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DETERMINANTS OF UPTAKE OF CREDIT PRODUCTS: A CASE OF SMALL AND MEDIUM ENTERPRISES IN KARIOBANGI, NAIROBI-KENYA

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Small and Medium Enterprises constitute a major source of employment and generate significant domestic and export earnings. While many of these enterprises have benefited from the various credit schemes from a number of financial institutions, some face difficulties in accessing the credit facilities thus poor uptake of the products. Utilizing the descriptive research design and a sample size of 150 manufacturing SMEs from Kariobangi's Light Industry in Kenya, this study analyzes the relationship between borrower's characteristics, business characteristics and uptake of credit products by the SMEs. Using primary data collected by administering a structured questionnaire and analysis of the data with the aid of the Statistical Package for Social Sciences (SPSS), the study finds that among the borrower's characteristics, there are positive correlations between sex, level of education and uptake of credit products, but negative correlation between the borrower's age and uptake of credit products. Business characteristics that correlate positively with uptake of credit among SMEs were business size and age of business. Therefore, elaborate legislative policy framework needs to be institutionalized to address the socio-economic barriers that limit uptake of credit products by the SMEs. On the other hand, financial institutions should constantly endevour to review their lending policies, taking cognizance of the multiplicity of the effects of the various policies on the SMEs uptake of credit products.

Keywords: Borrower's characteristics, Business characteristics, Enterprise Management Characteristics, Lenders' lending policies

INTRODUCTION

Small and Medium Enterprises (SMEs) have over long time been recognized as boosters of economy in both developed and developing countries. According to Ngugi *et al.,* (2012) and citing Shelley (2004), the importance and contribution of SMEs to achieving macroeconomic goals of nations, especially in developing nations, has attracted the attention of scholars in the entrepreneurship discipline in recent years. A complex global environment in which SMEs survive, grow and thrive is

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considered an important objective of policy makers in both developed and emerging economies around the world since SMEs contribute to the national and international economic growth. Most large companies have their roots in small and medium enterprises suggesting that the future large corporations are the SMEs of today that must be nurtured to ensure their growth. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004). The Kariobangi Light Industries is a concentration of micro and small metalwork enterprises, as well as hardware retail shops and machinery repair service workshops, designated by the local government as area for artisans in the late 1980s. The skilled workers who lost jobs at large factories as a consequence of the Structural Adjustment Program cleared the area to construct roads and to start their own businesses in the area, which is now a cluster of metalwork enterprises (Sonobe, Akoten, and Otsuka, 2006).

Though SMEs play an important role in economic growth and employment creation, they are commonly constrained by finance. How to solve their financial constraint is a worldwide problem. The most important obstacle to get bank financing is information asymmetry between borrower and lender, e.g., the borrower has private information about the firm that lender doesn't have. For SMEs, because of their small size, short history, obscure accounting, etc, the extent of information asymmetry becomes more serious. On the other hand, Tagoe *et al.* (2005) asserted that the difficulty faced by SMEs in accessing credit is as a result of the inability of most SMEs to meet the conditions set by the financial institutions. Financial institutions often see SMEs as risk-prone sector because of poor guarantees and lack of information about their ability to repay loans. Access to financial services by SMEs is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Schmidt and Kropp, 1987). For small-scale enterprises, reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. Schmidt and Kropp (1987) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services does not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.

Small and medium enterprises have become an important contributor to the Kenyan economy. The sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low-income households in the country (Republic of Kenya, 1989, 1992, 1994), accounting for 70% of the Gross Domestic Product (Republic of Kenya, 2012). Yet the majority of entrepreneurs in this sector are considered un-creditworthy by most formal financial institutions. Improving the availability of credit facilities to this sector is one

of the incentives that have been proposed for stimulating its growth and the realization of its potential contribution to the economy (RoK, 1994). While many SMEs have benefited from the various credit schemes from a number of credit financial institutions, some SMEs face difficulties in accessing the credit facilities thus poor uptake of the products. However, the effects of existing institutional problems, especially the lending terms and conditions, internal enterprise factors and entrepreneur characteristics on the uptake to credit facilities, have not been addressed. In addition, there is no empirical study indicating the potential role that these factors play in determining uptake of credit products. Knowledge in this area, especially a quantitative analysis of the effects of lending policies on the choice of credit sources by entrepreneurs, is lacking for the SME financial markets of Kenya. Thus, this study analyzed the determinants of uptake of credit products by SMEs and focused on the influence of borrower's characteristics and business characteristics on the uptake of credit products by the manufacturing SMEs in Kariobangi, Nairobi – Kenya

