

**Factors Influencing the Choice of Micro Credit in Micro and Small Enterprises in
Nairobi, Kenya.**

Mnondi Moureen Martina

112533

**A Research Proposal Submitted to the Strathmore University Business School in
Partial Fulfilment for the Degree of Bachelor of Commerce of Strathmore University.**

Strathmore Business School

Strathmore University

Nairobi, Kenya

March 2022.

Declaration

This research study is my original work and has not been presented for a degree or any other examination body in any college or University. To the best of my knowledge and belief, the research proposal contains no material previously published or written by another person except where due reference is made in the research project itself.

Mnondi Moureen Martina..... Name of Candidate



.....Signature

28 /3/2022..... Date

Approval

The research project of Mnondi Moureen Martina was reviewed and approved by the following:

Name of Supervisor.... DORCAS OTIEMO

School/Institution/Faculty..... SBS

Signature..... 

Date..... 1st APRIL 2022

Abstract

Micro, Small, and medium businesses have long been seen as the primary engines of economic growth and equitable development, and they are the driving force behind the economies of many countries. Financing is required to assist these small enterprises in establishing and expanding their operations, developing new goods, and hiring additional employees or expanding their manufacturing facilities. Small firms, on the other hand, has a significantly more difficult time obtaining financing from banks, capital markets, or other credit providers than larger businesses. This is because they may lack collateral, has not been in business long enough to establish a track record, or may not have audited financial accounts like larger companies. The purpose of this study is to find out the factors influencing the choice of microcredit in micro and small enterprises. The key variables of the literature review that were examined in the study were the individual factors, reference group factors and product and brand familiarity factors. According to the research assessment, various obstacles arise when small businesses seek loans, such as microfinance organizations' credit rationing behavior by requiring collateral. The study achieved a 95% response rate. A descriptive research design is adopted in this study. To ensure that the same businesses are not interviewed twice, a simple random sample rotational approach with no replacement was utilized. This guaranteed that the findings are not skewed and that the findings could be applied to other businesses in the area. Questionnaires addressing the three characteristics mentioned were distributed at random to small companies in the area. Regulatory and other statutory organizations should keep an eye on interest rates on loans and advances to ensure that they are affordable for enterprises. Where policies are lacking, they should be implemented to promote the expansion of both microfinance and small companies. Additional talent building, particularly through training and focused support programs with business owners on how to approach microfinance institutions, informational requirements, and working closely with MFIs to provide additional advice and support to the businesses, should be considered by policymakers.

Table of Contents

Declaration	ii
Approval	ii
Abstract	iii
Table of Contents	iv
List of Tables	vii
List of Figures	vii
Chapter 1: Introduction	1
1.1 Background	1
1.2 Problem statement	4
1.3 Research Objectives	4
1.3.1 General Research Objectives	4
1.3.2 Specific objectives	5
1.3.3 Research Questions	5
1.4 Scope of the study	5
1.5 Significance of the Study	5
Chapter 2: Literature Review	7
2.1 Introduction	7
2.2 Theoretical Review	7
2.2.1 The Engel Kollat Blackwell Model of Consumer Behavior	7
2.2.2 Howard and Sheth model of consumer behavior	8
2.3 Empirical Review	10

2.3.1	Individual Factors that influence decision making.....	10
2.3.2	Group Factors Influence on Consumers Choice.....	11
2.3.3	Product and Brand Familiarity Influence on Consumer Choice.....	12
2.4	Summary of literature and research gaps.....	13
2.5	Conceptual framework.....	14
2.5.1	Operationalization of study variables.....	15
Chapter 3:	Research Methodology.....	16
3.1	Introduction.....	16
3.2	Research Design.....	16
3.3	Population and Sampling.....	16
3.4	Data Collection.....	17
3.5	Data Analysis.....	17
3.6	Research Quality.....	18
3.6.1	Validity, Reliability and Objectivity.....	18
3.7	Ethical issues.....	19
Chapter 4:	Presentation of Research Findings.....	20
4.1	Introduction.....	20
4.2	Response Rate.....	20
4.3	Demographic information of respondents.....	20
4.3.1	Age of Participants.....	21
4.3.2	Education Attainment.....	21
4.3.3	Marital status of respondent.....	22
4.3.4	Business experience of respondent.....	23
4.3.5	Ownership style.....	23

4.4	Micro and Small entrepreneur's participation in borrowing loan.	24
4.4.1	Have you accessed any loan for the last 12 months?	24
4.4.2	Where did they apply the loan from?	25
4.4.3	How long does it take for the loan to be processed?	26
4.4.4	Was there any collateral needed?	26
4.4.5	Did they get the full amount?	27
4.5	Descriptive Results.	28
4.5.1	Service quality.	28
4.5.2	Convenience of the organization.	30
4.5.3	Security.	31
4.5.4	How reference group affect the choice of microcredit institutions.	32
4.5.5	How information Technology affect the choice of micro credit.	33
4.6	Correlation Results	34
4.6.1	Effects of individual Factors on the choice of microcredit institutions.	34
4.6.2	Respondents' opinion on individual factors that affects their choice in micro credit organization.	35
4.6.3	Product and brand familiarity influence on choice of micro credit.	36
4.6.4	Group reference factor that affects the choice of microcredit institution.	37
4.7	Chapter Summary	38
Chapter 5:	Summary, Conclusion and Recommendations.	39
5.1	Introduction.	39
5.2	Summary of findings.	39
5.3	Discussions.	40
5.3.1	Effect of individual factors affecting respondent's choice in microfinance.	41

5.3.2	Effect of reference groups factors affecting choice in microfinance	42
5.3.3	Effect of product and brand familiarity factor affecting choice of microcredit ...	42
5.4	Conclusions.....	42
5.5	Recommendations	43
5.6	Suggestions for Further Research.....	43
Appendices		49
Appendix 1 :	Questionnaire	49

List of Tables

Table 4. 1:	Respondents Age Distribution Source: Research Data (2022)	21
Table 4. 2:	Respondents Education Attainment Source: Research Data (2022)	22
Table 4. 3:	Marital status of respondents Source: Research Data (2022)	22
Table 4. 4:	Number of years in business Source: Research Data (2022)	23
Table 4. 5:	Effects of individual factors on the choice of microcredit institutions Source Research Data (2022)	34
Table 4. 6:	Respondents' opinion on individual factors that affects their choice in micro credit organization. Source Research Data (2022)	35
Table 4. 7:	Product and brand familiarity influence on choice of micro credit. Source Research Data (2022)	36
Table 4. 8:	Group reference factor that affects the choice of microcredit institution. Source Research Data (2022)	37

List of Figures

Figure 2. 1:	Research Variables	15
Figure 4. 1:	Response Rate Source. Research Data (2022).....	20

Figure 4. 2: Ownership Style Source: Research Data (2022)	24
Figure 4. 3: Loan Application for the last 12 months. Source: Research Data (2022)	25
Figure 4. 4: Where they applied the loan from Source: Research (2022)	26
Figure 4. 5: How long does it take for the loan to be processed Source Research Data (2022) ...	26
Figure 4. 6: Collateral Needed Source Research Data (2022)	27
Figure 4. 7: Did the respondent get full amount? Source Research Data (2022)	28
Figure 4. 8: Descriptive results for service quality Source Research Data (2022)	29
Figure 4. 9: Convenience of the organization Source Research Data (2022)	30
Figure 4. 10: Security Source Research Data (2022)	31
Figure 4. 11: How Reference group affects the choice of Micro credit institutions Source Research Data (2022)	32
Figure 4. 12: How information technology affects the choice of micro credit institutions Source Research Data (2022)	33

Chapter 1: Introduction

1.1 Background.

Microcredit involves lending small amount of money at low interest rates to new businesses in developing countries. Microfinance is divided into three broad categories which include: microcredit, micro-savings, and micro-insurance (EygmLimited, 2014) . Its main aim is to improve self-employment and to grow small businesses. The loan is usually for small amounts and given to poor people who cannot obtain traditional credit from banks or other credit sources. The financial sector in Kenya has been growing rapidly over the years and so is the Microfinance industry. This growth has seen the percentage of the financially included people rise from 60.7 % in 2006 to 74.6% in 2013. Despite the growth, access to microcredit remains a challenge with 22.6% of the populace accessing microcredit (FinancialSectorDeepeningCentralbankofKenya, 2013). According to the survey, female clients, rural residents, and the poor had the least access to credit facilities.

Bank credit is one of the most widespread sources of finance for businesses in Kenya such as KCB biashara loan ("KCB", n.d) . Extension of credit facilities have been regarded as an important and powerful tool for raising incomes, primarily through mobilization of resources to more productive uses (Kimutai and Ambrose, 2013). Over the years, some Kenyans have encountered difficulties in obtaining bank credit more so the disadvantaged in the society. This has partially been attributable to lack of physical collateral that banks normally request for, to guarantee loans (NancywanjiruGaitho, 2013) . Microcredit services in micro and small enterprises allows the borrower to operate on extra income, making better business decisions that will increase profits, equally, they could avail themselves of educational or training opportunities that would improve their skills enabling them to demand a higher wage (White, 2010). Micro and Small business owners often live below the poverty line hence need some financial assistance like savings, loans and insurance (AsianDevelopmentBank, 2011) further defines microfinance as “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises”.

In this present day, small business owners can now access credit from banks, non-governmental organizations, and mobile banking. To reduce instances of delayed payment and bad debts, small businesses have formed groups that they use when requesting for loans, hence making each member liable in case one defaults to pay their part. This is used when members have no tangible assets to use as collateral. This is likely to happen when borrowers know each other's investment plans and when information asymmetry exists, making it possible for a borrower to take advantage of the insurance provided by other members of the group (Fischer, 2010). Group lending liability is also costlier for clients that are good credit risks particularly when they are forced to repay the loans of the defaulting members or when clients with smaller loans become reluctant to guarantee borrowers with larger loans (Giné & Karlan, 2010)

Economic theory argues that accessibility to credit makes individuals and firms better off and also makes it possible for economic agents to smooth consumption (MwathiRuthMuthini, 2016). There are numerous types of organizations that offer microcredit to micro and small businesses, which include; Rafode Kenya, which mostly focuses on women living in the rural area ("Rafode", n.d), Safaricom which has FULIZA ("Safaricom", n.d) mobile services and some other mobile banking like TALA and BRANCH ("CadatesAfrica", n.d). Small business owners have to access the different credit services and decide which one would work better for them.

The consumer decision process helps us understand the steps people go through when they are deciding whether and what to purchase. Some of these factors can be influenced by the buying situation or individual factors. Product and brand familiarity influences consumer choice. When a consumer has purchased a similar product many times in the past, his decision making is likely to be simple, regardless of whether it is a high- or low-involvement decision (LumenWaymaker, n.d.). Suppose a customer has been using FULIZA services and is satisfied, the probability of them using a different service like TALA is slim. Brand loyalty also plays a major role in consumer's choices. A consumer who has a habit of buying a product, he will be able to make decisions easily without any additional information or needing to evaluate alternatives.

Economic status, small business owners will choose to be engaged in Safaricom credit service like Lipa mdogo, which allow customers access its products and choose to make daily, weekly, partial or full payment ("Safaricom", n.d). This service will attract more consumers and also

encourage brand loyalty, hence small business owners will prefer this service to another. Small business owner can be able to pay their debt according to their financial capability. Furthermore, access to a fully operational financial system can empower individuals economically and socially, particularly the poor people and women. This allows them to integrate better into the economy and contribute actively to development, (Mustafa.K.Mujeri, 2015) .

Reference group is a group of people with whom a person associates himself. Generally, all the people in the reference group have common buying behavior and influence each other (LumenWaymaker, n.d.). One can choose to purchase a product just because someone they trust recommended it to them. Consumers have certain attitude and beliefs which influence the buying decisions of a consumer. Based on this attitude, the consumer behaves in a particular way towards a product. This attitude plays a significant role in the choice of product. Humans are social beings, and they live around many people who influence their buying behavior. Human beings try to imitate other and wish to be socially accepted in the society. Hence their buying behavior is influenced by other people around them (LumenWaymaker, n.d.)

