of mobile loan applications over the long term.

The theory is also relevant in analyzing the way people receive and use innovation and mobile applications for loans in this regard. This is determined by how and in which way people use an innovation. In addition, the theory argues that understanding the use of innovation requires knowledge of how to integrate innovation within the society. If the social settings are different, innovation exhibits different meanings, and its adoption thereby depends on the view of the innovation by the society. Finally, this theory stipulates that the adoption of innovation comes from both its technical superiority and social factors. This theory is therefore important as it is in line with the overall study objective.

The adoption of the Diffusion of Innovation Theory in this study provides a theoretical foundation for understanding the process by which mobile loan applications are assimilated and adopted by micro and small-scale enterprises in Mlolongo town, Kenya. The theory helps inform the specific objectives of the study by considering the attributes associated with innovations that affect their rate of widespread adoption. Firstly, the objective to determine the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises aligns with the theory's concept of relative advantage. The theory suggests that the perceived superiority of an innovation over existing alternatives influences its adoption. In this case, examining the cost of credit associated

with mobile loans will shed light on how the perceived advantage or disadvantage of mobile loans' cost affects the adoption and subsequent performance of enterprises.

Secondly, the objective to establish the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises is informed by the theory. The theory emphasizes the importance of compatibility and the perceived risk associated with an innovation in influencing its adoption. By investigating the perceived risk of mobile loans among enterprises, the study aims to understand how risk perceptions shape the adoption and performance outcomes of mobile loan applications. Lastly, the objective to assess the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises aligns directly with the concept of relative advantage in the Diffusion of Innovation Theory. By evaluating the perceived advantages offered by mobile loans compared to alternative financing options, the study aims to uncover the impact of relative advantage on the adoption and subsequent performance of enterprises.

2.3 Empirical Literature Review

This section contains an empirical review of previous studies based on the objectives of the study, the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises, and effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises.

2.3.1 Mobile Loans' Cost of Credit in Micro and Small-Scale Enterprises

2.3.1.1 Interest Rates

The research by Wellalage and Locke (2016) was carried out to find out factors that affect credit demand by MSEs in the Sub-Saharan African region. Descriptive analysis results concluded that youth pay a higher interest rate than other age groups. The researcher also found out that lending institutions charge a higher interest rate to youth because of the inadequacy of enough collateral. Similarly, a descriptive data analysis of a study on the impact of high-interest rates on the adoption of mobile loans by MSEs concluded that MSEs end up paying higher interests' rates than developed businesses simply because they lack adequate collateral and as such, they resolve in acquiring mobile loans (Tambunan, 2019). The research concluded that one of the reasons why

most MSEs' borrowing is limited is because they lack tangible assets that they can use to secure loans. The study finally concluded that most bank's view lending loans to MSEs as risky and thus tend to have low trust in them and this consequently results in high collateral and lending requirements with high-interest rates which most MSEs cannot meet.

According to research conducted by Guyo (2017) in Kenya, some of the MSEs usually hold cash reserves intending to try to safeguard against the high-interest rates charged by financial institutions. Correlation analysis of data collected concluded that MSEs do not effectively operate since they tend to lack adequate capital. This means that the high-interest rates being charged discourage MSEs from taking loans and also discourage savings. The researcher also concluded that the main challenge that owners of MSEs face when trying to access funds is the high-interest rates, inadequate knowledge about the criteria for lending, inability to find out about the available lending institutions, and bureaucracy.

Etemesi (2017) conducted a study in Nairobi Central Business District (CBD) and noted that MSEs that acquire loans had less disposable income since they had put themselves in a situation where they had to incur more costs on payment of the interest rates, the result is that other areas of consumption tend to fail thus affecting the growth and productivity of the MSEs. The correlation analysis of this study revealed that indeed MSE's ability to grow is affected by high-interest rates that leave them having low consumption capacity. Furthermore, high-interest rates tend to discourage investments by making MSEs less willing to take out risky investments. In consequence, this, in turn, forces them to look for alternative means of getting access to credit at a slightly lower interest rate according to the research.

Lore (2019) conducted a study on small and medium traders in Nairobi CBD and stated that the only way to promote the growth of small-sized enterprises is to ensure that there is the availability of loan services and that the interest rate being charged is not too high to discourage borrowing. Regression analysis result of the data collected concluded that the effect of charging high-interest rates was that most of the small-sized enterprises preferred borrowing small loans for a small payment of interest rather than borrowing big loans that resulted in higher payments. Moreover, the research concluded that the reason why most small-sized enterprises tend to apply for mobile loans is that it was convenient and flexible.

The past studies conducted by Wellalage and Locke (2016), Tambunan (2019), Guyo (2017), Etemesi (2017), and Lore (2019) collectively provide insights into the impact of high-interest rates and collateral constraints on micro and small-scale enterprises (MSEs) in accessing credit. A common finding across the studies is that MSEs face challenges in obtaining loans due to high-interest rates charged by financial institutions. This discourages borrowing and affects the operational capacity and growth potential of MSEs. Furthermore, the studies highlight that MSEs, particularly those with limited collateral, are subjected to higher interest rates compared to established businesses. This disparity in interest rates creates barriers for MSEs in accessing affordable credit and hampers their ability to expand and invest in their businesses.

Another consistent theme in the studies is the limited availability of collateral for MSEs. The absence of tangible assets that can be used as collateral makes it difficult for MSEs to secure traditional loans from banks. This leads MSEs to explore alternative financing options such as mobile loans, which may have higher interest rates but do not require collateral. However, these alternative options may also have limitations and may not fully meet the financing needs of MSEs. While these studies provide valuable insights, there are certain areas that require further investigation. For instance, there is a need to delve deeper into the reasons behind the high interest rates charged to MSEs and the specific factors contributing to the inadequacy of collateral. Exploring the role of lending institutions, their risk perception, and the assessment criteria for MSE loans could shed light on the underlying factors driving the high-interest rates and collateral requirements. Additionally, the studies primarily focus on the negative effects of high-interest rates and collateral constraints on MSEs. Further research could explore potential strategies and interventions that can mitigate these challenges.

2.3.1.2 Loan Application and Process Fee

An application fee is the amount of money a lender will charge to set up the loan. It is usually a percentage of the amount of loan taken (Ferrari, Masetti & Ren, 2018). Depending on the lender, it can either be one fee or it can be divided into two; a processing fee which is the cost charged for taking up a loan application and gathering the necessary documentation, and an underwriting fee which is the fee charged for hiring someone to look at the loan application, including documentation, procuring background information about your financial capabilities and verifying information gathered. All this information determined if MSEs qualified for a loan or not.

According to Anthony (2019), a loan application is usually charged to the borrower for processing a loan application. It is an upfront and non-refundable amount for submitting any form of a loan application. This fee normally varies from one lending institution to the other. Some might charge the borrowers this fee while others do not charge at all. According to the same study, in case a bank is charging the application fee, the MSE should do due diligence to check their credit score before submitting their application since the fee is non-refundable.

Murunga (2018) postulated that borrowers are also advised to try and compare the application fees across various lenders before settling down on one. The reason why most financial institutions charge application fees is because of the amount of work that goes to try and figure out whether or not an MSE qualifies for a loan. It thus helps compensate for the time, effort, and expertise involved in running credit and background checks. Moreover, the study found that mobile loan applications do not have any application fees. All the applicant needs to do is download the application of their preferred choice, fill out the questionnaire presented online and request a loan. Having cut down the costs incurred when applying for loans, mobile loan applications have become a very good alternative for MSEs to acquire loans.

As per Mohamed (2019), the cost of credit refers to the extra amount of money that someone has to pay over and above the actual amount borrowed. When someone manages to acquire a loan, there are two types of costs he or she must pay: the interest rate and other fees. Financial institutions charge fees for activities offered and they include maintenance fees, underwriting fees, service charges, origination fees, appraisal fees, and commissions just to mention a few. The interest rate on the other hand is money the banks and other financial institutions charge for letting someone borrow and use its money.

Research conducted on the factors influencing the growth of mobile loans in Kenya by Ndungu (2016) found out that mobile loan applications usually have different fees that they charge although it's a one-time fee. The application and processing fees are usually deducted from the amount of loan a borrower has requested. For instance, according to the same research, if a borrower takes a loan of Kshs. 11,500 from a mobile loan application, the mobile loan application deducts Kshs. 3,055 as the application and processing fee; this is the only cost of credit a borrower incurred for taking that loan. Descriptive data analysis result of the study concluded that a lender that charges

one type of fee instead of different fees was more likely to attract clients than the one charging different types of fees like banks. The research stated that SMEs had a difficult time accessing finances due to high costs of credit and other requirements. Furthermore, the study found out that mobile loan applications had enabled SMEs to acquire loans easily since they did not have any hidden fees unlike banks and other financial institutions which made it easy for the borrowers to know exactly what was expected of them.

The studies conducted by Ferrari *et al*. (2018), Anthony (2019), Murunga (2018), Mohamed (2019), and Ndungu (2016) collectively shed light on the concept of application fees and the cost of credit for MSEs in loan acquisition. Application fees, which can be a one-time fee or divided into processing and underwriting fees, are charged by lenders to cover the costs associated with assessing loan applications. These fees vary among lending institutions, and MSEs are advised to compare them and consider their credit scores before submitting applications. Notably, mobile loan applications emerge as an attractive option for MSEs due to their transparency in fee structures, as they typically do not charge application fees, simplifying the borrowing process for MSEs.

In addition to application fees, the cost of credit encompasses additional charges imposed by financial institutions, such as maintenance fees, service charges, origination fees, and the interest rate. The studies reveal that MSEs often face challenges accessing finance due to the high costs associated with credit from traditional banks and financial institutions. However, mobile loan applications provide MSEs with a more accessible and transparent financing option. These applications deduct a one-time fee upfront, enabling borrowers to understand the exact amount of credit they will receive. Consequently, mobile loan applications offer a convenient and cost-effective solution for MSEs, facilitating their access to loans without hidden fees and complex cost structures. While the examined studies highlight the benefits of mobile loan applications in terms of transparent fee structures and reduced costs, further research is warranted to explore the long-term implications of these fee models on the financial performance, sustainability, and growth of MSEs.

2.3.1.3 Completion Fees

Research on the effect of the adoption of mobile loans among MSEs in India was conducted by Potnis *et al.* (2020). The researchers found out that businesses tend to avoid taking loans from institutions that had so many fees as they increased their cost of credit. Regression analysis showed that the more fees being charged by financial institutions to service a loan, the more likely it was that MSEs were not willing to take up the loan offers. The research also stated that mobile loan lenders were usually transparent about their fees and interest rates. Whenever people know exactly how much they were expected to repay, it helped them be more comfortable when getting a short-term loan. Moreover, the researchers concluded that most mobile loan applications did not have any hidden fees, and the borrowers knew what to expect from the moment they start applying for a loan.

According to Buyinza *et al.* (2018) in Uganda, a study found that the reason why many MSEs face challenges while trying to acquire finances is the fact that financial institutions tend to charge high-interest rates, require collateral for loans which include securities and guarantors, and payment of other fees that are associated with the acquisition of loans. Descriptive analysis of data collected concluded that banks charged fees such as completion fees which were also referred to as booking fees or arrangement fees. A completion fee referred to an administrative charge that is made by various lenders for the arrangement of credit, usually loans. The study also concluded that completion fees were a way for lenders to make extra cashback on low-interest-rate offerings. Whenever the interest charged was low, then the completion fee was high. The fee was usually charged after the loan. Furthermore, the researchers concluded that some lenders charged this fee immediately after the loan was approved while others let it be paid on completion from the applicants' funds, while some deducted it from the loan or added it to the loan.

The studies conducted by Potnis *et al.* (2020) in India and Buyinza et al. (2018) in Uganda provide valuable insights into the impact of fees on MSEs' loan acquisition process, specifically focusing on completion fees. Both studies recognize that the presence of fees, including completion fees, poses challenges for MSEs in accessing loans. Potnis et al. emphasize the transparency of fees offered by mobile loan applications, which enables borrowers to make more informed decisions. Similarly, Buyinza et al. highlight the role of completion fees as an administrative charge imposed by lenders, often accompanying low-interest-rate loan offerings. Despite these similarities, the

studies differ in their geographical focus and the specific aspects of fees examined. Potnis et al. concentrate on the adoption of mobile loans among MSEs in India, while Buyinza et al. explore the Ugandan context. This divergence in context may lead to variations in the prevalence and impact of fees across different countries and financial systems. Consequently, further research is needed to understand the nuanced effects of fees on MSEs in diverse contexts and to identify potential solutions to mitigate the burden of fees on loan acquisition.

2.3.2 Mobile Loans' Perceived Risk in Micro and Small-Scale Enterprises

2.3.2.1 Functional Risk

According to research conducted by Verrecchia (2016) in Ireland on perceived risk and intention of adopting mobile loans perceived usefulness, perceived trust, and compatibility are important factors that influenced consumer behavioral intention to acquire mobile loans in Ireland. Using a quantitative method to carry out an online survey by using a snowball sampling technique in data collection, the findings showed that client interpretation of risk related to mobile loans was in different proportions some were functional, social, and time risk.

Uwamariya, Loebbecke, and Cremer (2020) researched in Rwanda on adopters of mobile loans. The researcher used a descriptive design to conduct the study. The target population was the users of mobile loan applications. After data analysis using descriptive statistics, the researcher concluded that disclosure of personal and financial information was associated with the loss of money essentially through high-interest rates, and personal security risk was essentially associated with the fact that hackers may have seen the personal information of the loan applicant.

According to Bosire and Ntale (2018), in the study carried out on the consequences of mobile lending adoption among small-scale enterprises in Kenya, there were many risks involved when dealing with acquisition financing and they revolved around the type of loan, the term of the loan and the amount of financing being sought. Banks usually offer both short-term and long-term loans and are regulated by the Central Bank of Kenya; this is the reason why all banks need both security and guarantors from individuals, SMEs, and other businesses before issuing them loans. Descriptive data analysis results concluded that banks and other financial institutions only provided financial assistance that was collateralized since, with collateral, they shielded themselves from risks that were associated with non-payment of loans. The researchers stated that

the reason for that was because they had the luxury of auctioning the collateral to repay the loan. Furthermore, the study found that loans being acquired from mobile loan applications did not require collateral and thus might be riskier than bank loans.

According to an investigation on perceived risk and its influence on the adoption of mobile loans in Kenya by Achieng and Ingari (2015), the functional perceived risk was associated with the features of mobile loan applications, how they functioned, the quality of services offered, and their perceived benefits. The best way to alleviate this kind of risk is for the company to make sure that it provided adequate product information and at the same time has a team in place to respond to any questions the consumers had. Regression analysis results concluded that it was important for people to check the rating of the application, the reviews, and read 'about this app' which provided adequate information about the application including the terms and conditions. Furthermore, these mobile loan applications usually had a section for privacy and permissions where they notified you that in case you downloaded their application, then they requested to scan your M-Pesa SMS and other information to verify your identity, and creditworthiness, and provide you with instant loans. With such information at hand, the company alleviated functional risks by giving MSEs the freedom to choose whether or not to register with them.