LITERATURE REVIEW

Borrower's Characteristics and SMEs' Uptake of Credit Products

Borrower's individual and household characteristics are expected to have important implications for demand for financial services. Individual characteristics important in the demand for credit include age, gender, education and marital status (Mpunga, 2004). Following the life-cycle hypothesis, the young and energetic individuals, with an ambition to earn higher incomes, are expected to be more active in terms of savings/dis-savings in order to accumulate wealth. Therefore, the young may tend to save and/or borrow more for investment while the old may be less inclined to save/borrow. In addition, the young may tend to invest in off-farm activities, which require large capital outlays, while the old and retired will tend to invest in farm activities. Therefore, demand for financial services is expected to vary positively with age. Zeller (1994) has found age to positively affect the decision to demand for credit.

In most African societies, men and women engage in different economic activities, with different implications on the demand for financial services. Social roles and norms dictate the segregation of activities by gender where women mostly concentrate on farm activities and household chores while men undertake income-earning activities because those are largely the roles that society prescribes for them (Ilahi, 2001a; 2001b). This is exacerbated by the differential power relations between men and women where the latter have virtually no control of assets such as land and buildings that could be used as collateral. Therefore, demand for financial services is expected to be different between men and women (Mpunga, 2004).

Because the educated are likely to have higher incomes and savings and more likely to have assets that can act as collateral and are more likely to be engaged in business and other economic activities, we would expect that the demand for financial services increases with the level of education. Individuals who are married are more likely to be stable and financial institutions are likely to view them as more reliable such that they are more likely to demand for financial services compared to the unmarried (Mpunga, 2004). Mpuga (2004) further reports that

age of an individual is positively related to the decision to apply for credit and the amount of credit applied for. Other characteristics such as level of education, value of household assets owned by household and other dwelling characteristics strongly influence demand for credit.

Business Characteristics and SMEs' Uptake of Credit Products

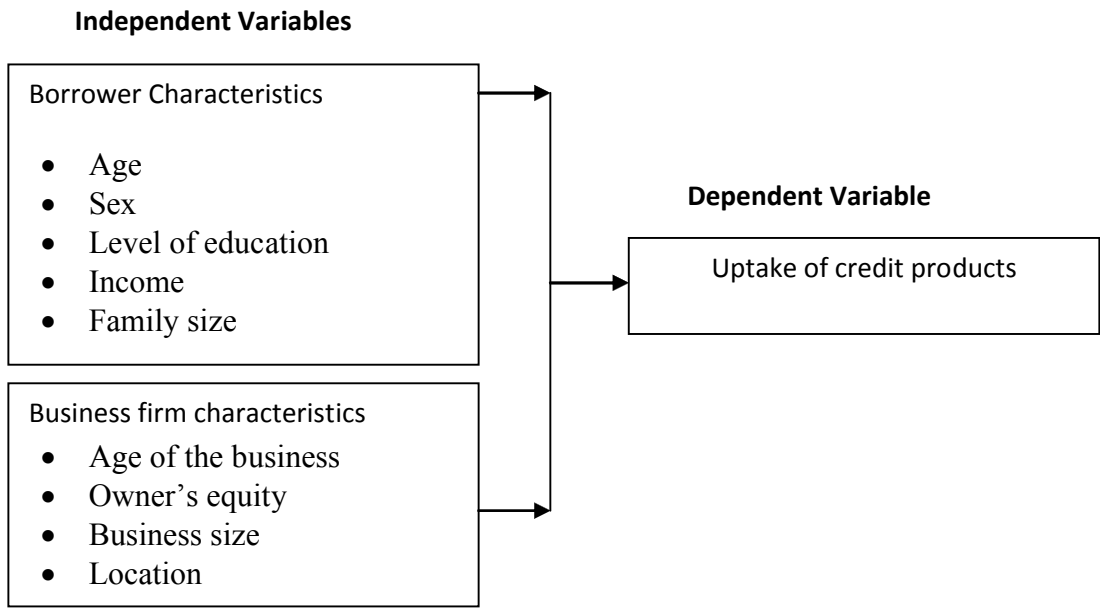
Business characteristics refer to attributes of the business for which the credit product is sought and includes age of the business, owner's equity, business size and location of the business enterprise. Firm age largely corresponds to the business cycle of SMEs. Start-up and early-stage SMEs may resort to external equity, particularly private investors and business angels (Berger and Udell, 1998). One reason is the restrictions in internal equity. At the starting stage of a SME, retained profits are scarce, and the personal sources of the owner and firm-connections are very limited. A second reason is associated with a combination of information asymmetries and potential agency problems related to the lack of a trading history. The lack of collateralisable assets can exacerbate the problem of restricted access to finance (Bhaird and Lucey, 2010). From this perspective, firm age positively relates to external finance seeking. However, as SMEs move from the start-up or early-stage to the middle-stage, they can source more finance from retained profits. SMEs can then replace external equity with internal equity. Consequently, firm age should negatively relate to external equity seeking.