According to Kenya's Vision 2030, the vision of the financial sector is to have "A vibrant and globally competitive financial sector driving high levels of savings and financing Kenya's investment needs." This cannot be achieved without enhancing access to credit. Investments are a driver to economic growth. Therefore, since most investments in Kenya are financed by debt, constrained access to credit is an impediment to economic growth. Expanding access to bank and micro credit in Kenya may consequently lead to increase in investments and hence economic growth. This study, therefore, presents an empirical analysis of the determinants of access to microcredit in Kenya (MwathiRuthMuthoni, 2016).

Due to evolution of technology and availability of information, microcredit services can be found online making it easier for people to access them. Many individuals will prefer Fuliza services because it can be accessed on any device, it does not necessarily need an app like other services. Small business owners had to look for alternative means to acquire finance, they would either borrow from close friends and families or from shylock who charge high interest rates. Studies indicate that informal borrowing is preferred to formal because of community trust between borrowers and lenders (Turkey and Kong, 2010). Hire Purchases services has attracted many

Micro and Small businesses to their service. The customers are required to pay a fix deposit first then a payment plan is made with them according to their financial needs. Safaricom has a service called Lipa mdogo, which allows customers access Safaricom products like phones and they can pay their loan in smaller amounts like 20 shillings a day ("Safaricom", n.d). However, some studies have indicated that these benefits are limited, since microcredit only lend to fewer businesses and lower subjective well-being (Karlan & Zinman, 2016).

1.2 Problem statement.

Access to credit by the low-income people, women and small and medium enterprises have historically been a serious challenge in the world. This owes to the fact that this group of people have been excluded from access to credit facilities by the traditional commercial banks (MwathiRuthMuthini, 2016). The financial sector in Kenya has been growing rapidly over the years and so is the Microfinance industry. This growth has seen the percentage of the financially included people rise from 60.7 % in 2006 to 74.6% in 2013. Despite the growth, access to microcredit remains a challenge with 22.6% of the populace accessing microcredit (FinancialSectorDeepeningCentralbankofKenya, 2013).

In this present day, small business owners can now access credit from banks, non-governmental organizations, and mobile banking. There has been an explosion of microcredit facilities such as Fuliza, M-Swari ("Safaricom", n.d), Bank loans such as KCB bank ("KCB", n.d) and other mobile loans like Branch, Tala, Zenka and Okash ("CadatesAfrica", n.d). Due to calibration of choice that micro and small entrepreneurs consider when which microcredit to peruse, it will be good to understand which particular factors will lead them to choose which particular microcredit product. As per identified, there are individual factors, group factors, preference factors and economic factors. This research intends to study this factors that influences them to choose one microcredit to another.

1.3 Research Objectives.

1.3.1 General Research Objectives.

The general objective is to identify factors that influence the choice of microcredit in Micro and small enterprises.

1.3.2 Specific objectives.

- i. To determine how individual factors influences the choice of microcredit in Micro and Small enterprises.
- ii. To determine how group factors influences the choice of microcredit in Micro and Small enterprises.
- iii. To determine how Product and Brand familiarity influences the choice of microcredit in Micro and Small enterprise.

1.3.3 Research Questions.

- i. How individual factors does influence the choice of microcredit in Micro and Small enterprises?
- ii. How do group factors influence the choice of microcredit in Micro and Small enterprises?
- iii. How does Product and Brand familiarity influence the choice of microcredit in Micro and Small enterprise?

1.4 Scope of the study.

The research scope was focused on Micro and Small enterprises and their relationship with microcredit services and understand why they prefer one particular service to other. To identify what these factors are and how they influence their decisions. The geographical of this research was limited to Nairobi especially in Kibera Slums because due to the corona virus pandemic, my movements will be disrupted. The Engel Kollam Blackwell Model of Consumer Behaviour.

1.5 Significance of the Study.

The study will help us know the importance of consumer decision and choices in particular microcredit services... It will help us know the importance of microcredit products and how it has helped improved the living conditions of Micro and Small Business owners. This study may help upcoming institutions that provide microcredit services to small businesses to know how to increase their sales volume by focusing on customer's wants and needs and improving on customer care rather than focusing on profit maximization.

This study will add into the pool of available literature concerning choice of microcredit services among small business owners. Literature is an important tool of research since without it;

research would probably not be possible. It will also draw policy implications which will help to inform policymakers on policy options that will enhance access to microcredit in Kenya.

Chapter 2: Literature Review

2.1 Introduction.

This chapter is a review of literature on the Factors that influence the choice of microcredit in Micro and Small entrepreneurs. Specifically, it presents a theoretical review, an empirical review of the literature, identified research gaps and the conceptual framework.

2.2 Theoretical Review.

The theoretical foundation for this study was based on The Engel Kollat Blackwell Model of Consumer Behavior and Howard Sheth model of consumer behavior. These theories guide the study in examining the rationality of choice of the product by the consumer under conditions of incomplete information and reduced processing capability (KrzysztofWozniak, n.d.).

2.2.1 The Engel Kollat Blackwell Model of Consumer Behavior.

The Engel Kollat Blackwell Model of Consumer Behavior was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. The Engel-Kollat-Blackwell (EKB) theory was aptly termed a decision-process model because its focus was largely placed upon delineating those mental activities consumers pursued in arriving at a decision to purchase, repurchase, or reject a product. In focusing upon decision processes, instead of innovation adoption or problem solving, the EKB model added a new twist to the heroic quest narrative, while still adhering to its central theme (ElizabethCHirschman, 2021).

The authors distinguish 5 consecutive stages of the decision-making process: Identification of the problem - involves generating consumer needs, consumer sees a gap between the ideal and the current state of things. Search for information how to solve problem - consumer looks for information about available opportunities, search begins with internal sources (own memory), based on experience or from an external source. Assessment of options - consumer examines and assesses the possible variants of choice to make the best decisions; this process is influenced by such factors as: criteria for assessing options, beliefs, attitudes, intentions, and circumstances. Choice - purchase decision arises from the assessment of goods available on the market. However, the decision might also be affected by: change of income, price family situation of the consumer, (Wozniak, 2019). According to (SamithambySenthilnathan, 29 Nov 2012) ,the model

created by Engel, Kollat and Blackwell is a process that is used to evaluate the way of decision making by consumers. The model (known as EKB model) implies consumer behavior as a continuing process, which includes 'recognition of a problem, information gathering, evaluation of alternatives, decision making and post purchase'.

2.2.2 Howard and Sheth model of consumer behavior.

(DiloginiKurunathan, 2019) describes this model as a complex process which is applicable to individuals and concepts of learning, perception and attitudes influence consumer behavior. This model has four sets of variables which are: input, perceptual and learning constructs, outputs and exogenous or external variables. It shows that the consumer behavior is concepts of learning, perception and attitudes influence consumer behavior.

It assumes that the consumer behaves rationally during purchase, process is repeatable and is result of incentives which have their source in the environment (input variables). It consists of four main groups of variables: Input variables, like stimuli arising from the marketing activities and social environment of the consumer. Include three different types of stimuli, which are: significant incentives - physical characteristics and the attributes of a product, such as price, quality, originality and accessibility, brand characteristic defined as the ambiguity of the stimulus display is another influence on the flow of information into the buyer's mental process. It is the lack of clarity of the neural messages incited by the physical object or event stimulus displayed which are permitted to enter the buyer's body via attention (JamesTaylor, 2021).

Symbolic incentives - verbal or visual characteristics of the product, form of product perceived by buyer/customer, effect of advertising and promotion messages used by seller. Social stimuli - whose source is the social consumer environment, family, reference groups, and society in general (Wozniak, 2019). According to (Duan, July 2016) symbol and society, they divides it into three factors ;the input factors, in this phase the consumer has high uncertainty and low confidence; In the concept-obtaining phase, the consumer starts to use category knowledge to judge and learn, affected by internal factors of perception and learning, the consumer's uncertainty is reduced and the confidence is strengthened. In concept-utilization phase, the consumer has formed the category cognition and has paid attention to the choice of specific

commodity, and under the influence of the output factor, he or she forms the actual purchase behavior.

Hypothetical constructs, including the psychological variables influencing consumer behavior during the decision-making process. It is regarded by the authors as abstract, not defined and not intended directly. They distinguished two main constructs: Perceptual constructs - describe obtaining and processing information, attention to stimulus, sensitivity to messages, receptivity, blocking information, prejudice. Learning constructs - how buyer forms attitudes, opinions, and knowledge influencing his buy indecisions, evaluation after purchase, brand comprehension (Wozniak, 2019).

Output variables: purchase intention, attitude, brand perception and attention. They are noticeable effects of internal processes, for example: decision to implement the purchase, disclosure of customer view and interest, as well as the declaration of other activities. The most important output variable from the point of view of marketing is actual purchase because it involves carrying out activity based on consumer preferences. Hierarchy of output variables include Attention - scope of information accepted after exposing buyer to stimulus. Comprehension - amount of information processed and stored in buyer mind. Cognition - forming attitude towards products. Intention - to buy or not to buy a product. External variables that have not been presented in the Howard and Sheth model and are not direct part of the decision-making process, however, have a significant impact on consumer decisions and are used in marketing activities as a criterion for segmentation. These include such variables as: value of purchase for the buyer, the character traits of the consumer, membership of a social group, the financial status of a consumer, the pressure of time (Wozniak, 2019).

According to (RohithReddipalli, 29 August 2020), the purchase decision is considered as Output. The variables under output are – Attention, Brand Comprehension, Intention and Purchase. Output variables are the possible responses to input stimuli mediated by individual internal influences. Output variables are the possible responses to input stimuli mediated by personal internal influences. After using the product, if the consumer is satisfied, it will enhance his positive attitude and improve his brand understanding

2.3 Empirical Review.

2.3.1 Individual Factors that influence decision making.

Social class can have a profound effect on consumer purchase and spending habits. Perhaps the most obvious effect is the level of disposable income of each social class. Generally, the rich can purchase more consumer goods than those with less income, and those goods are of higher quality (LumenWaymaker, n.d.).

Convenience: Convenience is defined in different ways according to various authors, but in simple understanding, convenience refers to the location of the bank. (okoye, 2013) Indicated that convenience is one of the factors which influence the decision of customers when selecting a microfinance institution. When a microfinance has convenience location it will give it the advantage to lord over its competitors who do not have convenience location to their clients. But, according to (Mosadzineldin, 2011) who stated that, convenient location of microfinance might not influence the decision of choosing a microfinance by customers that much for the reason being that customers who are embraced with technology can do their payment via different methods such as debit card, online banking, credit cards and mobile banking. Based on the contradiction between the scholars this paper considered convenience as a factor that influences SME's choice of Micro-finance institutions. 81.8% of the 100% sample collected, agree to proximity to home, 75.5% agreed to proximity to the workplace and 69% of the respondents agreed that these variables influence SMEs choice of MFIs (EbenezerAppiah, 2019).

Service Quality: Some customers of microfinance generally consider lower interest rate as less important than service attributes of efficiency, polite and friendly staff, and pace of transaction (Maiyaki, 2011). (ShumailaSharif, 2017) Revealed that service quality of a microfinance is the single and most significant factors that will affect the decision of selecting a microfinance by customers. However, Gerrard and Cunningham (2004), (Zulfitri, 2018) claim that even sometimes a bank offering a wider range of product services does not necessarily influence the result of a customer selecting a bank because some customers would like to become multiple bank users rather than single bank users. The contradiction between the scholars lures the study to measured service quality as a factor that influences SME's choice of Micro-finance institutions. In Ghana, Owusu-Frimpong (1999) has conducted a survey on patronage behavior of

bank customers using an informal telephone interview with six senior bank managers (EbenezerAppiah, 2019).

Price of Product and Services: Fees are being charged for the services and apply interest charges on loan, as well as paying interest on certain accounts which creates a wider meaning for pricing in the banking industry (Zulfitri, 2018). Customers normally want to have the best product and services at the lowest price from the financial institution. They would compare prices, cost or benefits of microfinance that offers the similar products and services and opt for the microfinance that they perceive to provide them higher benefits with low cost which meets their preferences (Aregbeyen, 2011). Therefore the price of products and service is found to be an important factor for a customer in their microfinance selections, as customers expect and willing to pay the price for the better product and services quality for it (Mabin & Balderstone, 2003). This factor was therefore considered to assist the researchers to investigate if the prices of products is a factor that influences SMEs choice of Micro-finance institutions.