The studies conducted by Verrecchia (2016), Uwamariya *et al*. (2020), Bosire and Ntale (2018), and Achieng and Ingari (2015) provide valuable insights into the concept of functional risk in the context of mobile loans. While each study focuses on different geographical locations and specific aspects of functional risk, they collectively contribute to identifying research gaps and understanding the challenges associated with the adoption of mobile loans. One notable similarity across the studies is the recognition of functional risk as a key factor influencing consumers' decision-making regarding mobile loans. Verrecchia (2016) and Achieng and Ingari (2015) highlight the importance of perceived usefulness, trust, and compatibility of mobile loan applications in shaping consumers' behavioral intentions. Uwamariya et al. (2020) and Bosire and Ntale (2018) draw attention to the risks associated with the functionality, security, and disclosure of personal information in mobile loan transactions. These similarities emphasize the need for mobile loan providers to address functional risk to enhance consumer trust and promote adoption.

However, there are also differences among the studies that can help identify research gaps. Verrecchia's study (2016) focuses on consumer perceptions and behavioral intentions in Ireland, while Uwamariya et al. (2020) specifically examine mobile loan adopters in Rwanda. Bosire and Ntale (2018) investigate the consequences of mobile lending adoption among small-scale enterprises in Kenya, while Achieng and Ingari (2015) explore perceived risks in the context of mobile loans in Kenya. These variations in geographical scope and target populations highlight the need for further research to understand how functional risk manifests in different cultural, economic, and regulatory contexts**.**

2.3.2.2 Social Risk

Brands usually work hard to create an image that customers will be proud to be associated with (Almeyda & George, 2020). Social risk refers to an incurred loss of social status that is connected with the purchase of a particular product or service. This risk is directly related to the attitudes of particular members of a social group, friends, or family. It is connected to the choice of products and brands that have particular attributes of acceptance from the mentioned groups. This risk refers to the influence that a particular purchase of a product or service has on an individual's self-esteem.

According to Atieno (2018), different mobile loan applications have different ratings and reviews. Correlation analysis of the data collected concluded that most individuals decided which application to download by going through their reviews and ratings. The researcher also concluded that some applications had already built an image for themselves such as Tala and Branch thus it was easy for customers to associate themselves with. Consequently, the researcher concluded that it was, therefore, difficult for subscribers of these applications to move to newer applications since they were satisfied with the services they received and had built their loan limits over time.

The studies by Almeyda and George (2020), Choudhury (2018), Atieno (2018), and Effiom and Edet (2020) provide valuable insights into the concepts of social risk in the context of mobile loans. While all studies recognize the significance of these risks, they approach them from different perspectives and focus on distinct aspects. In terms of social risk, Almeyda & George (2020) and Atieno (2018) highlight the influence of social status and acceptance from social groups on consumers' decision-making. Almeyda & George emphasize the importance of brand image and association, indicating that customers are concerned about the perceived social standing connected

to the products or brands they choose. Atieno's study emphasizes the impact of ratings and reviews in shaping consumers' perception and loyalty towards specific mobile loan applications.

2.3.2.3 Time Risk

Choudhury (2018) concluded that the time taken to register and request a loan is less, more so if someone has been referred by a friend or family member to download a particular application of their preference. On the other hand, the researcher found out that there is a withholding factor with mobile loan applications which is the ability to be given a loan for the first time upon registration. According to the findings, this is entirely dependent on the creditworthiness of an individual, but once a loan was processed, then the subsequent applications were granted faster if the loans were repaid on time. Therefore, for mobile loan applications, the researcher concluded that the time risk was lessened since its procedures were not time-consuming.

Research by Effiom and Edet (2020) using descriptive analysis of the data collected through questionnaires concluded that the risk of time loss occurred when the owners of MSEs devoted too much time in the process of purchasing a product or service or using them. The time that is connected with the purchase of a particular product or service is time for searching and selection. Furthermore, the study concluded that, unlike over-the-counter loan applications, mobile loans were instant. Once a borrower has gone through the terms and conditions of the application, downloaded it, and filled out the questionnaire then they are ready to apply for the loan.

Choudhury (2018) focuses more on time risk, examining the time taken for loan registration and approval processes, as well as the speed of subsequent loan applications. Effiom and Edet (2020) also touch on time risk, emphasizing the time spent in searching, selecting, and using products or services. By comparing and contrasting these studies, it becomes evident that while social risk is primarily related to the social standing associated with the choice of products or brands, time risk revolves around the efficiency and speed of the loan application process. However, there is a gap in the literature regarding the interplay between social and time risk in the context of mobile loans.

2.3.2.4 Security and Privacy

Security is one of the most important factors that users consider before deciding whether or not to opt for new technology (Eze, Olatunji, Chinedu-Eze & Bello, 2018). Mobile loan applications have been developed due to advancements in technology and privacy is a key factor that determines

their acceptability. According to Mohamed (2019), loans play a major role in the growth and development of small-scale enterprises, therefore, any form of fraud relating to mobile loan apps could hinder their experience with that technology.

Mwaba (2020) carried out a study on mobile loans and their adoption in Zambia. After data collection and analysis using descriptive data analysis, the researcher concluded that risk is usually a perception of the customer and not a characteristic of the product or service. Therefore, either risk or security can change how users perceive the use of certain technology, and in this case, it is mobile technology. Moreover, the study concluded that mobile technology can be susceptible to interceptions since it was channelled through a wireless mode.

Dambudzo (2018) researched privacy and data protection in mobile loan applications in Zimbabwe. Correlation analysis results concluded that mobile loan applications usually had security Personal Identification Numbers (PINs) to ensure that the customers were well-protected. The research also concluded that passwords were important as they helped both personal and business accounts stay private and secure. However, the researcher also concluded that security passwords were also hacked in case one repeatedly uses the same passwords or had a weak password. The researcher, therefore, suggested that it is important for borrowers to create passwords that cannot be easily hacked.

Research conducted by Bosire and Ntale (2018) identified risk and security as major factor that influences how users adopt mobile lending technology. Quantitative analysis results concluded that most borrowers of mobile loan applications tend to worry about security issues such as the kind of data that is being transmitted and the resultant output, and performance mistakes. However, most mobile loan applications have strong encryptions that are used to secure sensitive data. To cement the security features, security controls need to be installed into those application functions just to make sure that no unauthorized person can get access as well as to disallow fraudulent usage. The study also concluded that the security features that were installed in these applications were not infringed on the amount of time taken to authorize transactions and processes since it increased the cost of usage.

The studies conducted by Eze et al. (2018), Mohamed (2019), Mwaba (2020), Dambudzo (2018), and Bosire and Ntale (2018) shed light on the importance of security and privacy in mobile loan

applications. Eze et al. (2018) emphasize that security is a critical factor for users when considering new technology, and the acceptability of mobile loan applications is strongly influenced by the assurance of privacy and protection against fraud. Mohamed (2019) further supports this by highlighting the potential hindrance that fraud-related incidents can have on the experience and adoption of mobile loan apps by small-scale enterprises.

Mwaba (2020) and Dambudzo (2018) delve into the specifics of privacy and data protection within mobile loan applications. These studies recognize the importance of security measures such as PINs and strong passwords to safeguard customer information. However, they also highlight the vulnerability of mobile technology to interceptions and the risk associated with weak or repeated passwords. Bosire and Ntale (2018) further emphasize the significance of security and risk in influencing the adoption of mobile lending technology. They identify user concerns regarding data transmission, performance mistakes, and unauthorized access. By comparing and contrasting these studies, it is evident that security and privacy concerns play a crucial role in users' perceptions and adoption of mobile loan applications. There is a need for continuous efforts to enhance security measures, protect user privacy, and address user concerns related to data protection and unauthorized access.

2.3.3 Mobile Loans' Relative Advantage in Micro and Small-Scale Enterprises

2.3.3.1 Accessibility

Potnis *et al.* (2020) examined the performance of mobile loan applications in India, using a descriptive design to conduct the research. The study targeted owners of companies operating in New Delhi who answered questions of the researcher through questionnaires. The study concluded that there is a positive relationship between loan disbursement through mobile loan applications and the financial performance of lending companies. This study concluded that the growth of mobile loan applications was essentially due to the ease of navigation, rapidity, simplicity, and safety of mobile loan applications.

According to Zelalem and Wubante (2019), a key determinant to the success of any business is accessibility to finances. Thompson, Mmieh, and Mordi (2018) in Ghana revealed that the main challenge that a lot of small-scale enterprises face is a lack of adequate collateral to enable them to access funds from mainstream financial institutions such as banks. In addition to this, the

researchers concluded that banks charge high-interest rates that have contributed to the low enrolment rate for loans among small-scale enterprises. Another limiting factor stated in the research to access funds stated in the research is the lack of an account with the bank to make savings.

A study by Mugambe (2017) in Uganda concluded that mobile loan applications demanded minimum and simple information on the loan applicants considering the fact that their customers may not be educated. Descriptive analysis of the study also concluded that owners of micro, small and medium enterprises in Uganda easily accessed loans via mobile loan applications. Access to mobile loans enabled MSEs to pursue activities that would help them grow. The ease of accessing a loan using mobile loan applications also influenced the number of loan requests and hence, the performance of mobile loan applications.

Macharia (2021) in Kenya concluded that the reason why most MSEs tend to acquire mobile loans is that the creation of mobile loan applications had made it easy for MSEs to access finances. The researcher analyzed data descriptively and concluded that mobile loan applications had been integrated with smart artificial intelligence software that was capable of determining the creditworthiness of an individual or MSEs as well as the debt capacity simply by allowing users to fill a questionnaire that has structured data. The researcher also concluded that most SMEs have turned to mobile loan applications due to the ease of accessing finances since it had done away with the cumbersome procedures used by banks to advance loans by introducing paperless loan application procedures at the convenience of their homes or workplaces. The requirement of financial security used by banks to advance loans had also been eradicated by mobile loan applications. This directly relates to MSEs since they usually had restricted access to loans from commercial banks and that is why they ended up acquiring loans from mobile applications since they were easily accessible.

The studies conducted by Potnis *et al*. (2020), Zelalem and Wubante (2019), Thompson *et al*. (2018), Mugambe (2017), and Macharia (2021) collectively highlight the importance of accessibility in mobile loan applications, particularly for MSEs. These studies demonstrate that mobile loan applications offer convenient and simplified access to finance, addressing the challenges faced by MSEs in obtaining loans from traditional financial institutions. Potnis et al.

(2020) emphasize that the success of mobile loan applications is attributed to their ease of navigation, speed, simplicity, and safety. These factors contribute to the positive relationship between loan disbursement through mobile loan applications and the financial performance of lending companies in India. In contrast, Zelalem and Wubante (2019) and Thompson et al. (2018) reveal the limitations MSEs face when accessing funds from banks, such as lack of collateral, high-interest rates, and the need for a bank account. However, Mugambe (2017) and Macharia (2021) highlight the accessibility of mobile loan applications, with simplified application processes, minimal information requirements, and integration of smart artificial intelligence to assess creditworthiness. Further research can explore the impact of accessibility on the financial performance and growth of MSEs in different regions and address potential barriers to access, ensuring inclusivity for a broader range of MSEs.

2.3.3.2 Flexibility

Haabazoka, Nyikosa, and Mwanaumo (2021) used regression analysis and concluded that customers with more income were more likely to adopt new technical innovations compared to those with low income. The study concluded that income level influences the adoption of mobile loan applications. The respondents with low income argued that it was difficult to apply for mobile loans since they do not use smartphones since smartphones are expensive. They also stated that it is difficult to access mobile loan applications since most of them require an internet connection.

According to Mugane (2018) in the descriptive data analysis, mobile loan applications were more flexible than over-the-counter loans. The study also concluded that most banks and other financial institutions operated from Monday to Midday on Saturday and do not operate on public holidays. For this reason, in case an owner of a small-scale enterprise gets an emergency in those days, they have no means of accessing a loan to cover their emergencies. The conclusion of the same study also stated that mobile loan applications have made it easy to access loans online and instantly made them more flexible than counter loans. This is because they allowed users to access loans at any time and at their convenience. They do not have to go to any office to process the loans thus helping them save time. The application process for a commercial bank loan requires medium and small enterprises to fill out a lot of paperwork. This process is usually tedious and time-consuming, yet the borrower is still not sure whether or not the bank will approve or disapprove the loan application. It generally discourages owners of MSEs from applying for loans. However, according

to the same study, the process of loan acquisition had been simplified by the emergence of mobile loan applications that require very few formalities to request a loan. It is flexible since most of its work is automated thus getting to know if an MSE qualifies for a loan or not is easy and takes only a few minutes or hours for some applications.

According to Masika (2019) in the study carried out on the factors influencing the adoption of mobile loans among SMEs in Kenya, the mobile loan apps usually have a nearly uniform loan limit that ranges from as low as Kenyan shillings two hundred and fifty (Kshs. 250/-) to Kenyan shillings seventy thousand (70,000/-) for apps such as Tala and Branch. Other applications such as Utunzi usually have a higher loan limit of between Kshs. 1,500 and Kshs. 100,000. As compared to banks that do not give loans for any amount less than Kshs. 50,000, mobile loan apps have enabled SMEs to take as little amount for loans as possible as long as it helps fulfil the desired purpose. The regression analysis of the study concluded that the traditional bank loans once given, end up following the agreed terms and conditions to the latter. The researcher also stated that if the loan cannot be repaid as agreed, then the borrower will have to suffer the consequences.

Mobile loans are more flexible in the sense that; they have come up with added provisions to allow the borrowers to extend their repayment period in case they realize they might be unable to abide by the agreed terms (Omondi & Jagongo, 2018). Moreover, the study also stated as an example Zenka Loan Application which has the ZenkaFlexi option that allows its customers to repay their loan amounts even up to 12 months. Furthermore, if a customer needs more time to pay the loan, then it has options of loan extensions that give customers more control over their loans by allowing them to postpone their due date by either seven, fourteen, or thirty days. Finally, the researchers concluded that mobile loan apps unlike commercial over-the-counter bank loans have the option of requesting additional financing. In the case of a commercial bank loan, once a loan has been issued then the borrower is not allowed to request additional funds until the loan has been fully repaid. However, mobile loan apps have the option of an additional financing feature that allows the borrower to top up the existing loan with extra cash up to their current credit limit.