The firm's size has a crucial weight on the debt proportion in the capital structure of the firm since real assets tend to influence the accessibility to long debt whenever required (Burkart & Ellingsen, 2004). Large firms tend to be well diversified in their operations which influence their stability; thereby size can be substituted for insolvency (Honhyan, 2009). Cassar (2004) stipulated that small firms find more expensive in solving problems associated information asymmetry with lenders. Fatoki and Asah (2011) reported that firm size impacts SMEs access to debt finance from commercial banks whereby small enterprises are less favored to large firms. Consequently, it's hypothetical existence of a positive association between the firm size and SMEs access to debt financing. Berger and Udell (2002) find out that the geographic closeness between lenders and customers has an association with a firm to access credit. The lenders who are geographically proximal to their customers are capable to utilize soft available qualitative information to establish the credibility of their customers for credit quality. Gilbert (2008) spotted that the location of the firm has a noticeable relationship with access to the marketplace, supplies and to other resources such as capital, labor, and land. Consequently, firms sited in urban locations may have a higher possibility of success than firms located in rural locations with access to credit, market and other resources. Fatoki and Asah (2011) find out that SMEs located in urban are successful in access to debt financing compared those located in rural areas. Physical closeness between lenders and borrowers produce an improved form of environmental scrutiny that aid SMEs to access credit from lenders.

Conceptual Framework

The conceptual framework of the study provides the linkage between the independent and dependent variables. The conceptual framework of the study is as shown in Figure 1.

Figure 1: Conceptual Framework of the Study



The framework has, as its two main variables, determinants of uptake of credit (independent) and uptake of credit (dependent). The independent variables comprise borrower's characteristics and business firm characteristics. The study conceptualized borrower's characteristics to constitute the SME operator's/manager's age, sex, level of education, income and family size. Business characteristics were assessed in terms of age of the business, owner's equity, business size and location of the business. It was hypothesized that there exists a positive relationship between the age of the firm and uptake of credit from lenders by SMEs; a positive relationship between the size of the SMEs and uptake of credit from lenders; location of a firm has a positive relationship on uptake of credit from lenders and that a positive relationship exists between owner's and uptake of credit from lenders.

METHODOLOGY

Research Design

The study adopted the descriptive survey research design. Descriptive study was undertaken in order to ascertain reliability of data collected so as to be able to describe the characteristics of the study's variables and answer the research questions. Best and Khan (2009) posit that descriptive research is aimed at describing the characteristics of variables in a situation and is concerned with conditions or relationships that exist, opinion that are held, processes that are going on, effects that are evident or trends that are developing. A sample survey method was used to collect data from SME operators in Kariobangi.