Security: There are some basic things that customers will consider when choosing a microfinance. To make a customer have a strong sense of feeling towards the operation of the microfinance, the microfinance has to ensure that trust is one of its hall marks in the finance circle because trust is a key that bridges the relationship of the microfinance and the customers. Some researchers emphasize that trust is very vital in a relationship. When a microfinance security is secured, it will gain the confidence and trust of the customers. Okoe, Osarenkhoe, and Hinson (2013), also found that there is a positive relationship between bank security and the decision to select a financial institution by customers. This factor was therefore considered to investigate if security is a factor that influences SME's choice of Micro-finance institutions. In Ghana, Owusu-Frimpong (1999) has conducted a survey on patronage behavior of bank customers using an informal telephone interview with six senior bank managers (EbenezerAppiah, 2019).

2.3.2 Group Factors Influence on Consumers Choice.

Reference groups are groups that consumers compare themselves to or associate with. Reference groups are like opinion leaders in that they can have a profound influence on consumer behavior. Reference groups are considered a social influence in consumer purchasing. They are often

grouping that consumer will look to make purchasing decisions. So, if a reference group endorses a product, either through use or statements about the product, those that look to the group will often purchase that product. On the other hand, if a reference group disapproves of a product, those that associate with that group will probably not purchase the product. Our purchase decisions are influenced by any number of people or groups. We often look to opinion leaders for help in our consumer decisions. Opinion leaders are usually people who are more knowledgeable about a certain product or service than the average consumer. As such, opinion leaders can shape how a product is viewed (LumenWaymaker, n.d.).

2.3.3 Product and Brand Familiarity Influence on Consumer Choice.

Reputation: Many economic theories have facilitated in confirming the importance of reputation in the strategic processes of an organization, but the resources-based view (Pankaj.M.Madhani, 2010), demonstrates the capability of this intangible resource to generate superior profits, and a key sustainable competitive advantage for corporate success. Following this theory, reputations, as indicators of quality of the set of managerial actions, are a valuable resource hard to imitate, which plays a crucial role in times of crisis (EbenezerAppiah, 2019). This paper climaxes the fact that a well-integrated application of technology and staff aids to size customer loyalties by creating deeper and fuller customer relations. Based on the theory, reputation was considered as a factor that influences SME's choice of Micro-finance institutions in the municipality.

In Ghana, Owusu-Frimpong (1999) had conducted a survey on patronage behavior of bank customers using an informal telephone interview with six senior bank managers. Findings from 225 respondents discovered that convenient location and friendly employees are the most important attributes determining the image of the banks for their selection decision pursued by the size of the bank and profit-minded services (EbenezerAppiah, 2019).

Information Technology: Technology refers to the modern life information technology that characterized by ever-changing evolution to assists and develops a better financial activity in the banking industry. Khawaja and Manarvi (2009) found out that financial institutions such as microfinance which uses technology in its operations reduce the burden on manual input on registers and ledgers with customers that were served through cheques and pay orders, with the introduction of Automatic Teller Machines (ATMs) for interacting with consumers and provide

better services. Suganthi (2001), and Idowu et al. (2002), concluded that these improvements have positively affected the growth of the entire banking and finance industry. It seems apparent that technological innovation affects not just banking and financial services, but also the direction of an economy and its capacity for continued growth. Hence need to be considered a factor that influences the choice of MFI's. E-banking enables the financial institution to deliver its service easily to its high-end customers, to make the system user friendly to all SMEs, 83.8% of the respondents agree to the use of. Online banking service, 76.8% prefer phone banking services, 65.3% of the respondent agreed that availability of ATM in MFI influence their choice of MFI (EbenezerAppiah, 2019).

Interest rates the rate at which financial institutions can lend to one another directly impacts consumption at the household level. The data obtained from Federal Reserve indicated that out of 200 samples 135 supported that low interest rate will persuade them to choose one financial source to another, hence better control for consumption levels by identifying the optimal interest rate. This study suggests that lower interest rates lead to higher consumption levels (LacyChristensen, 2012).

2.4 Summary of literature and research gaps.

Based on the literature review in this study, it can be argued that varied factors affect micro and small enterprises decision to partake in a microcredit survivalist explains the factors that SMEs consider to be important when choosing a Microfinance and how those criteria are prioritized according to their importance. SMEs are concerned about the security of their investments when the degree of bank security is higher the probability of choosing a bank by customers will be higher. The study concludes that the reputation of a business is also essential to its survival, the trust and confidence of the SME can have a direct and profound effect on microfinance institutions (EbenezerAppiah, 2019). That access to loans by small business is essential for the survival and expansion of the businesses cannot be over emphasized (ElizabethAkoth, 2012). The literature cited the factors that contribute to micro entrepreneurs' choices and decisions.

Some of the choices put into place by micro and small entrepreneurs are, interest rates, reputation of the institution, convenience, and service provided. Most of the decisions are influenced by individual and Brand familiarity research also shows there is limited empirical

literature on group factor that affects consumer decision. Therefore, to fill in the above gap, the researcher will collect sufficient data on factors that affecting the choice of microcredit in micro and small enterprises.

2.5 Conceptual framework

This conceptual framework shows the relationship between the independent variables

2.5.1 Operationalization of study variables

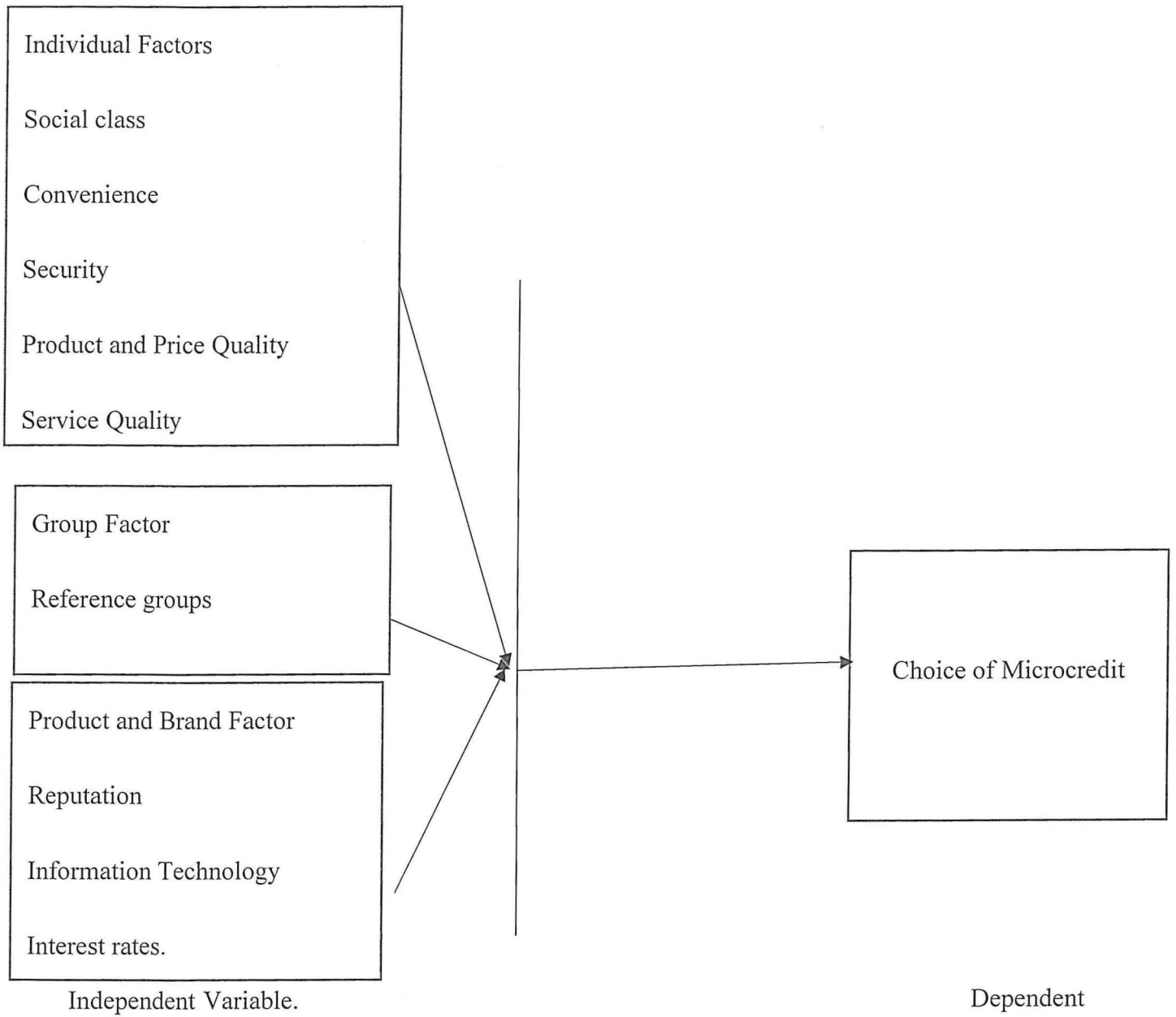


Figure 2. 1: Research Variables

Chapter 3: Research Methodology.

3.1 Introduction.

This chapter outlines the method that will be used in the collection of data that will be used to answer the research questions outlined in Chapter 1. The section described the various methods through research design, data collection and sources, as well as the analysis of this data and, it further will have to consider the quality of research and ethical matters throughout the entire research process.

3.2 Research Design.

The study will take a mixed-method research design to determine the factors that influence the choice of microcredit in micro and small enterprises. In this mixed-method approach, both the qualitative and quantitative research methods will be used to determine the impact factor that influence consumer choices. This design is informed by Yin (2014) who argues that a mixed-method inquiry is necessary to investigate a phenomenon in depth within its real-life context and in particular, this method is most relevant when the phenomenon under question is not sufficiently theorized. Other research methods like the exploratory case studies are not suitable to use in this research because they usually focus on a single case, and interest is particularly strong when existing theories are incomplete or unable to provide a satisfactory representation of the phenomenon (Yin, 2014).

3.3 Population and Sampling.

This study will be a cross sectional survey of micro and small business done in Kibera division, to generate a population of study in the area. Target population consisted of 200 members distributed in all the area.

Kibera, the infamous slum in Nairobi-Kenya's capital, is viewed as "the biggest, largest, and poorest slum in Africa. Its estimated population is a stunning figure of 700,000 to 1 million residents. Given that the surface area of Kibera is 2.38 km², the density for 700,000 inhabitants would be about 300,000 inhabitants per square kilometer (Taupin, 2009). Kibera is also referred to as the "bus-stop", as it is one of the settlements where people first settle when they enter Nairobi from their rural homes in search of better livelihoods. Its proximity to Nairobi's Central

Business District (CBD) and the Industrial Area also makes it attractive to many unemployed and low-income earners who start micro and small enterprises to supplement their income from casual work. Kibera is also a main supplier of cheap casual labor to the CBD and Industrial area, (Nyamwaro, 2009) . Kibera is divided into twelve villages namely Soweto, Lindi, Laini Saba, Mashimoni, Makina, Katwekera, Kianda, Kambi Muru, Kisumu Ndogo, Kichinjio, Raila, and Silanga (Kamau, Ibid). The samples will be collected in each village to ensure uniformity. The researcher used purposive sampling in selecting cases for this study. Purposive sampling is mainly used due to lack of accurate and up-to-date sampling frames (Nyamwaro, 2009).

3.4 Data Collection.

Both qualitative and quantitative data collection method will be used. Secondary data will be gathered through perusal of all documents and data from business associations where available, relevant records and literature on the topic and study area. Primary data will be gathered through personal interviews with businesspeople using a structured questionnaire to obtain quantitative data. A semi-structured discussion or interview guide will be used to collect qualitative data from the key informants. Throughout the research period, additional information will be collected through direct observation, where the researcher's eye will be used to collection data.

The researcher will administer the questionnaires to the respondents. This minimized information bias in cases of illiteracy among respondents. In this case, face-to-face interviews using unstructured questionnaires with pre-coded/closed and open-ended questions will be conducted.