The studies conducted by Haabazoka *et al*. (2021), Mugane (2018), Masika (2019), and Omondi and Jagongo (2018) shed light on the flexibility offered by mobile loan applications compared to traditional bank loans. Haabazoka *et al*. (2021) found that income level influences the adoption of

mobile loan applications, with low-income individuals facing barriers due to the cost of smartphones and internet access. Mugane (2018) highlighted the flexibility of mobile loan applications, allowing users to access loans anytime and anywhere, unlike banks with limited operating hours. Furthermore, mobile loan applications offer additional flexibility in loan repayment. Omondi and Jagongo (2018) mentioned Zenka Loan Application as an example, which provides options for loan extensions and flexible repayment periods of up to 12 months. This flexibility in repayment options enables borrowers to better manage their loan obligations and adjust repayment schedules based on their financial circumstances. However, further research could delve into the impact of these flexible features on loan performance, borrower behavior, and overall financial well-being.

2.3.3.3 Time Required to get Hold of a Loan

A study was conducted to evaluate the influence of the loan appraisal process on mobile loan uptake in developing countries by Pankomera and Greunen (2019). The correlation analysis result of the study concluded that mobile loans were adopted mostly because getting a loan from a mobile loan application takes less time than applying and obtaining a loan from traditional financial services. The researchers also concluded that the loan appraisal procedure was rapid using mobile loan applications compared to applying for a loan in a commercial bank. Moreover, the duration required to accept a loan after it has been applied for by an applicant has come out to be one of the important factors influencing the acquisition of mobile loans.

According to the quantitative data analysis result on the impact of mobile loans adoption on commercial banks' performance in Rwanda (Uwamariya *et al*., 2020), technological advancement had helped streamline the process of acquiring loans and other services by eradicating the time-consuming process of paperwork. With the advancement in technology, people can now apply for loans easily using mobile loan applications. According to the researchers, commercial banks and most mobile lenders made it easier for their clients to access loans online by investing in technology. The study also concluded that to try and catch up with the competition brought by mobile loan applications, banks have also come up with services that allow even those who did not have bank accounts with them to acquire loans in a short period.

According to Nyamu (2020), mobile loan applications have stiffened the competition with banks and other financial institutions since their services are instant. According to the findings of the study, one major difference between bank loans and mobile loans is that for mobile loans, once your creditworthiness has been approved, the loan is disbursed instantly to your mobile money, while for banks, one has to go through a tedious process of requesting for the loan and once approved, he or she has to wait again before the credit is given. The researchers concluded that enterprises' access to loans tends to increase with the availability of collateral which means that the process of acquiring loans will take more time. However, mobile loans do not require SMEs to have collateral before giving them loans, as long as their creditworthiness has been approved, loans will be disbursed.

According to Elizabeth (2020), one of the factors influencing the acquisition of mobile loans is the short time taken to process the loan. Regression analysis results concluded that once processed, the funds are disbursed either instantly or in not more than ten minutes of application. Moreover, the researcher concluded that mobile loans are usually connected to mobile money transfer platforms where the money is usually sent shortly after the application has been approved. According to the same study, besides high-interest rates and insufficient collateral or guarantee, other limiting factors inhibit SMEs from accessing bank loans such as a complex application process and time-consuming application procedure.

Correlation analysis results on the impact of mobile loans acquisition on micro and small-scale enterprises in Kenya concluded that good credit history is the best way for MSEs to make sure that their loans are approved faster whenever an application is lodged (Wambui & Josphine, 2021). The study also concluded that one difficult part when taking mobile loans is the loan request being approved by the application. But once it has been approved, the applicant can easily raise their loan limit by making sure that they repay the loans on a timely basis. Furthermore, the study found that once the loan was approved, the credit score of the owners of MSEs increased, and over a period of time, they found themselves being able to take up bigger loans. In case of a default in the repayment of the loan, an MSE might have a difficult time acquiring another loan, or in some instances, their loan limits were usually reduced. The researcher also concluded that MSEs can access loans within a short period since most of the alternative lenders usually required them to send an online link complete with evidence of receipts and they used this information to determine

their creditworthiness. By using mobile and web applications, the lenders made the process of application very easy and convenient.

Muhandachi (2020) also concluded that for most of the lenders, once the MSEs have filled out their profiles, all they needed to do was to update them when the need arose and use the updated version to request a loan. However, the researcher stated that other mobile financial service providers such as Mshwari and KCB M-Pesa did not require the SMEs to do anything; the reason was their daily use of mobile money transactions to determine their creditworthiness. The researcher concluded that the adoption of mobile loans had shortened the time taken to access loans thus making it favourable to MSEs in times of emergency.

Several studies have highlighted the time advantage of mobile loan applications compared to traditional bank loans. Pankomera and Greunen (2019) found that mobile loans are preferred due to their faster loan appraisal process and quicker disbursement of funds. Uwamariya et al. (2020) emphasized that technological advancements have eliminated the time-consuming paperwork associated with traditional banks, allowing people to easily apply for loans using mobile loan applications. Nyamu (2020) highlighted the instant nature of mobile loans, with funds disbursed within minutes of application approval, while bank loans involve a lengthier process and waiting period. The absence of collateral requirements in mobile loans further contributes to the speed of loan processing. Good credit history was found to be crucial for faster loan approval, as highlighted by Wambui and Josphine (2021). Additionally, Muhandachi (2020) noted that mobile loan providers simplify the application process by utilizing existing user profiles and transaction data to assess creditworthiness, thereby accelerating the loan acquisition process. The literature indicates that mobile loan applications have significantly improved the speed and convenience of accessing funds, particularly for micro and small-scale enterprises.

2.4 Summary of Literature and Gap

This chapter reviewed and discussed literature providing the findings from international and local researchers on the factors influencing the acquisition of mobile loans by micro and small-scale enterprises. The chapter review was based on the study objectives on relative advantage, cost of credit, perceived risk of mobile loan applications, and their influence on the mobile loan's application acquisition by micro and small-scale enterprises.

From the findings of the literature, it can be summarized that acknowledged scholars tried to reach a common consensus that relative advantage enhanced mobile loans acquisition by SMEs. However, it was argued that loans acquisition was hindered by perceived risk and cost of credit. The literature review also shows several theories underpinning the need to work on these factors. From the findings of empirical studies conducted locally and internationally, there was a clear indication of conceptual, contextual, and methodological gaps. From a methodological point, most of the studies were qualitative. Further, existing studies interpreted concepts from a different perspective by using different theories and variables to make deductive arguments. Methodologies adopted by different researchers varied in terms of research design, population, sampling design, research instruments, and data analysis methods. A summary of the literature is shown in Table 2.1 below.

Table 2.1: Summary of Literature Review

Author	Country	Source	Methodology	Findings	Gap
Potnis *et al.* (2020)	India	Journal	Regression analysis	Mobile loan applications grew as a result of ease of navigation, simplicity and safety of loan applications	Different area of study and variables
Zelalem and Wubante (2019)	Ethiopia	Journal	Quantitative and qualitative analysis	Accessibility to finances is key determinant to the success of any business	Different theories, methods and area of study
Thompson et al. (2018)	Ghana	Journal	Thematic technique	Small-scale enterprises lack adequate collateral, banks charge high-interest rates and SMEs lack bank accounts making the loans inaccessible	Different theories, methods and area of study
Mugambe (2017)	Uganda	Journal	Descriptive analysis	Owners of MSEs can easily access loans via mobile apps	Different methodology and area
Macharia (2021)	Kenya	Dissertation	Descriptive analysis	Mobile loan applications have made it easier for MSEs to access loans	Different methodology and variables

Haabazoka et al. (2021)	Zambia	Journal	Regression analysis	Lack of access to internet and smart phones limit mobile loans	Different context of the study
Mugane (2018)	Kenya	Dissertation	Descriptive analysis	Mobile loan applications have made it easy to access loans online and instantly	Different methodology
Masika (2019)	Kenya	Dissertation	Regression analysis	Mobile loan applications have enabled SMEs to take loans	Different theories and variables
Omondi and Jagongo (2018)	Kenya	Journal	Descriptive analysis	Mobile loans allow for users to request for additional funding	Different theories and methodology
Pankomera and Greunen (2019)	Africa	Journal	Correlation analysis	Mobile loan application takes less time applying	Different theories and context of the study
Uwamariya et al. (2020)	Rwanda	Journal	Descriptive analysis	Technological advancement has helped streamline the process of acquiring loans	Different context and methods
Wambui and Josphine (2021)	Kenya	Journal	Correlation analysis	Loan limit can be revised easily in mobile loan applications	Different variables
Muhandachi (2020)	Kenya	Dissertation	Descriptive analysis	The adoption of mobile loans has shortened the time taken to access loans	Different methods and theories

2.5 Conceptual Framework

The conceptual framework guiding the study is as shown in Figure 2.1. The study adopted three independent variables and one dependent variable. The dependent variable for the study was the performance of micro and small-scale enterprises which is likely affected by the independent variables which include the cost of credit, perceived risk, and relative advantage.

Independent Variables **Dependent Variable**

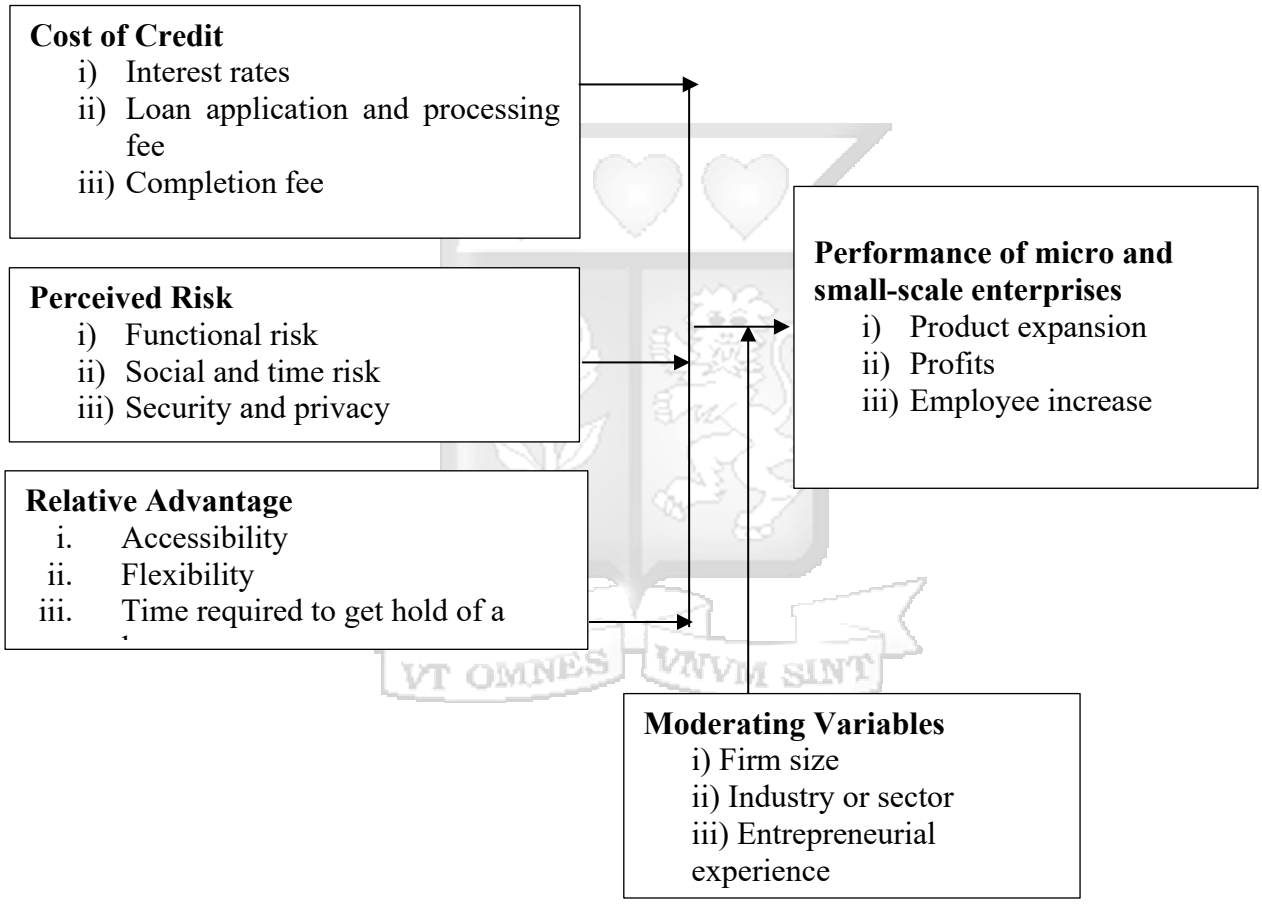

Figure 2.1: Conceptual Framework
Source: Researcher (2022).

2.8 Operationalization of Variables

The study operationalized the variables as shown in Table 2.2.

Table 2.2: Operationalization of Variables

Variable	Indicators	Tools of Analysis	Measurement Tools	Supporting Literature
Cost of Credit	Interest rates Loan application and processing fee Completion fee	Descriptive and inferential analysis	1-5 Likert scale questionnaires, Frequencies, percentages, means, and standard deviations; correlation and linear regression	Wellalage and Locke (2016), Tambunan (2019), Guyo (2017), Etemesi (2017), Ferrari *et al*. (2018), Anthony (2019), Murunga (2018), Mohamed (2019)
Perceived Risk	Functional risk Social and time risk Security and privacy	Descriptive and inferential analysis	1-5 Likert scale questionnaires, Frequencies, percentages, means, and standard deviations; correlation and linear regression	Verrecchia (2016), Uwamariya *et al*. (2020), Bosire and Ntale (2018), Almeyda and George (2020), Choudhury (2018)
Relative Advantage	Accessibility Flexibility Time required to get hold of a loan	Descriptive and inferential analysis	1-5 Likert scale questionnaires, Frequencies, percentages, means, and standard deviations; correlation and linear regression	Potnis *et al*. (2020), Zelalem and Wubante (2019), Haabazoka *et al*. (2021), Mugane (2018), Masika (2019)
Performance of micro and small-scale enterprises	Product expansion Profits Employee increase	Descriptive analysis	1-5 Likert scale questionnaires, Frequencies, percentages, means, and standard deviations	Alumasa and Muathe (2021), Macharia (2021), Murage (2021) and Chen and Kitsis (2017)

2.9 Chapter Summary

This chapter has presented the literature related to the research problem. The chapter has specifically presented the theoretical underpinnings of the research, an empirical review of previous studies based on the objectives of the study, and the operationalization of variables following a conceptual framework that depicts the relationship between the study variables. The next chapter presents the methodology that was followed in conducting this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter paints a picture of the roadmap of the methods and procedures that were used to carry out the research study. Specifically, it breaks down the research design by first stating the type of research that was embarked on, the population and sampling, preferred methods of collecting the data, research procedures as well as the data analysis methods that were used. It also includes ethical considerations that were followed during the research process.