Study Population and Sampling

The study population comprised all the SMEs at the Kariobangi Light Industries duly licensed by the City Council of Nairobi to carry out their

business in the study's location. However, the target population of the study constituted the SMEs within the manufacturing sector in the location of study. There were a total of 350 manufacturing SMEs at the Kariobangi Light Industries. The unit of sampling for the study was an SME. Based on the Krejcie and Morgan's table of determining sample size, at a confidence level of 95% and margin of error 5.0%, the sample size for the SMEs was 186. The SME respondents were the business owners or senior managers of the enterprises. Simple random sampling was used to select the SMEs that participated in the study. Random sampling procedure ensured that all subjects had equal chances of being selected (Joan, 2009).

Instrumentation

The main instrument for collecting primary data for the study was the questionnaire. A semi-structured, self-administered questionnaire was designed for the study. The questionnaire was the most appropriate instrument for the study because as Kothari (2004) argues, the instrument allowed the researcher to explain the purpose of the study and was used to collect data from a large group of respondents at the same time. The questionnaire was used to collect data from the SME respondents. The first part of the questionnaire collected demographic information of the respondents which also related to the borrower's characteristics, the second part collected information on the business characteristics while the third section had questions on the SME's uptake of credit facilities.

Validity of the instrument was ensured from the onset where, in construction of the instrument items, the researcher used simple English language such that the questions were comprehensible and easy for the respondents to understand and reply. Effort was also made to ensure that the items in the instrument adequately addressed the objectives of the study. Expert judgment of the questionnaire was given by the supervisor and other research experts at Jomo Kenyatta University of Agriculture and Technology, School of Business before pilot-testing on a sample of 20 SME operators in the area of study. The SMEs that participated in the pilot study were omitted during the actual data collection exercise. The purpose of the pilot study was not only to identify the common problems within the designed questionnaire but also to incorporate the respondent's comments that were used to enhance the quality of the questionnaire to meet the purpose of study. Data from the pilot study was used to determine the reliability of the questionnaire using the Cronbach alpha coefficient. Cronbach alpha provides a good measure of reliability because holding other factors constant the more similar the test content and conditions of administration are, the greater the internal consistency reliability (Chong, 2012). The questionnaire gave an inter-item coefficient of internal reliability of á= 0.83, which was considered credible enough to allow the study to continue.

Data Analysis Techniques

Data analysis processes involved both quantitative and qualitative methods. The collected data was checked for completeness, edited, coded and then entered into the computer. Data analysis was done with the aid of the Statistical Package for Social Scientists (SPSS). Using the SPSS, descriptive statistics and correlation analysis methods were applied to analyze the data. Descriptive statistics were used to summarize the data and establish characteristics of the study population. The tools

of analysis used to present the findings were frequency distributions and percentages. To establish whether the independent variables in the study have a relationship with the dependent variable and consequently answer the research questions, further analyses were done using inferential statistics (Pearson's Product Moment Correlation) at the 0.05 level of confidence.

RESULTS

Response Rate

All the 186 SME questionnaires that were administered were returned. However, from the preliminary checking and editing, only 150 out of the 186 were had all the questions filled in completely and met the basic threshold for inclusion into the next stage of analysis. This represented a response rate of 80.6%. This ensured that the sample size remained as close to the originally designed sample size as possible to generalization of the findings to the study's target population.

Borrower's Characteristics and SMEs' Uptake of Credit Products

Borrower's Characteristics

Borrower's characteristics assessed were the SME operator's/manager's sex, age, level of education, income and family size. With regard to sex, 82% of the respondents were male while the females were only 18%. This may be attributed to the fact that manufacturing SMEs at the Kariobangi Light Industries are basically artisan in nature and as is the case in other parts of the world and Kenya in particular, this sector is dominated by men. This may be explained by the manual nature of the work involved that limits the involvement of a significant percentage of women.