3.5 Data Analysis.

The analysis of data in this study will be guided by the research objectives and questions as well as the conceptual framework in Chapter 2. The dependent variables will be the objects of the research and comprised of the individual factors, group factors and Product and Brand Factor. This study will yield both quantitative and qualitative data. Microsoft Excel version 2010 will be used to carry out all the manipulation, presentation, and analysis of data in this study. Qualitative data from in-depth interviews were analyzed using content analysis. The output will be presented in this paper mainly in form of descriptive statistics (tables), frequency distributions and other measures of central tendency.

3.6 Research Quality.

3.6.1 Validity, Reliability and Objectivity.

(Leung, 2015 July) defines validity in qualitative research as the appropriateness of the processes, tools, and data used in a study. This study ensured validity by ensuring that the sampling technique used, the methodology used and the analysis of data was appropriate in this study. . Additionally, validity was enhanced by ensuring that the research questions were in line with the desired outcome. Reliability, on the other hand, refers to the consistency of the processes used and the results obtained.

The data for the study will be collected through questionnaires and document analysis. Desk study on the relationship between micro and small business owners and their use of microcredit services will be conducted prior to heading out on the field. Data will be collected through key informant interviews and a questionnaire. Questionnaires will be used because they allow respondents to express themselves while staying anonymous, resulting in more candid responses than a face-to-face interview.

The strategy which will be utilized to get a holistic view of the research community through participant observation and field site visits. It entailed personal observations at field sites, because it gave information of the context in which events occur and allowed the researcher to notice things that participants themselves were not aware of or hesitant to reveal. Participant observation yielded a deeper understanding than interviews alone. The researcher in this case acted as a full participant in the situation with a known identity. Both closed-ended and open-ended questions were used (SheilaKituyi, 2012).

According to (Taherdoost, January 2018), an instrument is said to be reliable when it produces accurate and consistent results over and over under the same condition. In this study, reliability was involved constant data comparison and peer reviews from both the ethical committee and supervisor. Prior to the study, nine microbusiness owners will be given the questionnaires that were created for it. The data that will be gathered and evaluated throughout the pilot study will provide the researcher with an understanding of the nature of predicted outcomes when the study was concluded.

3.7 Ethical issues.

Any piece of research must adhere to the critical principles of honesty and integrity, as well as aim to conduct research that is sensitive to all factors. While conducting this research, it was also vital to maintain dignity, safety, and transparency.

The concept of voluntary participation was followed, and respondents are not compelled to take part in the study. Confidentiality is preserved during the research. Individual authorization from their various workplaces and persons expecting to participate in the study are requested. The consent and goal of this research project are explained to the respondents. The identities of the responders will be changed to protect their privacy.

Chapter 4: Presentation of Research Findings.

4.1 Introduction.

This chapter presents the analysis of the data collected during the survey. The return rate of the questionnaire, demographic information of the respondents, data presentation, and interpretation of findings are all covered in this chapter.

4.2 Response Rate.

One hundred and fifty questionnaires were administered out of which one hundred and forty-three questionnaires were successfully filled and returned.

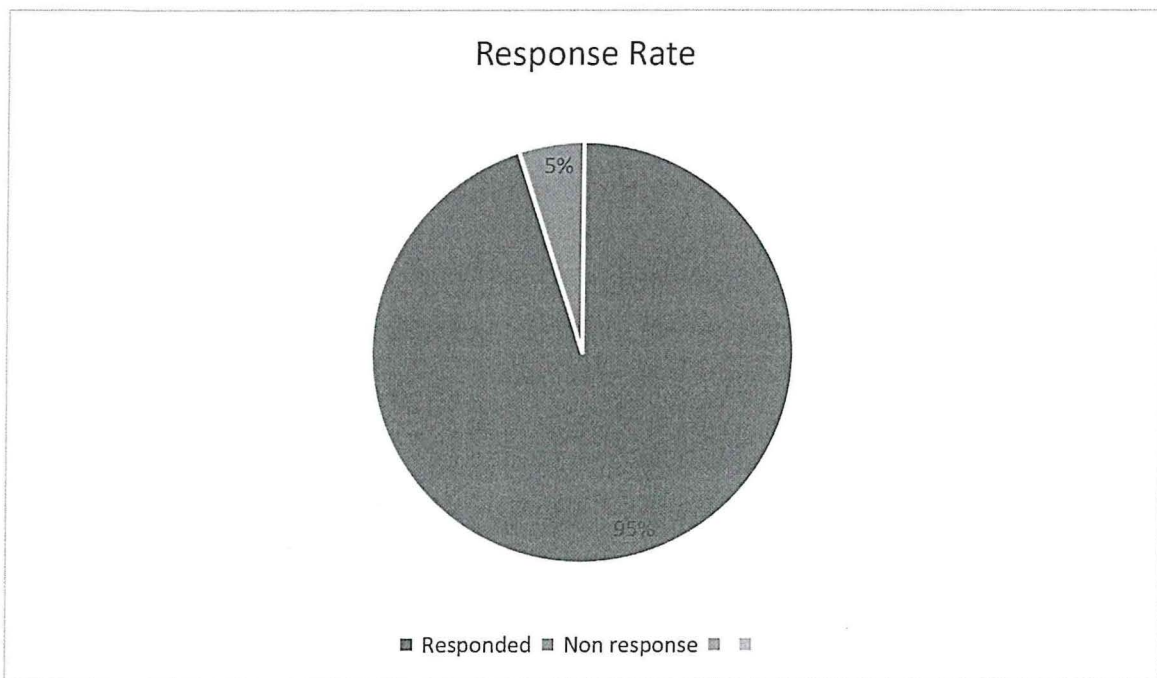


Figure 4. 1: Response Rate Source. Research Data (2022)

4.3 Demographic information of respondents.

This part deals with the respondents' demographic information, such as marital status, religious affiliation, age, and educational attainment.

4.3.1 Age of Participants.

The respondents were also asked to state their age, with the goal of determining whether their age influenced their choice of microfinance.

Table 4. 1: Respondents Age Distribution Source: Research Data (2022)

Age	Frequency	Percentage
Between 18-28 years	35	24.4
29-38 years	65	45.5
39-48 years	25	17.5
49-58 years	18	12.6
Total	143	100

Table 4.2 shows that most people who own small and medium enterprises are age between 28-38 years, followed by aged bracket between 18-28, this group belongs to people who have started or are starting their own businesses. Least percentage belonged to age bracket between ages of 49-58 years. Most of the people here are already retired and are tired of working.

4.3.2 Education Attainment.

Table 4.3 shows that most people who participated in the study have primary education followed by those with secondary education. Those with diploma education comprised the least respondents. Since the sampling was done randomly the results in table 4.3 implies that majority of the people who operate micro and small enterprises in Kibera have Secondary education as the highest level of education.

Table 4. 2: Respondents Education Attainment Source: Research Data (2022)

Level of Education	Frequency	Percentage
Primary	47	32.8
Secondary	53	37
Certificate	17	11.9
Diploma	12	8.4
Bachelor's degree	14	9.8
Total	143	100

4.3.3 Marital status of respondent.

The respondents were asked about their marital status to see if their marital status influenced their decision to participate in micro-finance for their business. The results are as shown in Table 4.4.

Table 4. 3: Marital status of respondents Source: Research Data (2022)

Marital status	Frequency	percentage
Married	95	66.49

Singled	14	9.8
Divorced	14	9.8
Widow or widower	20	13.98
Total	143	100

4.3.4 Business experience of respondent.

Table 4.5 indicates that majority of respondents have been in business for more than 6 years followed by those who have been operating for less than five years. This indicates that most respondents have been in business for more than five years and can thus report on their firms based on their experience.

Table 4. 4: Number of years in business Source: Research Data (2022)

Number of years	Frequency	Percentage
Less than 5 yrs.	53	37
Between 6-10 yrs.	57	39.9
Between 11- 15 yrs.	23	16
Over 16 yrs.	10	6.99
Total	140	100

4.3.5 Ownership style

From the pie chart below, we can conclude that majority of micro and small entrepreneurs work alone.

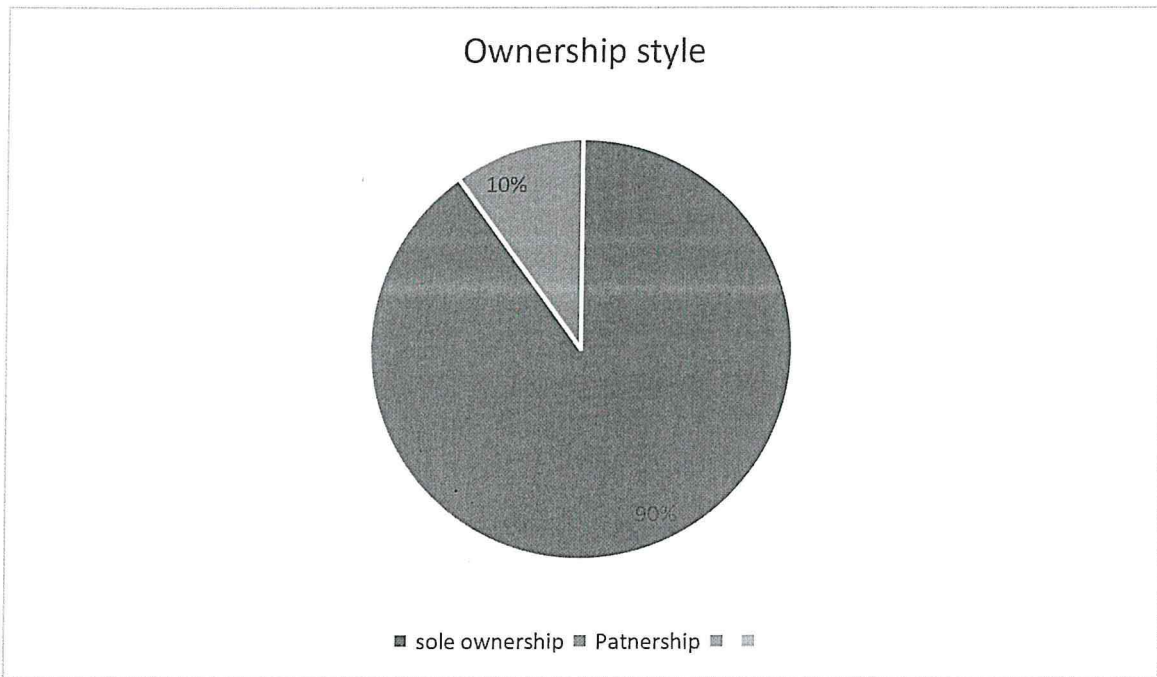


Figure 4. 2: Ownership Style Source: Research Data (2022)

4.4 Micro and Small entrepreneur’s participation in borrowing loan.

4.4.1 Have you accessed any loan for the last 12 months?

The chart below indicates that 95% of micro a small entrepreneurs have accesses loan in the last 12 months while 5% have not.