3.2 Research Philosophy

This study used the positivist research philosophy. In this philosophy, knowledge is viewed as objective and external to the researcher, and reality is considered to be independent of individual interpretations. The positivist approach aims to uncover causal relationships between variables through empirical observation and systematic data analysis. It emphasizes the use of quantitative methods and seeks to establish generalizable laws or theories (Creswell & Clark, 2017). By adopting a positivist research philosophy, this study sought to examine the relationship between mobile loans acquisition and the performance of MSEs in a systematic and objective manner. The researcher aimed to collect quantitative data through surveys and statistical analysis to identify any significant correlations or patterns. The positivist perspective allowed for the identification of causal relationships, providing a foundation for making predictions and generalizations about the impact of mobile loans on MSE performance. This research philosophy assumes that there is an objective reality that can be observed and measured, and it aligns with the goal of producing reliable and replicable findings. It acknowledges the importance of empirical evidence and emphasizes the use of rigorous research methods to minimize biases and subjectivity.

3.3 Research Design

According to Cooper and Schindler (2018), a research design is a structured framework established to obtain answers to various research questions. It guides the measurement, collection, and analysis of data, as well as the selection of research participants. Research design provides a blueprint for

identifying relationships between different variables (Creswell & Clark, 2017). In the current study, an explanatory research design is more suitable for testing relationships between variables, rather than a descriptive research design. While descriptive research focuses on describing the existing state of affairs, explanatory research aims to determine causal relationships and understand the factors influencing a particular phenomenon (Cooper & Schindler, 2018).

Research design has three approaches which are quantitative, qualitative, and mixed approaches (Creswell & Creswell, 2017). This study employed an explanatory research design, which was chosen due to its compatibility with quantitative tools for data collection. The respondents were provided with questionnaires by the researcher to gather information, and data collection occurred once without any follow-ups. By utilizing this design, the study aimed to elucidate the existing state of affairs in Mlolongo town and establish causal relationships between variables of interest.

3.4 Population and Sampling

3.4.1 Target Population

A population refers to an entire pool from which a statistical sample is drawn, and it usually has some common observable characteristics (Bell, Bryman & Harley, 2018). The population is a set of individuals, events, or objects of interest that the researcher applied to research and makes conclusions based on the sample statistics (Copper & Schindler, 2018). The target population of this research was the MSEs operating in Mlolongo town. The choice of the location was based on the fact that the town is a low-income residential area in Machakos County, with a number MSEs operating in the region; 1,682 MSEs (MSEA, 2021; Nderitu, 2019) being the highest in Machakos County and among the top 15 in small towns in Kenya (MSEA, 2021). The majority of the adopters of mobile loans are people with low income, which is the main reason why the researcher has chosen Mlolongo town. From the organizations, the owners were the unit of analysis because they were the ones who often were involved in the process of acquiring mobile loans for the businesses. The individual MSEs form the unit of observation for the study. In a case where there was more than one owner for the MSE, only one was required to participate in this study. According to the Machakos county council administration (Mlolongo is in Machakos County), the total number of MSEs operating in the town was 1,682 MSEs as of December 2021 (MSEA, 2021), which formed the target population for this study.

3.4.2 Sampling Design

Sampling design is a blueprint that guides the selection of the sample of the study and other features of the study. It is also the process that determines the target population, the sampling frame, the selection of a sampling technique, and the execution of the sampling process. When the whole population of the study cannot participate in a study because it is large, a sample is chosen from it to represent the whole population of the study (Bell *et al.*, 2018). This section looks at the sampling frame and sampling technique that was used in the study.

A sampling frame is a tool used by researchers to describe their population of interest. According to Cooper and Schindler (2018), a sampling frame is a group of items or individuals from which a sample is drawn to represent physically the items or the individuals in the total population. Creswell and Clark (2017) noted that a sampling frame should be made up of a comprehensively updated inventory of all that forms the population for the study. It should give a clear definition of the categories of elements availed to the researcher so that he/she can pick an appropriate representation of the target population. The sampling frame for this study was all the individual MSEs that were operating in Mlolongo town.

The sampling technique is vital when it comes to solving problems and one sampling technique may not be suitable for all problems. A researcher must apply a suitable sampling technique for his or her studies to get an accurate representation (Cooper & Schindler, 2018). This study used a simple random sampling technique because it gives all of the target population an equal chance to participate in the study (Creswell & Creswell, 2017).

For sample size determination, the following formula from Krejcie and Morgan (1970) was used since it is useful for estimation when dealing with a finite population, as in the current study.

$$s = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}$$

Where:

s = required sample size

X = Z value

N = population size (1,682)

P = population proportion (assumed to be 0.5 since this would provide the maximum sample size)

d = the degree of accuracy (5%) expressed as a proportion (0.05)

To calculate my sample size:

s = X = 1.96 N = 1,682 P = 0.5 d = 0.05

$$s = \frac{1.96^2 \; x \; 1{,}682 \; x \; 0.5 \; (1 - 0.5)}{0.05^2 \; x \; (1{,}682 - 1) + \; 1.96^2 \; x \; 0.5 \; x \; (1 - 0.5)}$$

s = 312.8847741~ 313

Therefore, the minimum sample size was 313 respondents.

3.5 Data Collection Methods

Bell *et al.* (2018) defines data collection as the precise, systematic gathering of information relevant to the research sub-problems. In this study, data was collected from primary sources. Since the study determined the factors influencing mobile loans acquisition among micro and small-scale enterprises operating in Mlolongo town, the study used self-administered questionnaires which were considered the most efficient data collection tool.

The utilization of questionnaires is the most precise tool for collecting and quantification of self-sufficiency correlation and self-reported reliance (Cooper & Schindler, 2018). The questionnaires provide the participants the freedom of expression and they are built to gather both quantitative and qualitative data (Hair, Page & Brunsveld, 2019). The selection of affirmations in the questionnaire was from strongly agree to strongly disagree to facilitate the participants in the selection of their answers.

There were five sections in the questionnaire. The first section focused on the demographic information of respondents and MSE. The second section focused on the cost of credit of mobile loans, the third section focused on the effect of perceived risk on the acquisition of mobile loans

application, the fourth section focused on the relative advantage, and the fifth section focused on mobile loans acquisition among MSEs in Mlolongo town.

In the study, the questionnaire was administered by the two research assistants who were trained by the researcher. The respondents were MSEs owners located in Mlolongo town, Kenya. The choice of MSEs as respondents was based on the research objectives and the relevance of their experiences and perspectives to the study's topic. The research assistants approached the MSEs in person and other means of communication, such as email or phone calls, to request their participation in the study. The trained research assistants explained the purpose of the study to the respondents and guided them through the questionnaire to ensure that the required information was obtained. The training on ethics for the research assistants aimed to ensure that they approached the respondents in a polite manner, respecting their time and privacy. By having knowledgeable research assistants who understood the purpose of the study, they were able to address any queries or concerns raised by the respondents, thus facilitating a smooth data collection process.

3.6 Research Quality

Before actual data collection took place, the researcher conducted a pilot study. As postulated by Creswell and Clark (2017), the goal of piloting is to ensure a thorough understanding of the research variables that are used in a study. The researcher used a group of 10% of the sample size as a pilot group. This group was obtained in Kiambu County, a county with similar demographics in terms of MSEs as Mlolongo town in Machakos county where the study was done. The pilot sample size was 31 MSEs representing 10% of the sample population.

3.6.1 Validity

Validity refers to the extent to which the instruments of data collection measure what it intends to measure (Kumar, 2018). The preparation of the instrument and its content was based on the specific objectives of the study. The researcher was interested in getting feedback on the clarity of the questions as well as determining if there was any ambiguity that would lead to misinterpretation of the questions and thus provide conflicting answers, hence ensuring content validity. In addition, an overall Content Validity Index (CVI) of 0.79 was obtained, which warranted content validity, as suggested by Creswell and Clark (2017). Face validity was also ensured using expert opinion, especially the feedback from the supervisor.

3.6.2 Reliability of the Research Instrument

According to Devi (2017), reliability is a measure of the degree to which a research instrument will yield consistent data after established test trials. Reliability is therefore attained when a particular procedure gives similar results over many repeated trials (Creswell & Clark, 2017). The researcher administered the instruments to the pilot sample and then score the questions. The reliability of the test instrument was measured by Cronbach Alpha Coefficient to determine internal consistency by checking inter-relation. Thus, an overall reliability test coefficient result value of 0.899 was obtained, which allowed for the measurement of study variables, as recommended in literature by studies such as Creswell and Clark (2017) and Kumar (2018).

3.7 Data Analysis

Data analysis is the application of reasoning to understand the data that has been collected to determine consistent behavior and summarize the relevant details that come out of the investigation (Bell *et al.*, 2018). Before commencing on data analysis and once data was received, the researcher checked it for completeness and only worked with the data that was complete. Once separated, the researcher performed formatting measures to make it presentable and easy to consume.

The study conducted descriptive statistics using the measures of central tendency and dispersion. Measures of central tendency and measures of dispersion consist of a single value that attempts to define a set of data by classifying the central position within such a data set or the spread from the central point (Cooper & Schindler, 2018). Descriptive analysis was therefore conducted to describe various patterns of the key variables. Here, the researcher analyzed the data using means and standard deviations to measure central tendencies and dispersion of the data. The researcher also used other techniques such as frequencies and percentages.

The study also used correlation analysis. Correlation analysis was conducted to test for relationships between the dependent variable and independent variables as outlined in the objectives. Correlation (r) is a measure of the degree of association between two or more variables (Creswell & Creswell, 2017). The study used the Pearson correlation matrix which indicated the direction, strength, and significance of the relationships. The correlation test was conducted at the 5% level of significance with a 2-tailed test. Thus, the significance critical value was 0.025 and above and the association was deemed to be insignificant and vice versa.

Linear regression analysis was used as well. The coefficient of determination (R^2) was used to estimate the percentage of variation in the dependent variable that can be explained by the independent variable. Bell *et al.* (2018) regarded this coefficient as a statistical quantity that shows how well the regression model fits the data. They stated that a value close to zero indicates a weak fit while a value close to one implies a good fit.

The study further considered the assumptions or diagnostic tests for regression. These included the assumptions of normality, linearity, homoscedasticity, and multicollinearity (Cooper & Schindler, 2018). A valuation of the normality of data is essential for many statistical tests because normal data is an underlying assumption in parametric testing. The study used skewness and kurtosis values to measure data symmetry. For homoscedasticity, the Levene statistic was used to show whether homogeneity of variances was present in the data or not. In addition, a prerequisite for using linear regression models for purposes of prediction is the linearity of the relationship between the dependent and independent variables. The expected value of the dependent variable is a straight-line function of each independent variable holding others constant (Creswell & Creswell, 2017). Finally, to measure multicollinearity in the regression models, this study used the Variance Inflation Factors (VIF). The VIF assessed how much the variance of an estimated regression coefficient increased if the predictors were correlated. A VIF value of between 5 and 10 indicates a high correlation in the predictor variables (Bell *et al.*, 2018). A VIF of more than 10 invalidates the regression model. Therefore, VIF values of between 1 and 10 were considered acceptable.

If all the assumptions were not violated, the study conducted a regression analysis. A simple linear regression model of the following format was used to answer the first research question.

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where: Y = Performance of micro and small-scale enterprises

β_0 = constant and e = error value

β_1 = Coefficient for the cost of credit

X_1 = Cost of credit

For research question two

$Y = \beta_0 + \beta_2 X_2 + e$

Where: Y = Performance of micro and small-scale enterprises

β_0 = constant and e = error value

β_2 = Coefficient for perceived risk

X_2 = Perceived risk

For research question three

$Y = \beta_0 + \beta_3 X_3 + e$

Where: Y = Performance of micro and small-scale enterprises

β_0 = constant and e = error value

β_3 = Coefficient for relative advantage

X_3 = Relative advantage

The study used multiple linear regression models to analyze the individual effects of each independent variable (mobile loans' cost of credit, perceived risk, and relative advantage) on the dependent variable (performance of MSEs) in Mlolongo. Each model had a different independent variable (mobile loans acquisition practice) and the same dependent variable (performance of MSEs). The coefficients (β) indicated the strength and direction of the relationship between the independent and dependent variables. This approach allowed the study to examine the unique contributions of each mobile loans acquisition practice to performance of MSEs. For presentation, tables and figures were used. The analysis was aided by the use of statistical software, the Statistical Package for Social Sciences (SPSS) version 26.

3.8 Ethical Considerations

After the instruments had been ascertained for reliability and validity, a research permit (introductory letter) and Institutional Review Board (IRB) letter to carry out the study was sought from the postgraduate school. A research permit was acquired from the National Commission for Science, Technology, and Innovation (NACOSTI). The researcher informed the respondents that the instruments which were administered were for research purposes only, as posited in research work by Cooper and Schindler (2018).

In addition, utmost confidentiality before, during, and after interviews was maintained by the researcher to conceal the real identity of the respondents. Consent was sought from respondents before administering research instruments. The reports generated were availed on a need-to-know basis to safeguard against negative dual-use elements of the research. The respondents were also made aware of their withdrawal rights, whenever they felt like doing so.

3.9 Chapter Summary

This chapter has outlined the research methodologies employed in the study. It discussed the chosen research philosophy, the design of the research, and the procedures followed to determine the target population and sample size. Additionally, the chapter presented the instruments used for data collection and described the methods employed for data analysis and presentation. Furthermore, ethical considerations that were taken into account during the research were discussed towards the end of the chapter.

CHAPTER FOUR

RESULTS

4.1 Introduction

This chapter presents the results of data analysis in line with the objectives of the research. The study sought to determine the effect of mobile loans acquisition on the performance of micro and small-scale enterprises in Mlolongo town, Kenya. Specifically, the study sought to determine the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, establish the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises, and assess the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises in Mlolongo town, Kenya. Descriptive and inferential statistics are used to answer the research objectives.

4.2 Response Rate

The study targeted to collect data from 313 owners of MSEs operating in Mlolongo town. Nevertheless, the study encountered non-response incidents as 100% response was not achieved. The researcher managed to collect data from 274 respondents whose questionnaires were complete and accurately filled. A total of 39 of the respondents did not return the questionnaires or submitted incomplete questionnaires. Therefore, an overall response rate of 88% and a non-response rate of 12% were achieved. This response rate was considered excellent and sufficient for analysis, as suggested by Copper and Schindler (2018). Figure 4.1 shows the response rate.

The response rate of 88% achieved in the study indicates a high level of participation from the targeted owners of MSEs in Mlolongo town. However, the non-response incidents and the failure of some respondents to fill or return the questionnaires (12% non-response rate) suggest that there were factors influencing their decision. Possible reasons for non-response could include a lack of interest or perceived relevance of the study's topic among some respondents. Additionally, the busy nature of running a business may have contributed to time constraints, making it difficult for some owners to allocate time for questionnaire completion. Other factors such as questionnaire design, the length of the survey, or respondents' unfamiliarity with the research process might have also influenced their decision not to participate or complete the questionnaires.