When asked to indicate their respective ages from among the age categories given, thirty six percent (36%) of the respondents indicated that they were aged between 35 and 39 years, 27% were 30 -34 years, 22% were aged 40-44 years, 7% were above 45 years while 6% and 3% respectively were aged 25 to 29 and 18 to 24 years. Cumulatively, over half (58%) of the respondents were middle aged compared to a cumulative 35% who were of youthful age. The respondents' responses were as shown in Table 1.

Although the skewed percentage of youth in this may be associated with their shunning of this sector in favour of white collar jobs, the high percentage of middle aged entrepreneurs may

Table 1: Distribution of the Respondents by Age

Age Category	Frequency	Percentage
18 to 24 Years	4	2.7
25 to 29 Years	9	6.0
30 to 34 Years	40	26.7
35 to 39 Years	54	36.0
40 to 44 Years	33	22.0
Above 45 Years	10	6.7
Total	150	100.0

be attributed to the history of the industries which from the early 1980s when the local government designated it to be an area for artisans in 1989 to accommodate the workers of formal-sector factories who lost jobs as a consequence of the implementation of the Structural Adjustment Program (SAP).

Slightly more than half (53%) of the respondents had secondary level education, 32% had tertiary college education, 10% were primary school finalists and only 6% were university graduates. The distribution of the respondents by their level of education was as shown in Table 2.

Cumulatively, only 37% of the respondents had post-secondary education, indicating that a considerable number of respondents were just functionally literates. However, these percentages generally indicated that by and large the respondents were progressive in education, which is important in creating a knowledge based society. Education is one of the most important characteristics that might affect the person's attitudes and the way of looking and understanding any particular social phenomena. Thus, given that majority of the respondents were had at least secondary education, they were able to understand the questions asked and provide appropriate responses that gainfully contributed to answering the research objectives.

When the respondents were asked to indicate their average monthly income, their responses were as shown in Table 3.

The highest percentage of the respondents (40%) earned between Ksh 50,001 – 100,000, 24% earned Ksh. 150,001 – 200,000, 21% earned Ksh 100,001-150,000 while 15% earned below Ksh. 50,000 a month. Generally, these findings reflect the characteristics of SMEs with respect to income levels, indicating that the study indeed reached the targeted respondents.

Table 2: Distribution of the Respondents Their Level of Education

Level of Education	Frequency	Percentage
Primary	15	10.0
Secondary	79	52.7
Tertiary college	47	31.3
University	9	6.0
Total	150	100.0

Table 3: Distribution of the Respondents by Monthly Income

Average Monthly Income	Frequency	Percentage
Below Ksh. 50,000	22	14.7
Ksh 50,001-100,000	60	40.0
Ksh 100,001-150,000	32	21.3
Ksh 150,001 – 200,000	36	24.0
Total	150	100.0

Majority of the respondents (59%) supported family sizes of 1-5 members, while about 21% in each case either had no families to support or supported between families of between 6-10 members.

Relationship Between Borrower Characteristics and Uptake of Credit Products

To analyze the relationship between borrower characteristics and uptake of credit products, a dummy variable for sex was adopted where the variable took a value of 1 if the respondent was male and 0 otherwise. With respect to age, the progressive age categories were given values from 1 to 6 (from the smallest to the largest categories) while the variable education level was also awarded scores of 1 to 4 from the lowest to the highest as was income and family size. Uptake of credit products was assessed in terms of the number of times the respondents had utilized credit products previously and the likelihood of taking up credit products in future. The scores for utilization of credit ranged from 0 (never) to 5 (more than four times) while the scores for the likelihood of future uptake ranged from 1 (very unlikely) to 5 (very likely). The total score for credit uptake were obtained by cumulating the score for utilization and for future uptake. The total scores for credit uptake were correlated with the scores for borrower characteristics (sex, age, level of education, income and family size) using the Pearson's Product Moment Correlation (PPMC) to establish the relationships between the variables. The findings were as shown in Table 4.

The PPMC analysis revealed that there were significant positive relationships between uptake of credit products and sex (r=0.25, n=150) and level of education (r=0.34, n=150), but a significant, negative relationship between uptake of credit products and age (r= -0.46, n=150). However, the relationship between uptake of credit products and family size remained marginally insignificant.