Figure 4. 3: Loan Application for the last 12 months. Source: Research Data (2022)

4.4.2 Where did they apply the loan from?

The Figure below shows that majority (40%) of entrepreneurs apply loan through their phones because it is easier and faster, 30% from Sacco and Chama and least from the bank

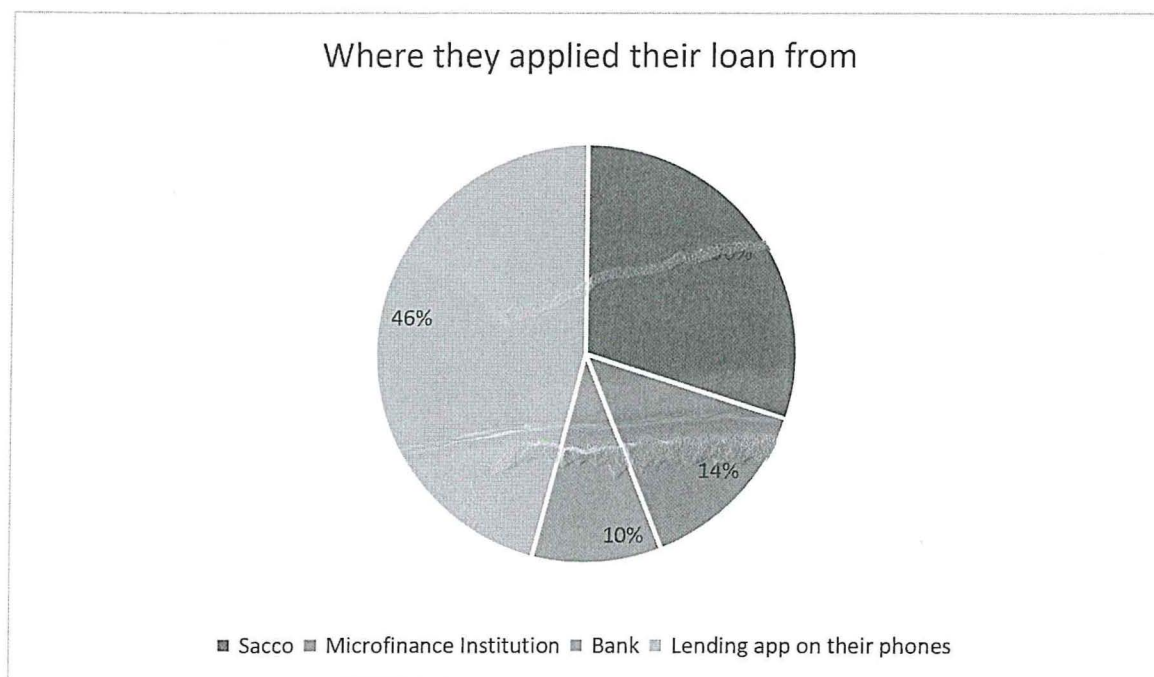


Figure 4. 4: Where they applied the loan from Source: Research (2022)

4.4.3 How long does it take for the loan to be processed?

The figure below indicates that 40% of the people's loan is processed immediately as majority of them use Fuliza. 30% less than a day and three least is bank which takes up to one month for their loan to be processed.

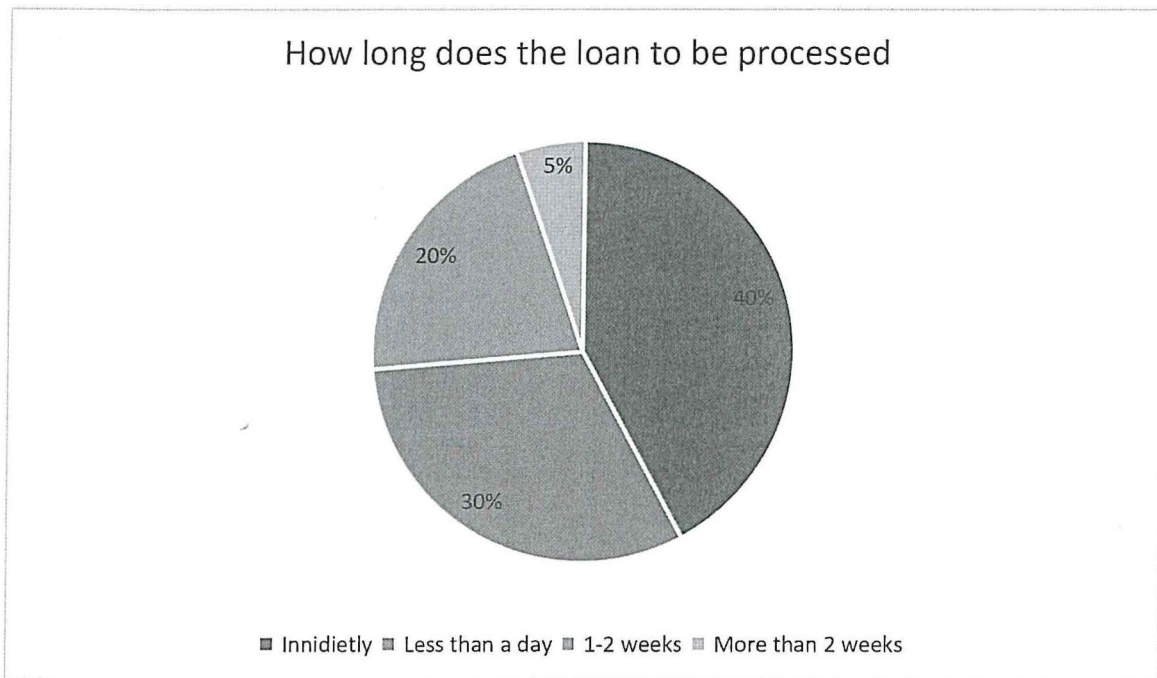


Figure 4. 5: How long does it take for the loan to be processed Source Research Data (2022)

4.4.4 Was there any collateral needed?

88% of people did not have to put up collateral while applying for loan while 12% needed collateral especially those who applied loan from the bank.

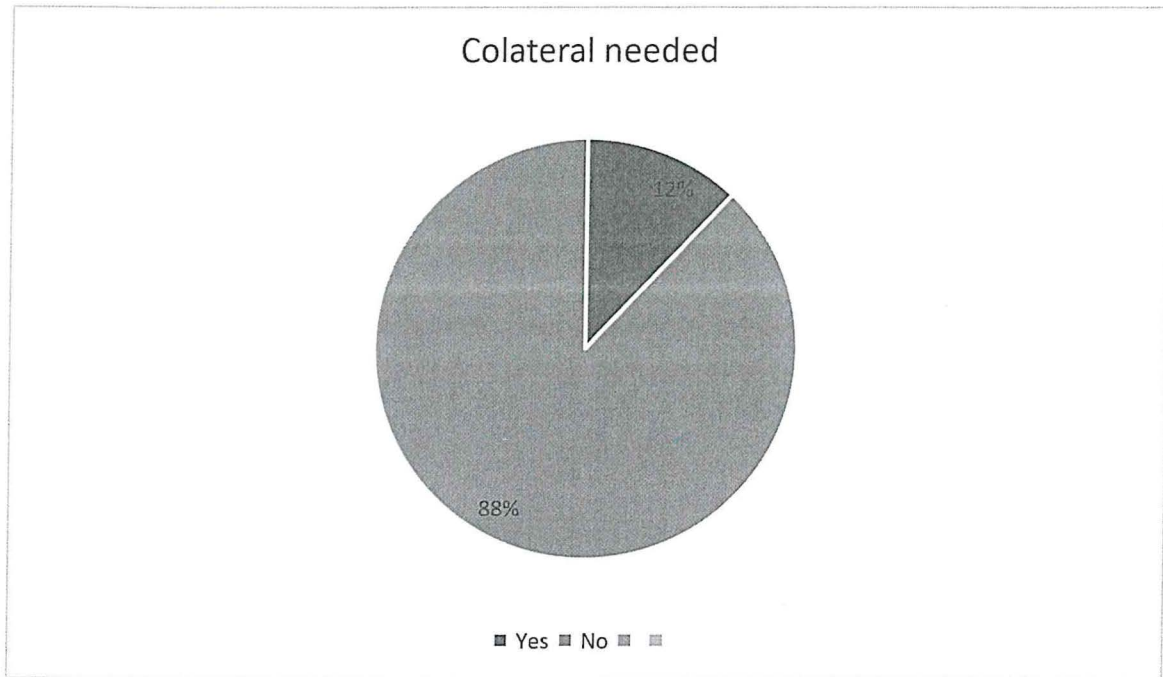


Figure 4. 6: Collateral Needed Source Research Data (2022)

4.4.5 Did they get the full amount?

Major of the respondent do not receive full amount of loan applied while 1% got full amount. The respondent who got full amount got their loans from Chama's and Sacco.

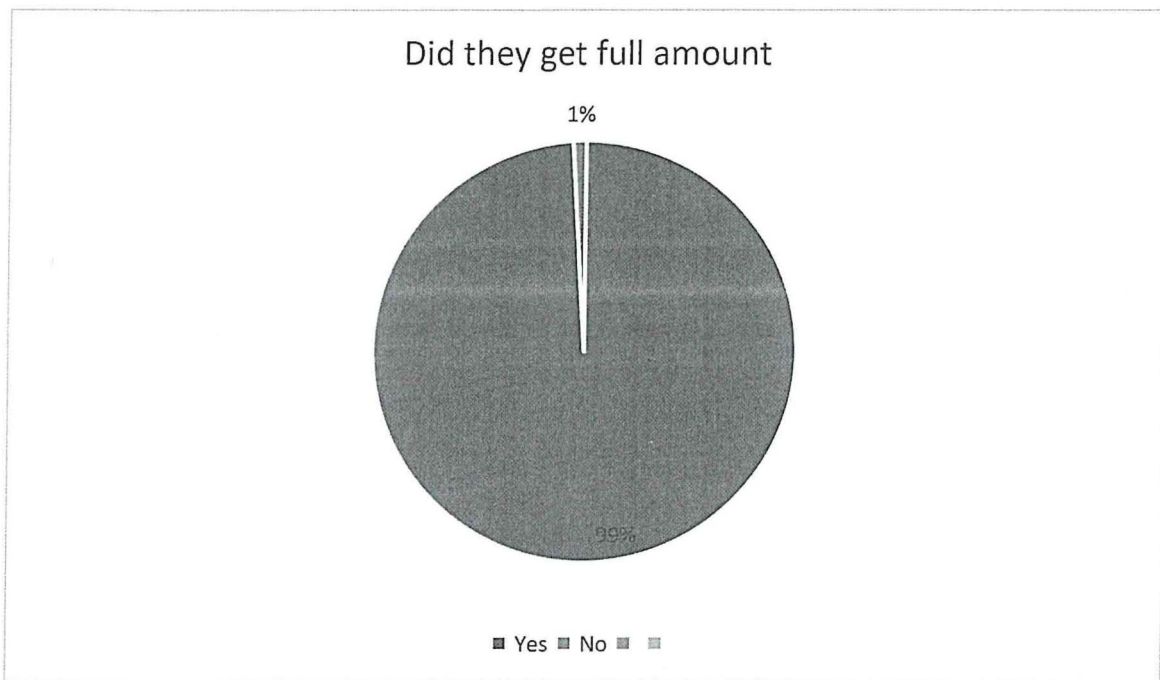


Figure 4. 7: Did the respondent get full amount? Source Research Data (2022)

4.5 Descriptive Results.

The study examined how individual, group and product and brand familiarity affect the choices of microfinance. The participants were presented with various statements and asked to rank them using a 5-point Likert scale. The analysis of the responses was presented using measures of central tendency: mean and standard deviation.

4.5.1 Service quality.

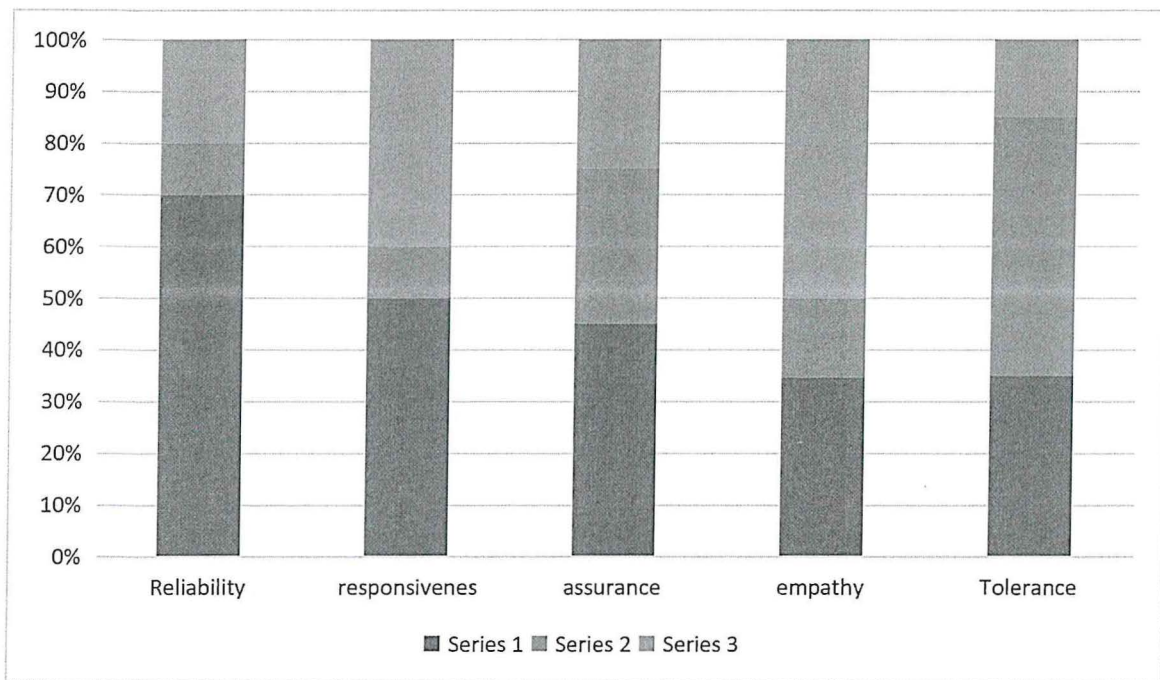


Figure 4. 8: Descriptive results for service quality Source Research Data (2022)

The review of responses showed agreement among respondents that organization they apply loan to, they can rely on them in times of need (70%). The results also indicate that the organizations respond moderately depending on the situation and fast (50%). The respondent confirmed that the organizations don't show enough empathy to the customers (35%). The respondents lastly show that the organization tolerate the customer's opinions and they deliberate on how to come up with an understanding on how to solve the problem.