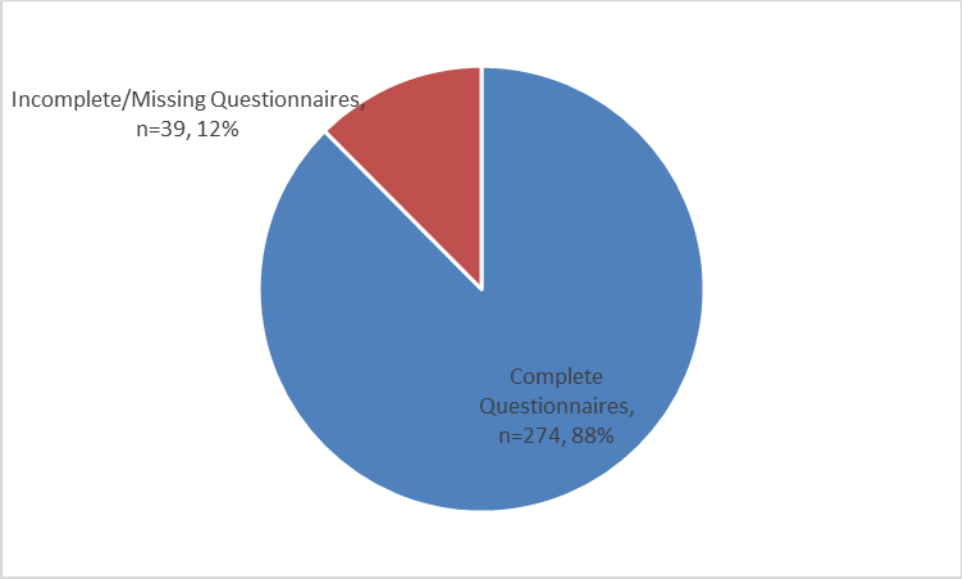

Figure 4.1: Response Rate of the Respondents

4.3 Demographic Information of Respondents

The study used frequencies and percentages to describe the demographics of the respondents. The demographic information sought in the study was obtained from the owners of MSEs operating in Mlolongo town. The information sought was the gender of the respondents, age bracket of respondents, highest education level attained by the respondents, monthly income for the respondent's business, duration of the respondent's business in the operation area, and whether the business has ever acquired a mobile loan. The respondents were first asked to indicate their gender. The findings indicated that 63.1% (n=173) of the respondents were male whereas 36.9% (n=101) of the respondents were female. This indicates that most MSEs in Mlolongo town are owned by males, as shown in Table 4.1. The higher representation of male respondents suggests that mobile loan acquisition might be more prevalent among male-owned MSEs in Mlolongo town. This could be attributed to a variety of factors, such as differences in financial behaviour, risk appetite, or access to information and resources.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percent
Male	173	63.1
Female	101	36.9
Total	274	100.0

Source: Researcher (2022).

The participants were also required to indicate their age. The findings indicated that most of the respondents 71.2% (n=195) were aged between 31-40 years. In addition, 15% (n=41) of the respondents were aged below 30 years, 13.1% (n=36) were aged between 41-50 years and 0.7% (n=2) of the respondents were aged between 51-60 years. The results indicate that most of the respondents were mid-aged, as shown in Table 4.2.

The age demographics of the respondents have implications for the acquisition of mobile loans. With a significant proportion of respondents falling within the age range of 31-40 years, it suggests that this age group may be more actively engaged in seeking and acquiring mobile loans for their micro and small-scale enterprises. This could be attributed to factors such as their familiarity with technology and mobile banking, as well as their entrepreneurial drive and willingness to explore alternative financing options. On the other hand, the relatively smaller representation of younger entrepreneurs (below 30 years) in the study suggests that they may have lower mobile loan acquisition rates. This could be due to factors such as limited business experience, financial constraints, or a preference for traditional financing methods. The findings also indicate that older age groups (41-60 years) have a lower presence in mobile loan acquisition, which could be attributed to factors such as risk aversion, limited technological familiarity, or reliance on more established financing channels.

Table 4.2: Age Bracket of the Respondents

Age bracket	Frequency	Percent
Below 30 years	41	15.0
31-40 years	195	71.2
41-50 years	36	13.1
51-60 years	2	.7
Total	274	100.0

Source: Researcher (2022).

The respondents were asked to indicate the highest education level they had attained. This was done to indicate whether the respondents were literate enough to respond to the questionnaires. From the findings, 70.1% (n=192) of the respondents had attained secondary school level. Further, 23.4% (n=64) had attained college-level education, 6.2% (n=17) of the respondents had attained university education and finally, 0.4% (n=1) of the respondents had attained primary school level education. The findings indicate that most of the respondents were in a position to answer the questions postulated to them as shown in Table 4.3. The findings imply that higher education levels indicate greater financial literacy and business acumen, which could influence the decision-making process regarding mobile loan uptake and utilization. Additionally, the varying educational backgrounds highlight the importance of designing financial products and educational programs that cater to the diverse needs and knowledge levels of MSE owners.

Table 4.3: Respondent's Highest Level of Education Attained

	Frequency	Percent
Primary School	1	.4
Secondary School	192	70.1
College Education	64	23.4
University Education	17	6.2
Total	274	100.0

Source: Researcher (2022).

The participants were also asked to indicate their monthly income in their business. The findings indicated that 63.9% (n=175) of the respondents' businesses earned a monthly income of 21,000-40,000 shillings followed by 18.6% (n=51) of the respondents whose businesses earned below 20,000 shillings. To add on, 14.2% (n=39) of the respondent's business earned 41,000-60,000 shillings and finally 3.3% (n=9) of the respondent's business earned more than 60,000 shillings. The results indicate most MSEs in Mlolongo town made low incomes per month, which explains the high preference for borrowing to sustain their MSEs. The results suggest that a significant portion of MSEs in Mlolongo town face financial constraints due to their relatively low monthly income. This could explain the high preference for borrowing, as indicated by the study, as a means to sustain their businesses. Mobile loans may serve as a crucial financial resource for these MSEs,

allowing them to access funds and bridge the gap between their income and financial needs. The findings are shown in Table 4.4.

Table 4.4: Monthly Income for the Respondent's Business

	Frequency	Percent
Below Kshs. 20,000	51	18.6
Kshs. 21000-40000	175	63.9
Kshs. 41000-60000	39	14.2
More than Kshs. 60000	9	3.3
Total	274	100.0

Source: Researcher (2022).

The respondents were also asked to indicate the duration they had been in business operation. From the findings, 58% (n=159) of the respondents' businesses had operated for 1 to 5 years. Moreover, 30.7% (n=84) of the respondents' businesses had operated for 5 to 10 years, 7.3% (n=20) of the respondents' businesses had operated for more than 10 years and 4% (n=11) of the respondents' businesses had operated for less than one year. This indicated that the businesses' owners were experienced enough to answer correctly the questionnaires presented to them, as shown in Table 4.5.

The results suggest that there is a mix of both new and established businesses among the respondents in Mlolongo town. The majority of the businesses surveyed are relatively new, with a significant portion operating for 1 to 5 years. This indicates a dynamic business environment where new enterprises are being established. The duration of business operation is an important factor to consider in relation to mobile loan acquisition. Newer businesses may face more challenges in accessing traditional financing options due to limited credit history or collateral. Therefore, mobile loans could play a crucial role in providing financial support to these businesses during their early stages. On the other hand, more established businesses with a longer duration of operation may have better access to formal financial institutions and alternative funding sources. However, mobile loans could still be an attractive option for such businesses due to their convenience, speed, and flexibility.

Table 4.5: Duration of Operation of the Businesses

	Frequency	Percent
Less than one year	11	4.0
1 to 5 years	159	58.0
5 to 10 years	84	30.7
More than 10 years	20	7.3
Total	274	100.0

Source: Researcher (2022).

The study also conducted cross-tabulations to determine the relationship between the demographic characteristics with mobile loans acquisition by the MSEs owners. The results are shown in Table 4.6. The results indicate that the male owners of MSEs are more likely to acquire mobile loans as compared to their female counterparts. In addition, those aged between 31-40 years are more likely to acquire mobile loans, and so are those aged below 30 years, compared to older owners (aged 41 years or more); other factors kept constant. The study findings also indicate that those with higher levels of education were found to be 1.363, 3.167, and 4.032 times more likely to acquire loans respectively compared to those with primary school education; other factors kept constant. For monthly income, those with a low level of income were more likely to acquire loans compared to those with higher incomes. Finally, those businesses that had operated for more years were less likely to acquire loans, compared to new businesses in Mlolongo town, showing a preference for mobile loans for start-up businesses.

The results indicate that male owners of MSEs are more likely to acquire mobile loans compared to their female counterparts. This suggests a gender disparity in mobile loan acquisition, with males being more inclined to utilize this form of financing for their businesses. Secondly, age appears to be a factor influencing mobile loan acquisition. Specifically, owners aged between 31-40 years and those below 30 years are more likely to acquire mobile loans compared to older owners (aged 41 years or more). This suggests that younger entrepreneurs are more open to utilizing mobile loans as a means of funding their businesses. Thirdly, owners with higher levels of education are found to be more likely to acquire loans compared to those with only primary school education, holding other factors constant. This implies that education plays a role in facilitating access to mobile loans, with more educated individuals potentially having a better

understanding of the benefits and processes involved in acquiring such loans. Furthermore, the results indicate that owners with lower levels of monthly income are more likely to acquire mobile loans compared to those with higher incomes. This suggests that mobile loans may serve as a viable financing option for businesses with limited financial resources, enabling them to bridge gaps in cash flow or invest in business expansion. Lastly, the duration of business operation also influences mobile loan acquisition. The findings reveal that newer businesses are more likely to acquire loans compared to businesses that have been operating for a longer duration. This preference for mobile loans among start-up businesses implies that these loans may be particularly attractive for entrepreneurs who are in the early stages of establishing and growing their businesses.

Table 4.6: Relationship between Demographic Features and Mobile Loans Acquisition

Demographic characteristic	Odds Ratio (OR)	95% Lower Confidence Interval	95% Upper Confidence Interval	*p*-value
Gender				
(Male)	1			
Female	.803	.326	1.977	.411
Age				
(Below 30 years)	1			
31-40 years	1.032	.903	1.180	.274
41-50 years	0.207	0.049	0.804	0.026
51-60 years	.112	.063	.201	<.001
Education Level				
(Primary)	1			
Secondary	1.363	0.561	3.394	0.497
College	3.167	1.428	7.411	0.006
University	4.032	1.091	14.298	0.032
Monthly Income				
(Below 20,000)	1			
21000-40000	.988	.963	1.012	<.001
41000-60000	.344	.032	3.699	<.001
More than 60000	.183	.095	.353	<.001
Operation Duration				
(Less than one year)	1			
1 to 5 years	0.953	0.516	1.764	0.877
5 to 10 years	.288	.152	.545	<.001
More than 10 years	.281	.026	3.016	<.001

Source: Researcher (2022).

4.4 Descriptive Analysis of the Independent Variables

Descriptive analysis of findings was done based on the objectives of the study which were to determine the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, establish the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises and to assess the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises in Mlolongo town, Kenya.

4.4.1 Mobile Loans' Cost of Credit

The study sought to determine the respondents' views on statements relating to mobile loans' cost of credit. A table of means and standard deviations was also obtained to present the results on mobile loans' cost of credit. The mean results are given on a scale interval where a mean value of up to 1 is an indication of a strong disagreement by the respondents; 1.1 – 2.0 is an indication of a disagreement by the respondents; 2.1 – 3.0 is an indication of the respondents being neutral, 3.1 – 4.0 is an indication of an agreement by the respondents and a mean value of 4.1 and above is an indication of a strong agreement by the respondents. The standard deviations obtained in the study were small indicating minimal variations in the responses given. The results are presented in Table 4.7.

On average, the study found that the respondents agreed with all statements, that lack of collateral of loans influenced them to acquire a mobile loan (M = 4.06, SD = 0.587); the amount for application fees charged on mobile loans influenced them to acquire the mobile loans (M = 4.76, SD = 0.756); the amount for processing fees charged on loans of mobile loans influenced them to acquire mobile loans (M = 4.80, SD = 0.611) and interest rates charged on mobile loans influenced them to acquire the mobile loans (M = 4.69, SD = 0.749). The respondents also agreed that the cost required to download a mobile loan application influenced them to acquire a mobile loan (M =4.72, SD = 0.678); the amount for completion fees charged on loans from financial institutions influenced them to acquire a mobile loan (M = 4.68, SD = 0.646); the cost involved in traveling to the bank for a loan influenced them to acquire a mobile loan (M = 4.29, SD = 0.752) and terms of repayment of loans from other financial institutions such as banks influenced them to acquire mobile loans (M = 4.83, SD = 0.558). An overall mean of 4.60 and a standard deviation of 0.435 was obtained for all items under the mobile loan's cost of credit.

Table 4.7: Means and Standard Deviations for Mobile Loans' Cost of Credit

	Mean	Std. Deviation
Lack of collateral for loans influences me to acquire a mobile loan.	4.06	.587
The amount for application fees charged on mobile loans influences me to acquire them	4.76	.756
The amount for processing fees charged on loans of mobile loans influences me to acquire them.	4.80	.611
Interest rates charged on mobile loans influence me to acquire them	4.69	.749
The cost required to download a mobile loan application influences me to acquire a mobile loan.	4.72	.678
The amount for completion fees charged on loans from financial institutions influences me to acquire a mobile loan	4.68	.646
The cost involved in traveling to the bank for a loan influence me to acquire a mobile loan.	4.29	.752
Terms of repayment of loans from other financial institutions such as banks influence me to acquire mobile loans	4.83	.558
Composite Mean and SD	**4.6022**	**.43584**

4.4.2 Mobile Loans' Perceived Risk

The study sought to determine the respondents' views on mobile loans' perceived risk. A table of means and standard deviations was obtained to present the results on mobile loans' perceived risk. It was found that the respondents agreed with all statements, that the risk that they may not be able to repay a loan from a financial institution on time influenced them to acquire a mobile loan (M = 4.81, SD = 0.566); the possibility of payment extensions influenced them to acquire a mobile loan (M = 4.81, SD = 0.577); the possibility to repay the loan in installments influenced them to acquire a mobile loan (M = 4.77, SD = 0.657); the safety or security of the process of application of a mobile loan influenced them to acquire it (M = 4.63, SD =0.731) and the confidentiality or privacy of mobile loan applications influenced them to acquire a mobile loan (M = 4.43, SD = 0.912). The respondents also agreed that the risk of losing their property to other financial institutions influenced them to acquire a mobile loan (M = 4.54, SD =0.721); the risk that they may not meet the requirements to apply for a loan from other financial institutions such as banks influenced them to acquire a mobile loan (M = 4.56, SD = 0.684) and the risk that they were not allowed to apply

for a loan more than once in a bank influenced them to acquire a mobile loan (M = 4.59, SD = 0.647). The standard deviations obtained in the study were small indicating minimal variations in the responses given. The results are presented in Table 4.8.