Table 4: Correlation Between Borrower Characteristics and Uptake of Credit Products (n=150)

		Uptake of Credit
Uptake of credit	Pearson's (r)	1
	P-Value	
Sex	Pearson's (r)	0.253**
	P-Value	0.002
Level of education	Pearson's (r)	0.336**
	P-Value	0.000
Age	Pearson's (r)	-0.459**
	P-Value	0.000
Family Size	Pearson's (r)	0.158
	P-Value	0.054

Note: ** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed).

Business Characteristics and SMEs' Uptake of Credit Products

Business Characteristics

Business characteristics included age of the business, owner's equity and business size. The study established that majority of the businesses had been inexistence for between 6-10 years, 23% for over 10 years while 14% had been in existence for between 1 and 5 years. These findings implies that cumulatively, at least 86% of the SMEs had long business experiences so as to understand the credit environment and therefore make informed decisions based on the business challenges. Table 5 shows the age of the businesses.

When asked to indicate their average equity by estimating the difference between the total assets and total liabilities of their businesses, the study established that majority of the SMEs (66%) had owner's equity range from Ksh. 100,000 - 250,000, 12% had owner's equity of between Ksh. 500,001 –and 1,000,000, and about 11% in each case had owner's equity of Ksh. 250,001 - 500,000 and Less than Ksh. 100,000 between them. Table 6 shows the findings on owner's equity.

With respect to business size, the study established that slightly over half of the SMEs (53%) reported annual sales turnovers of Ksh. 6 to 10 million, 29% had sales turnover of Ksh. 1 to5 million and about 9% in each case had less than 1 million and over 10 million Kenya Shillings in annual turnovers respectively as shown in Table 7.

Relationship Between Business Characteristics and SMEs' Uptake of Credit Products

To analyze the relationships between business characteristics and SMEs' uptake of credit products, a scoring strategy was adopted where

Table 5: Age of Business

Age of business	Frequency	Percentage
1-5 years	21	14.0
6-10 years	95	63.3
Over 10 years	34	22.7
Total	150	100.0

Table 6: Owner's Equity

Owner's Equity	Frequency	Percentage
Less than Ksh. 100,000	17	11.3
Ksh. 100,000 - 250,000	99	66.0
Ksh. 250,001 - 500,000	16	10.7
Ksh. 500,001 - 1,000,000	18	12.0
Total	150	100.0

Note: These figures reflect relatively lower capital investments in the SMEs, a factor that would likely have an impact on their demand for significant long term financing.

Table 7: Business Size (Annual Sales Turnover)

Annual sales turnover	Frequency	Percentage
Less than 1 Million	14	9.3
1 to 5 million	43	28.7
6 to 10 million	79	52.7
Over 10 million	14	9.3
Total	150	100.0

Table 8: Correlation Between Business Characteristics and SMEs' Uptake of Credit Products (n=150)

		Uptake of Credit
Uptake of credit	Pearson's (r)	1
	P-Value	
Age of business	Pearson's (r)	0.260**
	P-Value	0.001
Owner's Equity	Pearson's (r)	–0.212**
	P-Value	0.009
Business Size	Pearson's (r)	0.194*
	P-Value	0.018

Note: ** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed).

scores of between 1 and 3 were adopted for age of business (from youngest to oldest), 1to 4 for owner's equity and business size from lowest category to the highest. The scores were used to compute the Pearson's Product Moment Correlation to determine the correlation between the variables and the findings presented in Table 8.

There were significant positive relationships between business size and uptake of credit products (r=0.19, n=150) and age of business and uptake of credit (r= - 0.26, n=150), but significant negative relationships between owner's equity and uptake of credit (r= -0.21, n=150). The correlations were significant at the 0.05 level of significance.