4.5.2 Convenience of the organization.

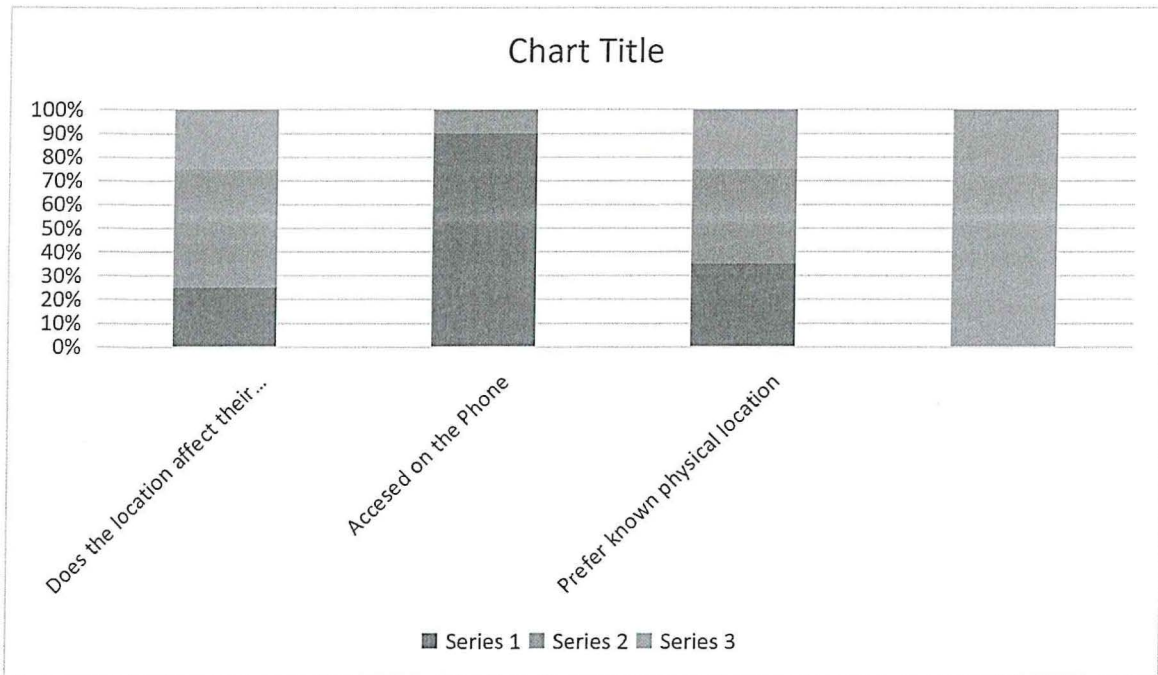


Figure 4. 9: Convenience of the organization Source Research Data (2022)

The research indicates that respondents will choose organizations that are available on their phones than those that need them to visit their office. Least number of participants do not care whether the organization operates online or physical, mostly this group are old age who prefer the traditional way of applying loans.

4.5.3 Security.

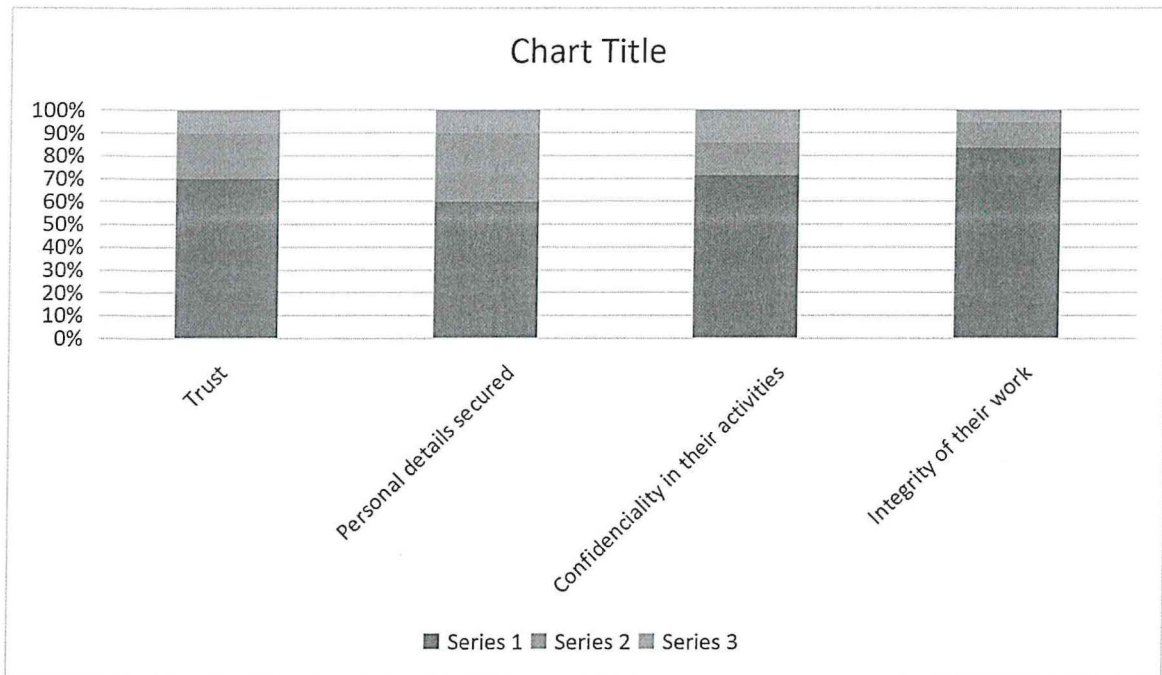


Figure 4. 10: Security Source Research Data (2022)

The research indicates that the respondents highly trust the organization. They strongly believe that they will choose an organization that they feel that their personal information will be safe. They prefer a company which upholds confidentiality and integrity in their daily operations.

4.5.4 How reference group affect the choice of microcredit institutions.

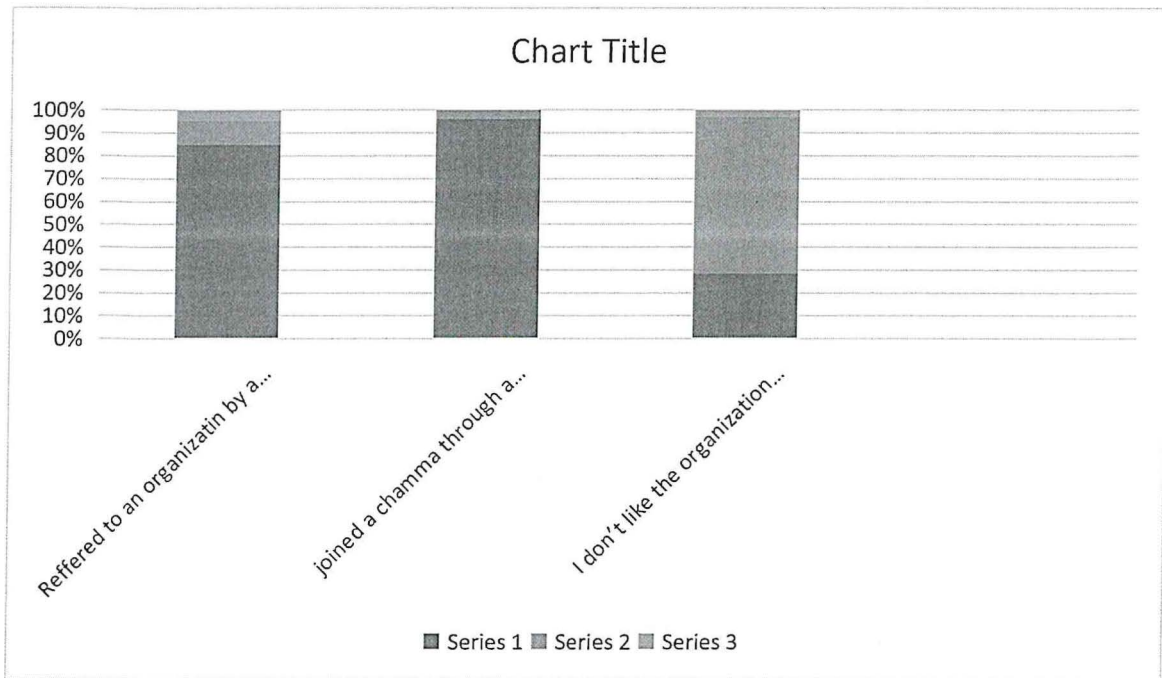


Figure 4. 11: How Reference group affects the choice of Micro credit institutions Source Research Data (2022)

The research indicates that reference groups have a big impact on the respondent's choices. Majority of the respondent will either like or dislike the organization based of their reference groups.

4.5.5 How information Technology affect the choice of micro credit.

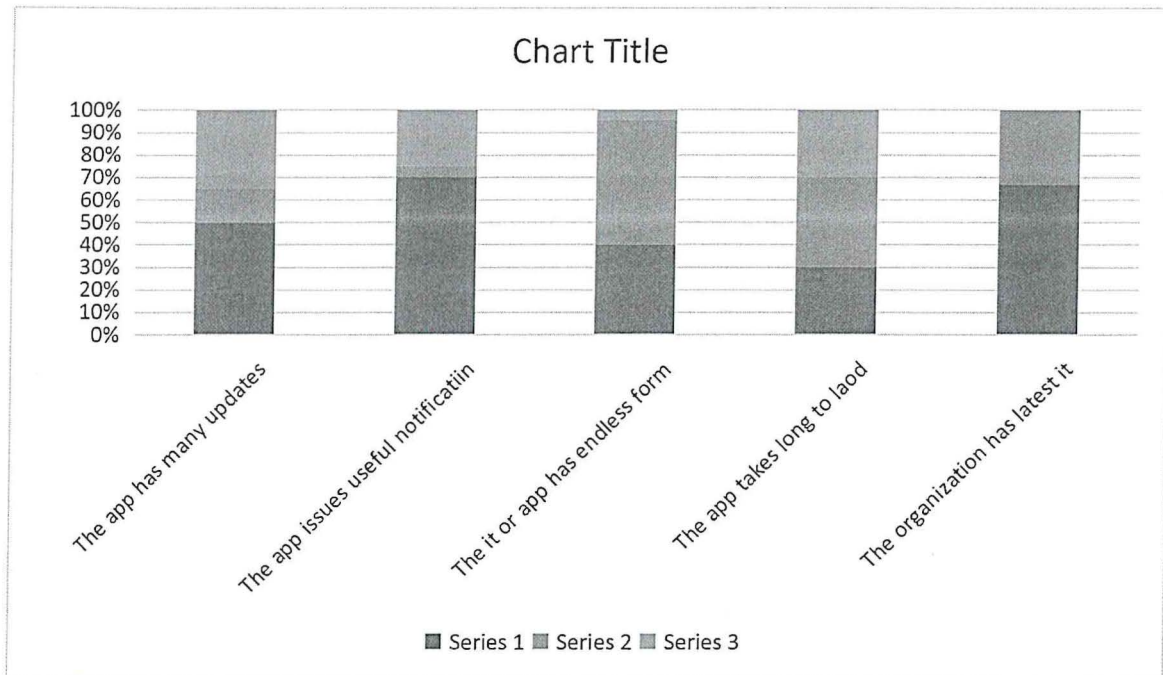


Figure 4. 12: How information technology affects the choice of micro credit institutions Source Research Data (2022)

The research data indicates that the respondents prefer microcredit organizations that have the latest information technology because it reduces their waiting time for loan pressmen process. They redrew loans easily available on their mobile phone. They also dislike applications that have endless forms to be filled with no reliant outcomes and prefer apps that take less time to load.