Table 4.8: Means and Standard Deviations for Mobile Loans' Perceived Risk

	Mean	Std. Deviation
The risk that I may not be able to repay a loan from a financial institution on time influences me to acquire a mobile loan.	4.81	.566
The possibility of payment extensions influences me to acquire a mobile loan.	4.81	.577
The possibility to repay the loan in installments influences me to acquire a mobile loan.	4.77	.657
The safety or security of the process of application for a mobile loan influence me to acquire it.	4.63	.731
The confidentiality or privacy of mobile loan applications influences me to acquire a mobile loan.	4.43	.912
The risk of losing my property to other financial institutions influences me to acquire a mobile loan.	4.54	.721
The risk that I may not meet the requirements to apply for a loan from other financial institutions such as banks influences me to acquire a mobile loan.	4.56	.684
The risk that I am not allowed to apply for a loan more than once in a bank influence me to acquire a mobile loan	4.59	.647
Composite Mean and SD	**4.6437**	**.49753**

4.4.3 Mobile Loans' Relative Advantage

The study sought to evaluate the respondents' views on mobile loans' relative advantage. A table of means and standard deviations was obtained to present the results on mobile loans' relative advantage. It was found that the respondents agreed to all statements, that the time required to get hold of a loan influenced them to acquire a mobile loan (M = 4.54, SD =0.652); the 24-hour availability of loans made them acquire a mobile loan (M = 4.31, SD = 0.763); expectation to apply for loans regularly made them acquire a mobile loan (M = 4.31, SD = 0.739); the fact that they did not have to travel to a physical financial institution to borrow money influenced them to acquire a mobile loan (M = 4.31, SD = 0.626) and the long-time taken to process for a loan from other

financial institutions such as banks influenced them to acquire a mobile loan (M = 4.64, SD = 0.603). The respondents also agreed that the fact that they could easily download a mobile loan application at any time influenced them in the acquisition of mobile loans (M =4.6, SD = 0.507); the ease to access mobile loan applications made them acquire a mobile loan (M =4.14, SD = 0.661) and flexibility of loan application influenced them to acquire a mobile loan (M = 4.62, SD = 0.653). The standard deviations obtained in the study were small indicating minimal variations in the responses given. The results are presented in Table 4.9.

Table 4.9: Means and Standard Deviations for Mobile Loans' Relative Advantage

	Mean	Std. Deviation
The time required to get hold of a loan influences me to acquire a mobile loan	4.54	.652
The 24-hour availability of loans makes me acquire a mobile loan	4.31	.763
Expectation to apply for loans regularly makes me acquire a mobile loan	4.31	.739
The fact that I don't have to travel to a physical financial institution to borrow money influences me to acquire a mobile loan.	4.31	.626
The long-time taken to process a loan from other financial institutions such as banks influences me to acquire a mobile loan	4.64	.603
The fact that I can easily download a mobile loan application at any time influences me in the acquisition of mobile loans.	4.68	.507
The ease to access mobile loan applications made me acquire a mobile loan	4.14	.661
Flexibility of loan applications influences me to acquire a mobile	4.62	.653
Composite Mean and SD	**4.4453**	**.30744**

4.4.4 Performance of Micro and Small-Scale Enterprises

The study sought to assess the performance of micro and small-scale enterprises. A table of means and standard deviations was obtained to present the results on the performance of micro and Small-Scale enterprises. It was found that the respondents agreed with all statements that, there had been continuous growth in products in the organization (M = 4.55, SD = 0.598); profits had been growing in the organization (M = 3.45, SD = 0.689) and there had been an increase in the number of employees in the organization (M = 4.73, SD = 0.486). The standard deviations obtained in the

study were small indicating minimal variations in the responses given. The study also found a composite mean and standard deviation of 4.24 and 0.367 respectively. The results are presented in Table 4.10.

Table 4.10: Means and Standard Deviations for Performance

	Mean	Std. Deviation
The has been continuous growth in products in the organization	4.55	.598
Profits have been growing in the organization	3.45	.689
There has been an increase in the number of employees in the organization	4.73	.486
Composite Mean and SD	**4.2433**	**.36760**

4.5 Correlation Analysis

The study used Pearson correlation to assess the relationship between various aspects of mobile loans acquisition (independent variables) and the performance of MSEs in Mlolongo town. The study used the Pearson correlation matrix which indicated the direction, strength, and significance of the relationships. The correlation test was conducted at the 5% level of significance with a 2-tailed test. Thus, the significance critical value was 0.025 and above and the association was deemed to be insignificant and vice versa. The results show that mobile loans' cost of credit has a significant and positive relationship with performance, as the *p* value was lower than 0.05 (r = -.799, p = .000); mobile loans' perceived risk has a significant relationship with performance (r = -.688, p = .000) and mobile loans' relative advantage has a significant and positive relationship with performance (r = .750, p = .000). The findings are presented in Table 4.11.

Table 4.11: Correlation Matrix

		Performance	Mobile Loans' Cost of Credit	Mobile Loans' Perceived Risk	Mobile Loans' Relative Advantage
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
Mobile Loans' Cost of Credit	Pearson Correlation	-.799**	1		
	Sig. (2-tailed)	.000			

Mobile Loans' Perceived Risk	Pearson Correlation	-.688**	.886**	1	
	Sig. (2-tailed)	.000	.000		
Mobile Loans' Relative Advantage	Pearson Correlation	.750**	.853**	.795**	1
	Sig. (2-tailed)	.000	.000	.000	

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

4.6 Diagnostic Testing / Assumptions of Regression

Before regression analysis was conducted, the study considered the assumptions or diagnostic tests for regression. These included the assumptions of normality, linearity, homoscedasticity, and multicollinearity. The study used skewness and kurtosis values to measure the normality distribution of the data. For homoscedasticity, the Levene statistic was used. For linearity, scatter plots were used. Finally, to measure multicollinearity in the regression models, this study used the Variance Inflation Factors (VIF).

4.6.1 Homoscedasticity

The study findings had the homoscedasticity test evaluated for pairs of variables using the Levene statistic. From the study findings, the probability associated with the Levene Statistic is less than the level of significance (0.05) testing at a 1%-tail test 5% significance level for all variables, hence, the variance is homogeneous and regression analysis was applied in the study.

Table 4.12: Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Mobile Loans' Cost of Credit	16.414	6	265	.000
Mobile Loans' Perceived Risk	6.364	6	265	.000
Mobile Loans' Relative Advantage	6.941	6	265	.000

Source: Research Data (2022).

4.6.2 Normality Tests

Normality tests were done using kurtosis and skewness. The results obtained show a normal curve for all variables as the kurtosis and skewness values were between -3 and +3. indicating that data is normally distributed, as shown in Table 4.13.

Table 4.13: Normality Tests

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Mobile Loans' Cost of Credit	274	-2.430	.147	2.457	.293
Mobile Loans' Perceived Risk	274	-2.692	.147	1.767	.293
Mobile Loans' Relative Advantage	274	-1.855	.147	1.499	.293
Performance	274	-1.413	.147	1.259	.293

Source: Research Data (2022)

4.6.3 Linearity

Scatter plots were used to confirm the existence of linearity in the study. From the findings, shown in Figures 4.2 to 4.4, there is a linear relationship between mobile loans' cost of credit, mobile and loans' perceived risk with the performance of MSEs in Mlolongo town. Therefore, this assumption is not violated, and regression analysis was applied in the study.

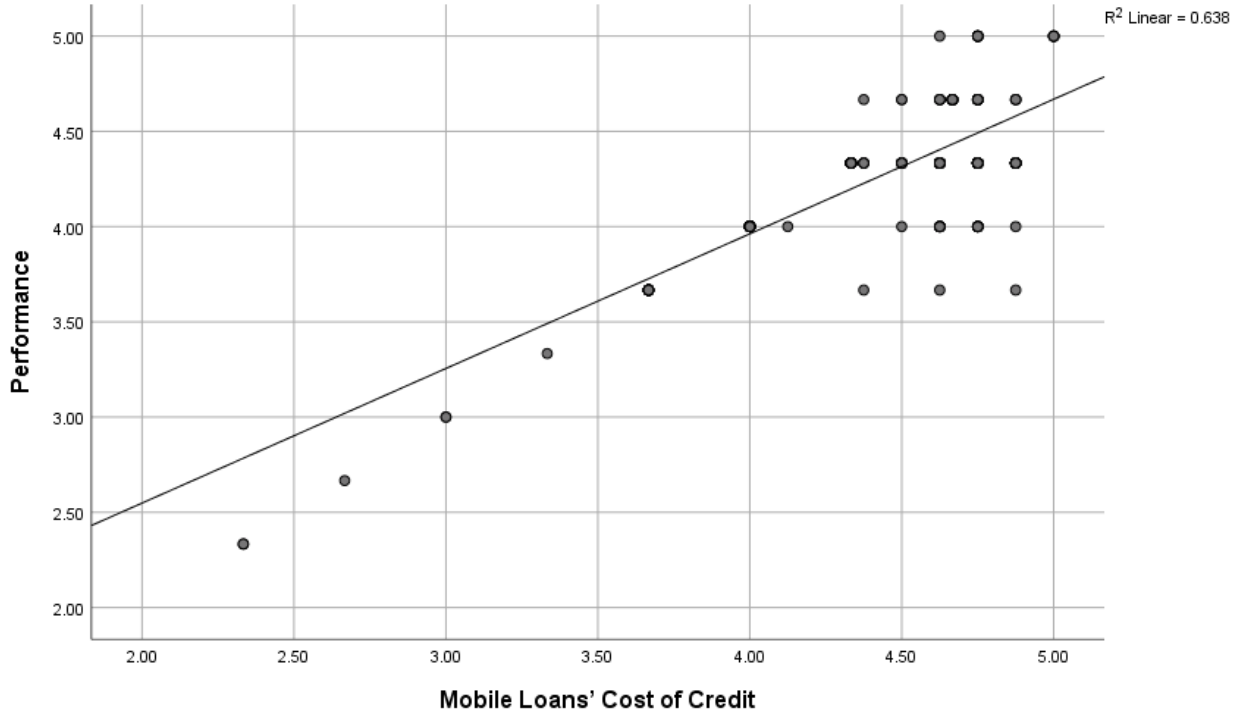

Figure 4.2: Linearity Test for Mobile Loans' Cost of Credit

Source: Research Data (2022)

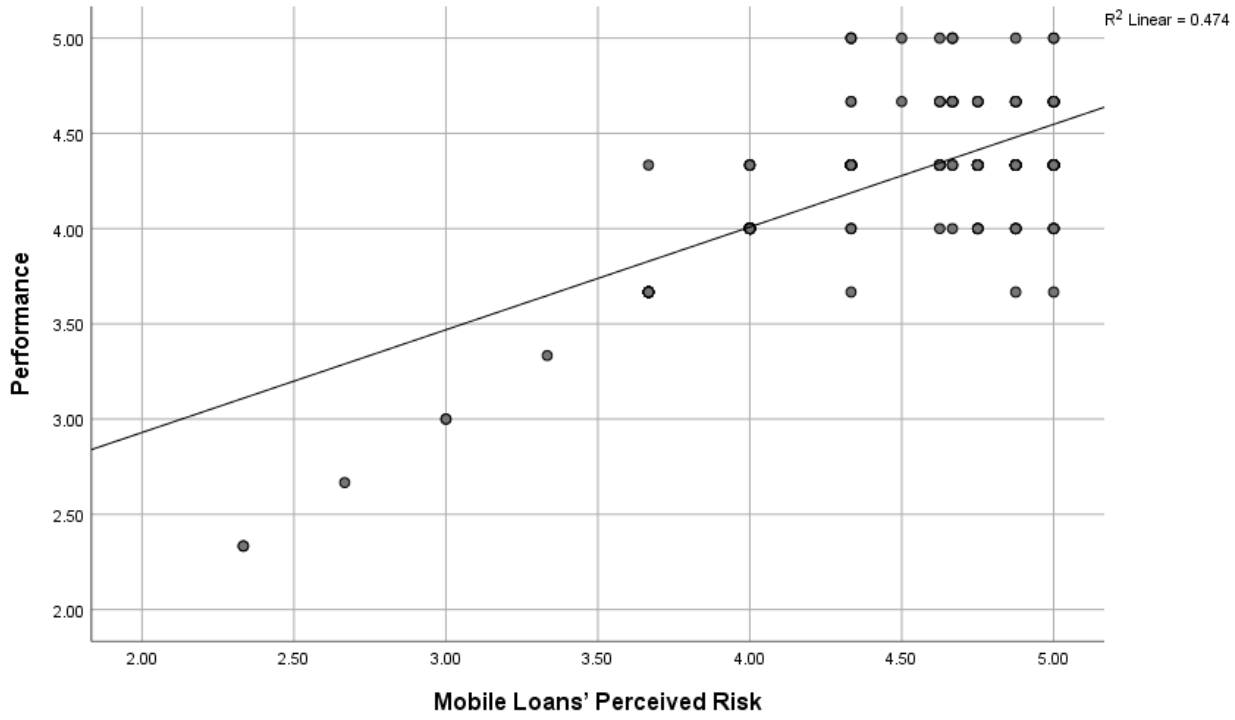

Figure 4.3: Linearity Test for Mobile Loans' Perceived Risk

Source: Research Data (2022)

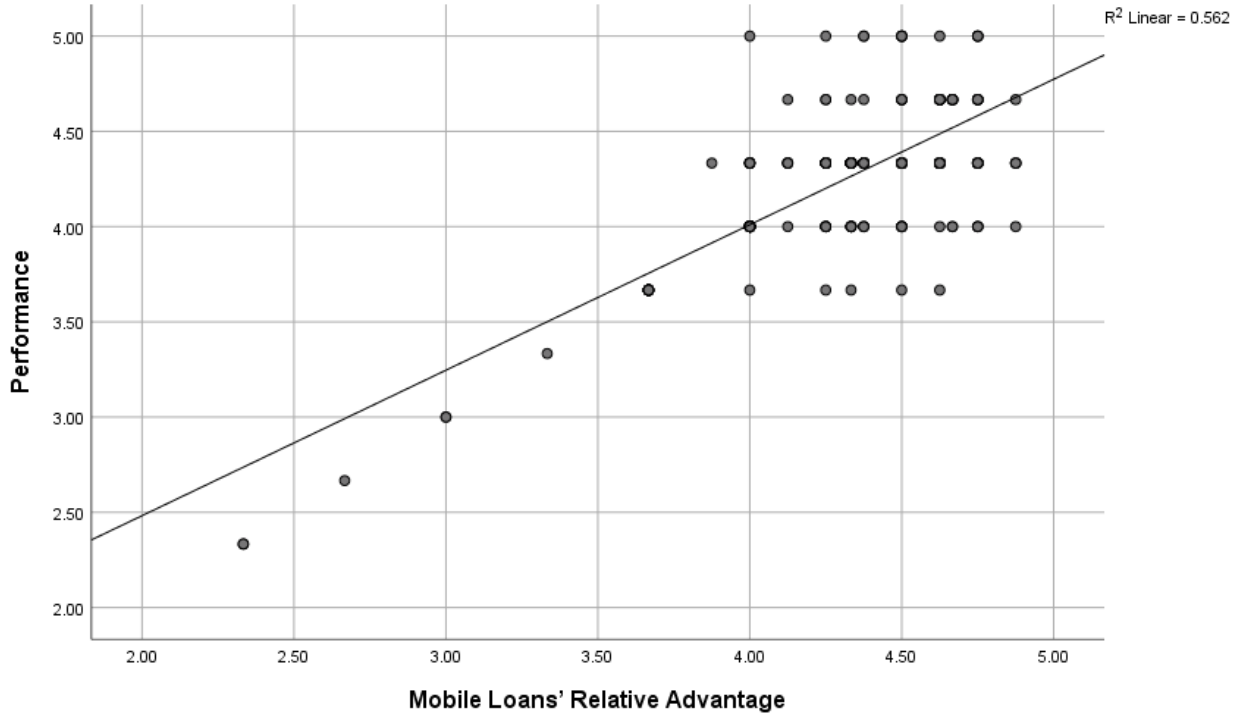

Figure 4.4: Linearity Test for Mobile Loans' Relative Advantage

Source: Research Data (2022)

4.6.4 Multicollinearity

Multicollinearity was checked using the VIF values. The findings show that all the VIF values were between 1 and 10, which indicates an absence of multicollinearity, hence, multicollinearity is not a problem in the study (Table 4.14). Regression analysis was therefore conducted.

Table 4.14: Multicollinearity Tests

	Tolerance	VIF
Mobile Loans' Cost of Credit	.155	6.461
Mobile Loans' Perceived Risk	.209	4.781
Mobile Loans' Relative Advantage	.266	3.766

Source: Research Data (2022)

4.7 Regression Analysis Findings

The study used regression analysis to determine how each independent variable affected the dependent variable (performance of MSEs). Simple linear regression analysis was used in this respect. The findings are shown in the subsequent subsections.

4.7.1 Regression Analysis between Mobile Loans' Cost of Credit and Performance

The study conducted a regression analysis to determine the effect of mobile loans' cost of credit on the performance of MSEs in Mlolongo town, Kenya. The findings presented in Table 4.15 indicate that mobile loans' cost of credit explained about 63.8% of the proportion in performance of MSEs in Mlolongo town, Kenya as the R^2 value was obtained as 0.638. This means that other factors contribute to 36.2% of the proportion in performance of MSEs in Mlolongo town, Kenya.

Table 4.15: Regression Analysis between Mobile Loans' Cost of Credit and Performance

				Std. Error		Change Statistics			
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	-.799[a]	.638	.637	.22151	.638	479.811	1	272	.000

a. Predictors: (Constant), Mobile Loans' Cost of Credit

As to whether this model was significant in enabling predictions containing the independent and the dependent variable, the ANOVA table was produced, and the results are as shown in Table 4.16. The ANOVA table showed that mobile loans' cost of credit had a significant prediction on the performance of MSEs in Mlolongo town, Kenya. This implies that mobile loans' cost of credit can be a good predictor of the performance of MSEs; F (1,272) = 479.811; p≤.05. It was important to establish the amount of contribution that mobile loans' cost of credit had on the performance of MSEs in Mlolongo town, Kenya.

Table 4.16: ANOVA showing Regression Model on Mobile Loans' Cost of Credit and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.544	1	23.544	479.811	.000[b]
	Residual	13.347	272	.049		
	Total	36.891	273			

a. Dependent Variable: Performance

b. Predictors: (Constant), Mobile Loans' Cost of Credit

From the regression coefficients shown in Table 4.17, the unstandardized beta coefficient for mobile loans' cost of credit is -0.707. The t-value for mobile loans' cost of credit is significant, implying that for each unit increase in mobile loans' cost of credit, the performance of micro and small-scale enterprises can decrease by 0.707 units; t (273) = -21.905; β= -.707; P≤.05. Based on the model $Y = \beta_0 + \beta_1 X_1 + e$, the study model, therefore, becomes: Performance of MSEs = 1.135 - 0.707 Mobile Loans' Cost of Credit + 0.143.

Table 4.17: Regression Coefficients on Mobile Loans' Cost of Credit and Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.135	.143		7.967	.000
	Mobile Loans' Cost of Credit	-.707	.032	-.799	-21.905	.000

a. Dependent Variable: Performance

4.7.2 Regression Analysis between Mobile Loans' Perceived Risk and Performance

The study conducted a regression analysis to determine the effect of mobile loans' perceived risk on the performance of MSEs in Mlolongo town, Kenya. The findings presented in Table 4.18 indicate that mobile loans' perceived risk explained about 47.2% of the proportion in performance of MSEs in Mlolongo town, Kenya as the R^2 value was obtained as 0.472. This means that other factors contribute to 52.8% of the proportion in performance of MSEs in Mlolongo town, Kenya.

Table 4.18: Regression Analysis between Mobile Loans' Perceived Risk and Performance

				Std. Error		Change Statistics			
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	-.688[a]	.474	.472	.26721	.474	244.660	1	272	.000

a. Predictors: (Constant), Mobile Loans' Perceived Risk

As to whether this model was significant in enabling predictions containing the independent and the dependent variable, the ANOVA table was produced, and the results are shown in Table 4.19. The ANOVA table showed that mobile loans' perceived risk had a significant prediction on the performance of MSEs in Mlolongo town, Kenya. This implies that mobile loans' perceived risk can be a good predictor of the performance of MSEs; $F(1,272) = 244.660$; $p \leq .05$. It was important to establish the amount of contribution that mobile loans' perceived risk had on the performance of MSEs in Mlolongo town, Kenya.

Table 4.19: ANOVA showing Regression Model on Mobile Loans' Perceived Risk and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.469	1	17.469	244.660	.000[b]
	Residual	19.421	272	.071		
	Total	36.891	273			

a. Dependent Variable: Performance

b. Predictors: (Constant), Mobile Loans' Perceived Risk

From the regression coefficients shown in Table 4.20, the unstandardized beta coefficient for mobile loans' perceived risk is -0.539. The t-value for mobile loans' perceived risk is significant, implying that for each unit increase in mobile loans' perceived risk, the performance of micro and small-scale enterprises can reduce by 0.539 units; t (273) = -15.642; β= .539; P≤.05. Based on the model $Y = \beta_0 + \beta_2 X_2 + e$, the study model, therefore, becomes: Performance of MSEs = 1.851 - 0.539 Mobile Loans' Perceived Risk + 0.154.

Table 4.20: Regression Coefficients on Mobile Loans' Perceived Risk and Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.851	.154		12.038	.000
	Mobile Loans' Perceived Risk	-.539	.034	-.688	-15.642	.000

a. Dependent Variable: Performance

4.7.3 Regression Analysis between Mobile Loans' Relative Advantage and Performance

The study conducted a regression analysis to determine the effect of mobile loans' relative advantage on the performance of MSEs in Mlolongo town, Kenya. The findings presented in Table 4.21 indicate that mobile loans' relative advantage explained about 56% of the proportion in performance of MSEs in Mlolongo town, Kenya as the R^2 value was obtained as 0.560. This means that other factors contribute to 44% of the proportion in performance of MSEs in Mlolongo town, Kenya.

Table 4.21: Regression Analysis between Mobile Loans' Relative Advantage and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.750[a]	.562	.560	.24378	.562	348.747	1	272	.000

a. Predictors: (Constant), Mobile Loans' Relative Advantage

As to whether this model was significant in enabling predictions containing the independent and the dependent variable, the ANOVA table was produced, and the results are shown in Table 4.22. The ANOVA table showed that mobile loans' relative advantage had a significant prediction on the performance of MSEs in Mlolongo town, Kenya. This implies that mobile loans' relative advantage can be a good predictor of the performance of MSEs; F (1,272) = 348.747; p≤.05. It was important to establish the amount of contribution that mobile loans' relative advantage had on the performance of MSEs in Mlolongo town, Kenya.

Table 4.22: ANOVA showing Regression Model on Mobile Loans' Relative Advantage and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.726	1	20.726	348.747	.000[b]
	Residual	16.165	272	.059		
	Total	36.891	273			

a. Dependent Variable: Performance

b. Predictors: (Constant), Mobile Loans' Relative Advantage

From the regression coefficients shown in Table 4.23, the unstandardized beta coefficient for mobile loans' relative advantage is 0.764. The t-value for mobile loans' relative advantage is significant, implying that for each unit increase in mobile loans' relative advantage, performance of micro and small-scale enterprises can increase by 0.764 units; t (273) = 18.675; β= .764; P≤.05. Based on the model $Y = \beta_0 + \beta_3 X_3 + e$, the study model therefore becomes: Performance of MSEs = 0.955 + 0.764 Mobile Loans' Relative Advantage + 0.177.

Table 4.23: Regression Coefficients on Mobile Loans' Relative Advantage and Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.955	.177		5.406	.000
	Mobile Loans' Relative Advantage	.764	.041	.750	18.675	.000

a. Dependent Variable: Performance

4.8 Chapter Summary

The section presents a summary of what has been covered in chapter four. The study has been able to present the response rate of the study and given a summary of demographic data. The chapter has also given a presentation of diagnostic tests performed and highlighted descriptive data analysis and inferential analysis of the data. Specifically, the study aimed to determine the impact of various independent variables on the performance of Micro and Small-Scale Enterprises (MSEs) in Mlolongo town, Kenya. Three independent variables were considered: mobile loans' cost of credit, mobile loans' perceived risk, and mobile loans' relative advantage.

For mobile loans' cost of credit, the regression analysis showed that it explained approximately 63.8% of the variation in MSEs' performance. This indicated that other factors accounted for 36.2% of the performance variation. The analysis also revealed a significant relationship between mobile loans' cost of credit and MSEs' performance. Similarly, the regression analysis for mobile loans' perceived risk indicated that it explained around 47.2% of the performance variation, with other factors contributing to 52.8%. The analysis confirmed a significant relationship between mobile loans' perceived risk and MSEs' performance. Regarding mobile loans' relative advantage, the regression analysis demonstrated that it accounted for approximately 56% of the performance variation, while other factors explained 44%. The analysis established a significant relationship between mobile loans' relative advantage and MSEs' performance.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary, conclusions, and recommendations made based on the findings of the study. The chapter is divided into five sections. Section 5.1 presents the introduction; section 5.2 presents the discussions of the findings and section 5.3 presents the conclusions whereas section 5.4 presents the recommendations and 5.5 areas of further research.

5.2 Discussion

This section discusses the results of the determination of the effect of mobile loans acquisition on the performance of micro and small-scale enterprises in Mlolongo town, Kenya. The section is guided by the specific objectives of the study which are to determine the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, establish the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises and also assess the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises in Mlolongo town, Kenya.

5.2.1 Effect of Mobile Loans' Cost of Credit on Performance

The study found that the lack of collateral for loans influenced the respondents to acquire a mobile loan. In line with the findings of the study, Aurick et al. (2017) indicated that the existence of collateral in the disbursement of loans by financial institutions is a major factor in the growth of MSEs in Zambia. In addition, Kasase (2017) added that because of a lack of collateral security, MSEs can get obstacles to accessing loans, and they look for informal sources of funds, due to the low cost of credit attributed to mobile loans. Furthermore, Omondi and Jagongo (2018) add that many small and medium enterprises do not have access to finance and credit, especially from financial institutions such as banks. This is because of the lending conditions given to them such as collateral for the loan, hence banks view them as high-risk and low-creditworthy enterprises. These enterprises may not be able to provide collateral such as immovable assets due to their small asset base.

The results indicated that the amount for application fees charged on mobile loans influenced the respondents to acquire mobile loans. Murunga (2018) agrees with the findings of the study that borrowers are advised to compare the application fees across various lenders before settling down on one. The reason why most financial institutions charge application fees is because of the amount of work that goes to try and figure out whether or not an MSE qualifies for a loan. It thus helps compensate for the time, effort, and expertise involved in running credit and background checks. In addition, Buyinza *et al.* (2018) found that the reason why many MSEs face challenges while trying to acquire finances is the fact that financial institutions tend to charge application fees and require collateral for loans which include securities and guarantors, and payment of other fees that are associated with the acquisition of loans.

The study found that the amount of processing fees charged on loans of mobile loans influenced them to acquire mobile loans. These findings are aligned with those of Mohamed (2019) that processing fees discourage small businesses from taking loans in banks because they provide an extra amount of money that someone has to pay over and above the actual amount borrowed. Financial institutions charge fees for activities offered, among them, processing fees. Also, Potnis *et al.* (2020) found that businesses tend to avoid taking loans from institutions that have so many fees, one of them being processing fees, as they increase their cost of credit.

The study found that the interest rates charged on mobile loans influenced the respondents to acquire mobile loans. In line with the findings of the study, Guyo (2017) found that some MSEs hold cash reserves intending to safeguard against the high-interest rates charged by financial institutions. Lore (2019) stated that the only way to promote the growth of small-sized enterprises is to ensure that there is the availability of loan services and that the interest rate being charged is not too high to discourage borrowing. The findings from Lore (2019) concluded that the effect of charging high-interest rates is that most small-sized enterprises will prefer borrowing small loans for a small payment of interest rather than borrowing big loans that will result in higher payments.

The research established that the cost required to download a mobile loan application influenced the respondents to acquire a mobile loan. A study conducted by Ferrari et al. (2018) indicated that depending on the lender, the loan can incur an underwriting fee which is the fee charged for hiring someone to look at the loan application, including documentation, procuring background

information about financial capabilities, and verifying information gathered which will determine whether the MSEs qualify for a loan or not. The mobile loans avoid such kind of fees, which encourage MSE owners to borrow.

The study found that the cost involved in traveling to the bank for a loan influenced the respondents to acquire a mobile loan. These findings are supported by those of Omondi and Jagongo (2018), who concluded that mobile loan apps unlike commercial over-the-counter bank loans have the potential for encouraging people to borrow loans. Omondi and Jagongo also added that mobile loan apps have the option of an additional financing feature that allows the borrower to top up the existing loan with extra cash up to their current credit limit. Using mobile loan applications, customers can apply for loans easily and safely compared to other methods of loan disbursements.