4.6 Correlation Results

The study aimed at establishing the effect of individual, reference group and product and brand familiarity on choice of micro credit institution. The research adopted correlation analysis, and the results are as indicated.

4.6.1 Effects of individual Factors on the choice of microcredit institutions.

Table 4. 5: Effects of individual factors on the choice of microcredit institutions Source Research Data (2022)

		Individual characteristics	Micro and Small enterprise choice in microcredit
Individual characteristics	Individual correlation	1	.097
	Sig, ((2-tailed)	.	.162
	N	143	143
Micro and Small enterprise choice in microcredit	Individual correlation	.097	
	Sig, ((2-tailed)	.162	
	N	143	143

The figure above indicates a positive correlation between individual factors and choice of micro credit institution. The research shows a positive correlation of 0.097 between individual factors and choice of micro credit. According to UN 1995 study Maia and Otiende (2004), education, as one of personal traits, is critical in transforming the status of women and boosting their

empowerment, implying that the amount of education is important. has an impact on women's economic engagement through defining both their livelihood and their ability to work? Participation in the labor force and the labor market's competitiveness

Social class can have a profound effect on consumer purchase and spending habits. Perhaps the most obvious effect is the level of disposable income of each social class. Generally, the rich can purchase more consumer goods than those with less income, and those goods are of higher quality (LumenWaymaker, n.d.). According to the study people who belong to the lower social class mostly use mobile loan because it is easier and requires no collateral. The high-class people can access massive loan through the bank because they have large amount of collateral to exchange for the loan.

(ShumailaSharif, 2017) Revealed that service quality of a microfinance is the single and most significant factors that will affect the decision of selecting a microfinance by customers. However, Gerrard and Cunningham (2004), (Zulfitri, 2018) claim that even sometimes a bank offering a wider range of product services does not necessarily influence the result of a customer selecting a bank because some customers would like to become multiple bank users rather than single bank users.

4.6.2 Respondents' opinion on individual factors that affects their choice in micro credit organization.

Table 4. 6: Respondents' opinion on individual factors that affects their choice in micro credit organization. Source Research Data (2022)

Individual Factors	Yes	No
Social class	60%	40%
Convenience	90%	10%
Security	70%	30%

Price of Product	90%	10%
Service quality.	65%	35%

The table above indicates some individual factors that influences the choice of microcredit services on the respondents. Convenience and price of the product are the main factor upheld when choosing which microfinance to go with. Followed by security, service quality then lastly social class.

4.6.3 Product and brand familiarity influence on choice of micro credit.

Table 4. 7:Product and brand familiarity influence on choice of micro credit. Source Research Data (2022)

		Product and Brand familiarity	Micro and Small enterprise choice in microcredit
Product and Brand familiarity	Product and brand correlation	1	.096
	Sig, (2-tailed)	.	.164
	N	143	143
Micro and Small enterprise choice in microcredit	Individual correlation	.096	
	Sig, (2-tailed)	.164	

	N	143	143
--	---	-----	-----

The figure above indicates a positive correlation between product and brand familiarity with consumer choices. This indicates that an organizations familiarity to its customers strongly affects their choices.

4.6.4 Group reference factor that affects the choice of microcredit institution.

Table 4. 8: Group reference factor that affects the choice of microcredit institution. Source Research Data (2022)

		Group reference	Micro and Small enterprise choice in microcredit
Group reference	Group correlation	1	.360
	Sig, (2-tailed)	.	.157
	N	143	143
Micro and Small enterprise choice in microcredit	Individual correlation	.360	
	Sig, (2-tailed)	.157	
	N	143	143

The figurer above indicates a very high positive correlation between reference group and consumer choices.

4.7 Chapter Summary

The fourth chapter of the study presents the research findings. The results indicated there is a positive and significant correlation between individual factors which is at 0.097 and consumer choices, hence it is safe to say that individual factors influence consumer's decision making. There is also a positive correlation of 0.097 between group factors and consumer choices. Product and brand familiarity's correlation is at positive 0.360 which indicates that it also plays a major role in consumer's choices.

Chapter 5: Summary, Conclusion and Recommendations.

5.1 Introduction.

The findings and conclusions of the study are summarized in this chapter. The summary, conclusions, and suggestions are all presented in accordance with the study's goals. In addition, the chapter makes recommendations for future research.

5.2 Summary of findings.

This study is meant to determine what factors influences the choice of microcredit in micro and small entrepreneurs. The objective of this study focuses on individual factors, group factors and product and brand familiarity factors. The study used a descriptive survey approach, with data collected via questionnaires and an interview guide for key informants, which comprised of small entrepreneurs like people who own kadas and local vendors. The target population was 200 people in kibera but we managed to get only 143 which was a good number of respondents.

Through data analysis the study established that; Majority of the respondents fall under the age bracket of 29-35 years, and the respondent below 29 years have not yet gotten the grasp of their business yet but are pushing towards having a permanent job. It has been established that 66.49% of the respondents are married, some have up to four children. Those who are widowed constitute the least number. This implies that the respondent's partners play a role in maintaining and growing their business.

The serval indicates that 99% of the respondent are sole owners though they get help from their family members. The respondent also indicated that most of them (39.9%) have had experience in the business for more than six years. The study also indicates that those who participate in the loan don't get the full amount because of tax implied. 30% of the respondent apply on through heir Sacco's and Chama's while 40% on mobile apps and Fuliza. Majority of the instances the mobile lending apps do not ask for collateral hence encourages small business owners to apply loan from them.

On the individual factors the study established that such factors including social class, convenience, security, service quality and price of product influences consumer choices. The study also established that there are personal characteristics such as one's level of education as attested by 87% of the respondents, clearly influences their choices on microcredit and

borrowing rates. Regarding the reference group factor 95% of the respondent indicated that they joined or participated in microcredit organization or Sacco's because someone referred them to it. The respondent agreed that product and brand familiarity also affected their choices. Companies like Safaricom which contains Fuliza services is largely known across Kenya, hence the probability of one to apply loan on fuliza is very high compared to other institutions.

5.3 Discussions.

The research findings of the factors affecting the choice of microcredit in micro and small enterprises that education been one of the issues, the findings on borrowing indicating that 95% of the respondents said that they borrow loan and 5% said that they do not borrow loan. (Gebru, May 2009) asserts that business owners that are established as either sole proprietorships or partnerships prefer to exhaust internal sources of finance before going for debt or equity because of the collateral incentives of financing institutions that have bearings on personal assets of the. This agrees with the results obtained where the ownership type did not have a relationship with access to a loan. Another important factor to be considered is that most of the businesses were sole proprietorships. Gebru (2009) also opined those small businesses will prefer to use internal sources of funds instead of applying for loans. This indicates that most small businesses take out loans.

Among those who took out a loan, 40% said they took the loans from mobile lending and 30% from their individual Chama's and Saccos 10% applied their loans from the bank, majority this respondent belonged to the medium enterprises 14% applied their loan in different micro finance institutions. Majority of my respondents were women. This result mimics the earlier studies which indicated that the Kenyan government admitted that women entrepreneurs have not been on an equal footing when it comes to their access to opportunities and assets (Mwobobia, March 2012)

The study also found there is a relationship between the age of the business and access to loans. The finding agree with (ElizabethAkoth, 2012) who found that the financing constraints are particularly severe in startup enterprises and relatively young firms (three years old or less) . This can be explained by the fact that most of the businesses in this study had been in existence for one to three years and were largely sole proprietorships, so they may prefer equity financing or other internal sources of funding. The number of employees had no bearing on whether the

company could get a loan. (Balcioglu, May 2010) who also found that the ownership type played a big role in the financing • used

5.3.1 Effect of individual factors affecting respondent's choice in microfinance.

Having assets does not always imply that they are available for use as collateral. Personal assets of the proprietor or partner, for example, are not disclosed on the business's balance sheet and hence cannot be used as collateral. This may be a good thing. reason why the findings do not show a link between holding collateral and having access to loans. From the findings above, 95% of the respondents don't need collateral as they use mobile lending while 5% need collateral. (Balcioglu, May 2010)who also found that greater sales and profits were associated with greater access to credit? This is consistent with results obtained by This is consistent with results obtained by This is consistent with results obtained by (Balcioglu, May 2010).

It was possible that the level of education was a major factor in coming to a lending decision, either because bankers valued a higher education or because a higher education means that entrepreneurs were more articulate and more likely therefore to persuade the banks that they have a viable proposition. This agrees with studies by (Bosworth 2009) and (Solomon, may 2008) who all found a strong correlation between education and forward thinking in business and with access to loans (Balcioglu, May 2010) also indicated that the entrepreneurs capacity (educational) development level has significant effect on the financing of Small and Medium Enterprises in Kwara State of Nigeria.

The experience of entrepreneurs has a considerable impact on their decision to use a microfinance organization. This could be because of the entrepreneurs' previous experience, which taught them how to avoid making the same mistakes in the application process. Because of the length of time, they've been in business and their education level, the owners would be able to understand intricate loan application procedures, provide favorable financial facts, and develop closer ties with their lenders.

The respondents preferred organization with has better service quality. How they are treated really affect their choices. They want t to trust an organization with their personal details and to feel like they are heard.

5.3.2 Effect of reference groups factors affecting choice in microfinance

In consumer purchasing, reference groups are considered a social influence. They are frequently grouped together for customers to make purchasing selections. As a result, if a reference group recommends a product, whether through personal experience or words about the product, individuals who rely on the group are more likely to buy it. If a reference group, on the other hand, disapproves of a product, those who affiliate with that group are unlikely to buy it. A variety of people or groups can affect our purchasing decisions. 95% of the respondents joins an organization or Sacco because they were referred. Opinion leaders are usually people who are more knowledgeable about a certain product or service than the average consumer. As such, opinion leaders can shape how a product is viewed (LumenWaymaker, n.d.).

5.3.3 Effect of product and brand familiarity factor affecting choice of microcredit.

Reputations, as indicators of quality of the set of managerial actions, are a valuable resource hard to imitate, which plays a crucial role in times of crisis (EbenezerAppiah, 2019) . This paper climaxes the fact that a well-integrated application of technology and staff aids to size customer loyalties by creating deeper and fuller customer relations. Based on the theory, reputation was considered as a factor that influences SME's choice of Micro-finance institutions in the municipality. Many respondents use Fuliza because it is wildly known.

Khawaja and Manarvi (2009) found out that financial institutions such as microfinance which uses technology in its operations reduce the burden on manual input on registers and ledgers with customers that were served through cheques and pay orders, with the introduction of Automatic Teller Machines (ATMs) for interacting with consumers and provide better services. Customers will choose to participate in an organization that has better technology.

Apparently, the respondent care less about the interest rates when they receive the loan faster. Like Fuliza which has a higher interest rate, but the SMEs still use it.

5.4 Conclusions.

The study concluded that individual, group reference and product and brand familiarity affect the choices of consumers regarding a specific product. The study concludes that there is a positive relationship between individual, group reference and product and brand familiarity. The study

first objective examined the effect of individual factor on consumer choices. The study indicated that there is a positive correlation between individual factors and micro and small entrepreneur's choices of microfinancing. The study concluded that availability of collateral, service quality, convenience and security directly affect consumers buying behavior.

The second objective determined there is a positive and significant influence of reference groups on choice of microfinancing in micro and small entrepreneurs. The third study objective indicated there is a positive and insignificant influence of product and brand familiarity on consumer choices. It concluded that an organizations reputation and information technology play a major role in choice while interest rated has a minimal impact.