The Diffusion of Innovation Theory, as adopted in this study, provides a theoretical framework for understanding the process by which mobile loan applications are assimilated and adopted by MSEs in Mlolongo town, Kenya. This theory helps inform the specific objectives of the study by considering attributes associated with innovations that affect their rate of adoption (Rogers, 1995). On the objective on the effect of mobile loans' cost of credit on the performance of MSEs, the findings of the study align with this theory, as Aurick et al. (2017) found that the lack of collateral for loans influenced MSEs to acquire mobile loans due to the low cost of credit associated with them. Additionally, Kasase (2017) highlighted that MSEs face challenges in accessing loans from traditional financial institutions due to collateral requirements and high lending conditions, leading them to seek alternative funding sources such as mobile loans.

5.2.2 Effect of Mobile Loans' Perceived Risk on Performance

The study found that the risk that the respondents could not be able to repay a loan from a financial institution on time influenced them to acquire a mobile loan. Findings from Wambui and Josphine (2021), and Bosire and Ntale (2018) agree with the findings of the study that banks and other financial institutions only provide financial assistance that is collateralized since, with collateral, they shield themselves from risks that are associated with non-payment of loans reason for that being they have the luxury of auctioning the collateral to repay the loan. Furthermore, Bosire and Ntale found that loans being acquired from mobile loan applications do not require collateral and thus might be riskier than bank loans.

The study indicated that the possibility of payment extensions influenced them to acquire a mobile loan. The research also indicated that the possibility to repay the loan in installments influenced the respondents to acquire a mobile loan. The findings of Dobson (2020) agree with the current study findings that MSEs have difficulties in accessing credits from formal financial institutions such as commercial banks, therefore, they prefer to acquire mobile loans due to the possibility of loan extensions. Muraya (2019) also stated that although MSEs are considered to be one of the important sectors for economic development, it is still difficult for them to access financing through formal financial institutions, and the repayment period is of concern to them. Furthermore, Etemesi (2017) noted that MSEs that acquire loans usually have less disposable income since they have put themselves in a situation where they have to incur more costs on payment of the interest rates, hence prefer loans that have options to extend the repayment period of their loans.

The study established that the security of the process of application for a mobile loan influenced the respondents to acquire it. Eze et al. (2018) established that security is one of the most important factors that users consider before deciding whether or not to opt for new technology, including mobile apps. These researchers added that mobile loan applications were developed due to advancements in technology and privacy is a key factor that determines its acceptability. Moreover, Bosire and Ntale (2018) identified risk and security as a major factor that influences how users adopt mobile lending technology. Bosire and Ntale concluded that most borrowers of mobile loan applications tend to worry about security issues such as the kind of data that is being transmitted and the resultant output, and performance mistakes. However, most mobile loan applications have strong encryptions that are used to secure sensitive data.

The study found that the privacy of mobile loan applications influenced the respondents to acquire a mobile loan. The findings of Dambudzo (2018) go hand in hand with the current study findings that were done in Zimbabwe. These findings are based on the privacy and data protection in mobile loan applications and indicated that mobile loan applications usually have security PINs to ensure that the customers are well-protected. In addition, passwords are important as they help both personal and business accounts stay private and secure. However, the study disagrees with the current study findings that security passwords can be hacked in case one repeatedly uses the same passwords or has a weak password, hence borrowers need to create passwords that cannot be easily hacked.

The Diffusion of Innovation Theory emphasizes the importance of compatibility and perceived risk in influencing the adoption of innovations (Rogers, 1995). The study's findings are supported by Mohamed (2019), who found that processing fees and high-interest rates charged by financial institutions discourage small businesses from taking loans. This indicates that the perceived risk associated with traditional loans can lead MSEs to opt for mobile loans with lower perceived risk. Omondi and Jagongo (2018) also noted that mobile loan apps provide a convenient and less risky alternative for MSEs compared to traditional bank loans.

5.2.3 Effect of Mobile Loans' Relative Advantage on Performance

The study found that the time required to get hold of a loan influenced them to acquire a mobile loan. Choudhury (2018) agreed with the current study findings that the time taken to register and request a loan is less, more so if someone has been referred by a friend or family member to download a particular application of their preference. Choudhury added that there was a withholding factor with mobile loan applications which is the ability to be given a loan for the first time upon registration. This is entirely dependent on the creditworthiness of an individual, but once a loan has been processed, then the subsequent applications will be granted faster if the loans would have been repaid on time. Therefore, for mobile loan applications, the time was lessened since its procedures were not time-consuming. Further, Effiom and Edet (2020) agree that the risk of time loss occurs when the owners of MSEs devote too much time to the process of purchasing a product or service or using them. The time that is connected with the purchase of a particular product or service is time for searching and selection.

The study findings indicated that the expectation to apply for loans regularly made the respondents acquire a mobile loan. Findings from Potnis *et al.* (2020) indicate that whenever people know exactly how much they are expected to repay; it helps them be more comfortable when getting a short-term loan. Moreover, Potnis concluded that most mobile loan applications do not have any hidden fees, the borrowers will know what to expect from the moment they start applying for a loan.

The study found that the fact that the respondents did not have to travel to a physical financial institution to borrow money influenced them to acquire a mobile loan. The research also established that the fact that the respondents could easily download a mobile loan application at

any time influenced them in the acquisition of mobile loans. The findings of Murunga (2018) agree with the current study findings that mobile loan applications do not have any application fees and are easy to download. All the applicant needs to do is download the application of their preferred choice, fill out the questionnaire presented online and request a loan. Having cut down the costs incurred when applying for loans, mobile loan applications have become a very good alternative for MSEs to acquire loans.

The concept of relative advantage in the Diffusion of Innovation Theory directly aligns with this objective, as it refers to the perceived advantages offered by an innovation compared to alternative options (Rogers, 1995). Lore (2019) highlighted that providing accessible loan services with reasonable interest rates promotes the growth of small-sized enterprises. This suggests that the relative advantage of mobile loans, such as their ease of access and lower interest rates compared to traditional loans, can positively impact MSEs' adoption and subsequent performance.

5.3 Conclusion

Based on the study findings, the discussion, and the conclusion made, the study makes the following conclusions. Overall, the study concluded that mobile loans' cost of credit, mobile loans' perceived risk, and mobile loans' relative advantage had a significant and negative relationship with the performance of MSEs in Mlolongo town, Kenya.

On the effect of mobile loans' cost of credit on the performance of micro and small-scale enterprises, the study concluded that the use of mobile loans was preferred by most of the respondents since it was easy to operate and easily accessible. In addition, the amount of application and processing fees charged on these mobile loans was the main reason why these respondents acquired the mobile loans. On the effect of mobile loans' perceived risk on the performance of micro and small-scale enterprises, the study concluded that the respondents preferred mobile loans due to the possibility of payment extensions, the possibility of the respondents to repay the loan in installments, the safety of the process of application of a mobile loan and the risk of losing their property from other financial institutions. On the effect of mobile loans' relative advantage on the performance of micro and small-scale enterprises, the study concluded that mobile loans were preferred due to ease of access to mobile loan applications and also the flexibility of loan application.

5.4 Recommendations

Based on the study findings, the discussion, and the conclusions made, the study makes the following recommendations:

The study recommends that the MSE owners should ensure payment of mobile loans on time since this will give opportunity them an opportunity to increase their loan limit and improve their businesses.

The study also recommends that the government and major financial institutions should make sure that they smoothen the loan application procedures, to accommodate small businesses with less collateral. This will enable small institutions in dire need of loans to revive their business and reduce the failure rates of small businesses which have been seen in Kenya.

The study further recommends that MSE owners need to be trained on the processes of securing loans, especially from a major financial institution. To encourage the growth of these micro and small-scale enterprises, policy reforms are required that do not exclude these businesses due to their low levels of income.

5.5 Limitations and Areas for Further Research

This research study was only conducted in Mlolongo town in Kenya. This limited the scope of the study in coverage since there are many areas in Kenya and also Eastern Africa having these micro and small-scale enterprises which can be boosted by loans. The study, therefore, recommends that other studies be conducted on the same subject within the other parts of the country including the other Eastern African nations, for comparative findings.

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APPENDICES

Appendix A: Questionnaire

My name is Agnes Ngamini, a student at Strathmore Business School, Strathmore University Nairobi, Kenya. This questionnaire is designed to obtain data on the effect of mobile loans acquisition on performance of micro and small-scale enterprises in Mlolongo town, Kenya. The information shared with us will be confidential and will only be utilized for academic purposes.

Kindly tick in the boxes provided.

SECTION A: GENERAL INFORMATION

1. Please indicate your gender
   Male [ ]
   Female [ ]

2. Please indicate your age bracket
   Below 30 years [ ]
   21-40 years [ ]
   41-50 years [ ]
   51-60 years [ ]
   61 years or more [ ]

3. Please indicate your highest education level attained.
   Primary school [ ]
   Secondary school [ ]
   College education [ ]
   University education [ ]

4. Please indicate the monthly income for your business.
   Below 20,000 [ ]
   21,000 to 40,000 [ ]
   41,000 to 60,000 [ ]

More than 60,000 [ ]

5. How long has the businesss been in operation in this area?

Less than one year	[ ]	5 to 10 years	[ ]
1 to 5 years	[ ]	Moore than 10 years	[ ]

6. Please indicate if the business has ever acquired a mobile loan?

Yes	[ ]
No	[ ]

SECTION B: MOBILE LOANS' COST OF CREDIT

Please indicate the level at which you approve or disapprove the following statements on cost of credit, using a scale of 1 to 5, by ticking in the appropriate box. **1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.**

Cost of Credit	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
Lack of collateral of loans influences me to acquire a mobile loan.					
The amount of application fees charged on mobile loans influences me to acquire them					
The amount of processing fees charged on loans of mobile loans influences me to acquire them.					
Interest rates charged on mobile loans influence me to acquire them					
The cost required to download a mobile loan application influences me to acquire a mobile loan.					
The amount of completion fees charged on loans from financial institutions influences me to acquire a mobile loan.					
The cost involved in travelling to the bank for a loan influence me to acquire a mobile loan.					

Terms of repayment of loans from other financial institutions such as banks influence me to acquire mobile loans.					

SECTION C: MOBILE LOANS' PERCEIVED RISK

Please indicate the level at which you approve or disapprove the following statements on perceived risk, using a scale of 1 to 5, by ticking in the appropriate box. **1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree**

Perceived Risk	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
The risk that I may not be able to repay back a loan from a financial institution on time influences me to acquire a mobile loan.					
The possibility of payment extensions influences me to acquire a mobile loan.					
The possibility to repay the loan in instalments influences me to acquire a mobile loan.					
The safety or security of the process of application of a mobile loan influences me to acquire it.					
The confidentiality or privacy of mobile loan applications influences me to acquire a mobile loan.					
The risk of losing my property from other financial institutions influences me to acquire a mobile loan.					
The risk that I may not meet the requirements to apply for a loan from other financial institutions such as banks influences me to acquire a mobile loan.					
The risk that I am not allowed to apply for a loan more than once in a bank influence me to acquire a mobile loan					

SECTION D: MOBILE LOANS' RELATIVE ADVANTAGE

Please indicate the level at which you approve or disapprove the following statements on relative advantage, using a scale of 1 to 5, by ticking in the appropriate box. **1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.**

Relative Advantage	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
The time required to get hold of a loan influence me to acquire a mobile loan					
The 24hours availability of loans makes me acquire a mobile loan					
Expectation to apply for loans regularly makes me acquire a mobile loan					
The fact that I don't have to travel all the way to a physical financial institution to borrow money influences me to acquire a mobile loan.					
The long-time taken to process for a loan from other financial institutions such as banks influences me to acquire a mobile loan					
The fact that I can easily download a mobile loan application at any time influences me in the acquisition of mobile loans.					
The ease to access mobile loan applications make me acquire a mobile loan					
Flexibility of loan application influences me to acquire a mobile					

SECTION E: PERFORMANCE OF MICRO AND SMALL-SCALE ENTERPRISES

Please indicate the level at which you approve or disapprove the following statements on performance of micro and small-scale enterprises, using a scale of 1 to 5, by ticking in the appropriate box. **1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.**

Performance	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
The has been continuous growth in products in the organization					
Profits have been growing in the in the organization					
There has been an increase in the number of employees in the organization					

Appendix B: SBS Letter

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit **www.sbs.strathmore.edu**

Strathmore UNIVERSITY
BUSINESS SCHOOL

Thursday, 21st April 2022

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – NGAMINI AGNES NYAMBURA

This is to introduce Ngamini Agnes Nyambura who is a **Master of Business Administration** (MBA) student at Strathmore University Business School, admission number MBA 73293. As part of our MBA Program, Agnes is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, she would like to request for appropriate data from your organization.

Agnes is undertaking a research paper on **" Effect of mobile loans acquisition on organisational performance. A case of micro and small scale enterprises in Mlolongo Town, Kenya."** The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA Program seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours Faithfully,

Caroline Tiara.
Manager – Graduate Programs.
Strathmore University Business School

Appendix C : Ethical Clearance Exemption

Strathmore UNIVERSITY

8th November 2022

Agnes Ngamini

Student Number: (original number: MBA/1747/11, revised number: MBA/73293)

angamini@gmail.com, agnes.ngamini@strathmore.edu

Dear Agnes,

RE: Effect of Mobile Loans Acquisition on Performance of Micro and Small-Scale Enterprises in Mlolongo Town, Kenya

This is to inform you that the Strathmore University Institutional Scientific Ethics Review Committee (SU-ISERC) and the Research Services Office received your above Thesis for Ethical Clearance. However, as communicated to you by SU-ISERC via email and further referred to the Office of Graduate Studies, your study cannot be reviewed since you have already collected data and written the Thesis. The ethics approval process is ONLY done before any collection of primary or secondary data. Additionally, ethical clearance is mandatory for all studies including desktop research.

The office notes that: On the grounds of not having completed the ethical clearance process, with reason of having obtained the NACOSTI permit and henceforth having already proceeded to data collection before ethical clearance. This is a letter for you to proceed with the next steps of your academic requirements.

Please be advised, that in future, all research proposals should be submitted to the SU-IERC through the RHInnO Ethics platform: https://strathmoreuniversity.rhinno.net/login

Disclaimer: 1) This is not in any way an ethical approval letter. 2) Should there be any legal implications/actions emanating from the research in terms of any ethical violations, you will be personally liable.

Yours sincerely,

Dr. Bernard Shibwabo
Director of Graduate Studies

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
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Appendix D : NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **122046**

Date of Issue: **04/May/2022**

RESEARCH LICENSE

This is to Certify that Ms.. Agnes Ngamini of Strathmore University, has been licensed to conduct research in Machakos on the topic: Effect of mobile loans acquisition on organizational performance. A case of micro and small scale enterprises in Mlolongo Town, Kenya. for the period ending : 04/May/2023.

License No: **NACOSTI/P/22/17163**

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Applicant Identification Number

Director General
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