5.5 Recommendations

Regulatory and other statutory organizations should keep an eye on interest rates on loans and advances to ensure that they are affordable for enterprises. Where policies are lacking, they should be implemented to promote the expansion of both microfinance and small companies. Additional talent building, particularly through training and focused support programs with business owners on how to approach microfinance institutions, informational requirements, and working closely with MFIs to provide additional advice and support to the businesses, should be considered by policymakers. Companies should make their customers a priority when designing a product to ensure all or most of the customers' needs are met.

In addition to encouraging active engagement by SMEs, it is necessary to support the development of SME associations/organizations. Governments and donor agencies should finance these organizations and their operations (such as consulting services) so that SMEs can pay cheaper rates. This will help with networking and will be crucial when applying for loans. The study also suggests that the organization focus its efforts on electronic distribution as a distribution channel. This can be accomplished through raising consumer awareness and developing new and creative products and processes to expand the customer base.

5.6 Suggestions for Further Research.

This study notes that the group reference factors are not well researched on, hence it ca be sometimes difficult to compare research findings with other authors. The study also indicates that micro and small entrepreneurs care less about the interest rates. Further research should be conducted to find out what and why they do so.

References

- "CadatesAfrica". (n.d). *loan apps in kenya*. Retrieved from Cadetea Africa: <https://gadgets-africa.com/2020/03/26/heres-a-list-of-loan-apps-and-their-rates-in-kenya/>
- "KCB". (n.d). *KCB group for your biashara*. Retrieved from KCB: <https://ke.kcbgroup.com/for-your-biashara/get-a-loan/for-a-small-business/boresha-biashara-loan>
- "Rafode". (n.d). *Rafode Kenya*. Retrieved from Rafode: <https://www.rafode.co.ke/>
- "Safaricom". (n.d). *Safaricom lipa mdogomdogo*. Retrieved from Safaricom: <https://www.safaricom.co.ke/get-more/other-services/lipa-mdogo-mdogo>
- AsianDevelopmentBank. (2011). *ADB Annual Report*. Asia: Asian Development Bank.
- Balcioglu, H. (May 2010). Financing Industrial Development in Nigeria: A Case Study of the Small and Medium Enterprises in Kwara State. *Financing Industrial Development in Nigeri*.
- CentralBankofKenya, F. (2013). *Profiling developments in financial access and usage in Kenya*. Nairobi: FinAccessNational Survey .
- DiloginiKurunathan. (2019). Analysis of Relation Between Customer Behavior. *Journal of System and Management Sciences*.
- Donous, K. C. (2010). *Banks, Microfinance Institutions and Economic Growth in the West African Economic and Monetary Union*.
- Duan, C. (July 2016). A meta-analysis of consumer irrational purchase behavior based on. *Journal of Business and Retail Management Research*.

- Ebenezer Appiah, D. (2019). *Investigating Factors that Influence SME's Choice of Services Rendered by Microfinance Institutions*. La-Nkwantanang Municipality in Ghana: Ebenezer Appiah, Deborah Darko Ampeah.
- Elizabeth Akoth. (2012). *FACTORS INFLUENCING ACCESS TO LOANS BY SMALL BUSINESSES FROM MICROFINANCE INSTITUTIONS IN SOUTH B AREA, NAIROBI COUNTY, KENYA*. Nairobi: Elizabeth Akoth.
- Elizabeth Chirschman, R. (2021). *The Association For Consumer Research*. Retrieved from EKB model: <https://www.acrwebsite.org/volumes/6928/volumes/>
- Eygm Limited. (2014). *Transparency Report*. United Kingdom: Eygm Limited.
- Financial Sector Deepening Central Bank of Kenya. (2013). *Profiling Developments in Financial Access and Usage in Kenya*. Nairobi: Financial Sector Deepening.
- Geburu, G. H. (May 2009). Financing preferences of micro and small enterprise owners in Tigray: Does POH hold? *Journal of Small Business and Enterprise Development* 16(2):322-334.
- Howard Sheth model of consumer behaviour. (2019). Retrieved from CEOpedia Management: https://ceopedia.org/index.php/Howard_Sheth_model_of_consumer_behaviour#:~:text=Howard%2DSheth%20model%20is%20one,information%20and%20reduced%20processing%20capability.
- James Taylor. (2021). A REINTERPRETATION OF FARLEY AND RING'S TEST OF THE HOWARD-SHETH MODEL OF BUYER BEHAVIOR. *Advances in Consumer Research Volume*.
- Karlan, & Zinman. (2016). *Factors influencing access to micro credit in Kenya*. Nairobi: Mwathi Muthoni.
- Krzysztof Wozniak. (n.d.). *Howard Sheth model of consumer behaviour*. Retrieved from CEOpedia: https://ceopedia.org/index.php/Howard_Sheth_model_of_consumer_behaviour

- LacyChristensen. (2012). *How Are Interest Rates Affecting Household Consumption and*.
LacyChristensen.
- Leung, L. (2015 July). Validity, reliability, and generalizability in qualitative research. *Journal of Family Medicine and Primary care*.
- LumenWaymaker. (n.d.). *Principles of Marketing*. Retrieved from Lumen waymaker:
<https://courses.lumenlearning.com/wmopen-principlesofmarketing/>
- Mosadzineldin, h. (2011). *Strategic positioning and quality determinants in banking service*.
- Mustafa.K.Mujeri. (2015). *Financing Development Gaps in the Countries with Special Needs in the Asia-Pacific Region*. Asia: Mustafa K. Mujeri.
- MustafaKMujeri. (2015). *Financing Development Gaps in the Countries with Special Needs in the Asia-Pacific Region*. Bangladesh: Mustafa K. Mujeri.
- MwathiRuthMuthini. (2016). *DETERMINANTS OF ACCESS TO MICROCREDIT IN KENYA*.
MWATHI RUTH MUTHONI.
- MwathiRuthMuthoni. (2016). *DETERMINANTS OF ACCESS TO MICROCREDIT IN KENYA* .
Nairobi.: MWATHI RUTH MUTHONI.
- Mwobobia, F. M. (March 2012). The Challenges Facing Small-Scale Women Entrepreneurs: A Case of Kenya. *International Journal of Business Administration*.
- NancywanjiruGaitho. (2013). ROLE OF CREDIT REFERENCE BUREAUS ON CREDIT ACCESS IN KENYA. *A SURVEY OF COMMERCIAL BANKS IN KENYA*, 56.
- Nyamwaro, T. (2009). *IMPACT OF SMALL AND MEDIUM ENTERPRISES ON THE LIVELIHOODS*. Nairobi: Thomas Nyamwaro.
- okoye, R. a. (2013). Determinants of Bank Selection: A Study of Undergraduate Students in the University of Ghana.

- Pankaj.M.Madhani. (2010). Resource Based View (RBV) of Competitive Advantage.
- PeterNdegwa. (2016). *Fuliza*. Retrieved from Safaricom:
<https://www.safaricom.co.ke/faqs?search=Fuliza>
- RohithReddipalli. (29 August 2020). Howard Sheth Model of Consumer Behaviour on buying a. 13.
- SamithambySenthilnathan. (29 Nov 2012). The Relationship of Brand Equity to Purchase Intention. *Journal of Marketing Management*, 20.
- SheilaKituyi. (2012). *FACTORS INFLUENCING MICROCREDIT ACCESSIBILITY BY SMALL*. Sheila Kituyi.
- ShumailaSharif, M. (2017). Interrelationship among Corporate Image, Service Quality, Customer Satisfaction, and Customer Loyalty: Testing the moderating impact of Complaint Handling.
- Solomon, G. T. (may 2008). Entrepreneurial Selection and Success: Does Education Matter? *Journal of Small Business and Enterprise Development*.
- Spraakman, W. a. (2012). The use of performance measures: Case studies from the microfinance sector in Kenya.
- Taherdoost, H. (January 2018). Development of an Adoption Model to Assess User Technology Acceptance. *A review of technology acceptance and adoption models and theories*.
- Taupin, A. D. (2009). The East Africa Review. *Kibera: The Biggest Slum in Africa?*, 23-33.
- the engel kollat blackwell model of consumer behaviour*. (n.d.). Retrieved from MBA Knowledge base : <https://www.mbaknol.com/marketing-management/the-engel-kollat-blackwell-model-of-consumer-behavior/#:~:text=The%20Engel%20Kollat%20Blackwell%20Model%20of%20Consum>

er%20Behavior%20was%20created,of%20knowledge%20concerning%20consumer%20
behavior.&text=Informa

Wozniak, K. (2019, december). *CEO Pedia Management*. Retrieved from EBK model:
https://ceopedia.org/index.php/EBK_model#google_vignette

Zulfitri, S. F. (2018). The Influence of Price Perception, Service Quality and.

Appendices

Appendix 1 : Questionnaire

SECTION A

1. Age bracket.

- a Between 18-28 yrs.
- b 29-38 yrs.
- c 39-48 yrs.
- d 49-58 yrs.

2. Highest level of education attained

- (a) Primary
- (b) Secondary
- (c) Certificate
- (d) Diploma
- (e) Bachelor's degree

3. Marital status

- (a) Married
- (b) Singled
- (c) Divorced
- (d) Widow or widower

4. Number of employees.

5. How long has the business existed.

Number of years

Less than 5 yrs.

Between 6-10 yrs.

Between 11- 15 yrs.

Over 16 yrs.

6. Ownership style

SECTION B

7. Have you accessed any loan for the last 12 months?

(a) Yes

(b) No

8. Where did you apply the loan from?

(a) Bank

(b) Microfinance institution

c) Sacco

(d) Other (specify)

9. How long does it take for your loan to be processed?

- (a) Immediately
- (b) Less than a day
- (c) 1-2 weeks.
- (d) More than 2 weeks (specify the length)

10. Was there any collateral needed?

- (a) Yes
- (b) No

11. Did you get the full amount?

- (a) Yes
- (b) No

SECTION C.

12. Service quality.

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor disagree

Can the respondents rely on the institutions for loans if they have a problem?	1	2	3	4	5
Does the institutions or app respond quickly to their needs?	1	2	3	4	5

Does the institution have empathy or relate to their customers?	1 2 3 4 5
Does the organization show willingness to tolerate the existence of opinion of their customers?	1 2 3 4 5

13. Convenience of the organization.

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor disagree

Does the location of the place affect your choice of organization?	1 2 3 4 5
Do you prefer the loan that is available on the phone?	1 2 3 4 5
Do you prefer an organization that has a known physical location?	1 2 3 4 5

14. Security.

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor disagree

--	--

Do you trust the organization?	1	2	3	4	5
Do you believe that your personal details are secured in the organization?	1	2	3	4	5
Does the organization uphold confidentiality in their day-to-day activities?	1	2	3	4	5
Does the organization protract a sense of integrity in their work?	1	2	3	4	5

15. How reference group affect the choice of microcredit institutions.

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor disagree

I applied loan in an organization my friends referred me to.	1	2	3	4	5
I joined a chama or Sacco because it was recommended by someone I know.	1	2	3	4	5
I did not like this organization because of its reputation.	1	2	3	4	5

--	--

16. How information Technology affect the choice of micro credit.

5= strongly agree 4= Agree 3= Disagree 2= Strongly Disagree 1= Neither agree nor disagree

The app has few updates	1	2	3	4	5
The organization has latest IT services	1	2	3	4	5
The app has or organization give out useful notifications	1	2	3	4	5
The IT technology has endless forms to fill	1	2	3	4	5
The app or technology takes long time to load	1	2	3	4	5

Research Projects Similarity Checker (2022)

lay, 13 January 2022, 12:00 AM
30 June 2022, 12:00 AM

g to check your work for your defense of after corrections, then this is the right place.

following:

Checker for BOTH *pre-defense* and *final* submissions. The latest submission made at the time of closure shall be assumed as final.
mitting - use the full title of your project
ake re-submissions. However new reports will take upto 24 hours to generate

on status

Submitted for grading

is Not graded

ng 121 days 11 hours

l Monday, 28 February 2022, 12:10 PM

ons

FACTORS INFLUENCING THE CHOICE OF MICROCREDIT IN MICRO AND SMALL ENTERPRISES IN NAIROBI.docx Original: 7% 28 February 2022, 12:10 PM