DISCUSSION

The study established that there were significant positive relationships between uptake of credit products and sex and level of education, but a significant, negative relationship between uptake of credit products and age. However, the relationship between uptake of credit products and family size remained marginally insignificant. The implication of these findings is that male entrepreneurs are likely to take up credit products compared to females. As individuals acquire

higher education, their demand for higher income increases thus the positive correlation between level of education and uptake of credit to expand business and enhance their earnings. The negative correlation between uptake of credit products and age indicates that young people are likely to take up credit products compared to the middle aged and the old. The young and energetic individuals have high ambitions to earn higher incomes and are expected to be more active in terms of savings in order to accumulate wealth. Thus, they the young may tend to save and/or borrow more for investment while the old may be less inclined to save/borrow. In addition, in the recent past, the government has been very keen on youth empowerment, leading to a flurry of initiatives and programmes aimed at financing youth entrepreneurs. This makes them prone to credit uptake compared to the old, augmented by favourable lending conditions for the youth to encourage them take up credit products. Earlier studies such as Zeller (1994) and Mpunga (2004) reported that age had positive effect on the decision to demand for credit. Ilahi (2001) argues that segregation of activities by gender affect women's access to credit. In addition, women have no control of assets such as land and buildings that could be used as collateral, thus making demand for financial services different between men and women (Mpunga, 2004). Mpunga also notes that level of education, value of household assets owned by household and other dwelling characteristics strongly influence demand for credit.

In relation to the effect of business characteristics and SMEs' uptake of credit products, the study established that there were significant positive relationships between business size and uptake of credit products and age of business and uptake of credit, but significant negative relationships between owner's equity and uptake of credit. As the SMEs grow in size, they become more likely to take up credit products as explained by the positive correlation between business size and uptake of credit products. This may be attributed to the fact that the entrepreneurs gain confidence that they would be able to meet the credit obligations such as the often tight repayment schedules. With regard to age of business, young business shy away from credit products due to failure to meet some requisite conditions attached to the credit products such as collaterals as well strong financial statements, but as businesses pass through the years, financing of the business from external sources becomes inevitable since they are able to meet most of the financing conditions. On the contrary, the negative correlations between owner's equity and uptake of credit implies that as owner's equity increase, demand for credit facilities decrease.

The foregoing findings, while agreeing with previous studies, equally contrasted with others. For instance, Fatoki and Asah (2011) reported that firm size impacts SMEs access to debt finance from commercial banks whereby small enterprises are less favored to large firms. Psillaki and Daskalakis, (2009) posit that firm size influence access to finance by SMEs. Fleming *et al.* (2005) report a positive relationship between equity agency costs and the separation of ownership and control in Australian SMEs. (Berger and Udell (1998) reported that firm age largely corresponds to the business cycle of SMEs, and that start-up and early-stage SMEs may resort to external equity, particularly private investors and business angels. Bhaird and Lucey (2010) argue that firm age positively relates to external finance

seeking. However, as SMEs move from the start-up or early-stage to the middle-stage, they can source more finance from retained profits. Klapper (2010) adds their voice by stating that younger firms rely less on bank financing and more on informal financing.

CONCLUSION

Based on the findings of this study, it was concluded that among the borrower's characteristics, there is positive correlation between sex, level of education and uptake of credit products. However, a significant negative relationship exists between the borrower's age and uptake of credit products, and that family size has no relationship with uptake of credit product. The government's initiatives of making credit available to the youth which are meant to empower the youth economically augmented by favourable lending conditions for the youth have encouraged them to take up credit products.

Secondly, the business characteristics that correlate positively with uptake of credit among SMEs are business size and age of business. Owner's equity has negative correlation with uptake of credit. Therefore, as SMEs grow in size, they become more likely to take up credit products given that entrepreneurs gather the confidence to take risks associated with credit products as the business grows, backed up by the enhanced ability to meet the credit obligations such as the often tight repayment schedules.

RECOMMENDATIONS

The study made the following recommendations based on the findings of the study:

1. An elaborate legislative policy framework needs to be institutionalized to address the socio-economic barriers that limit uptake of credit products by the SMEs. This will go a long way in increasing both access to and uptake of credit products by all entrepreneurs regardless of their socio-economic backgrounds.
2. Financial institutions in collaboration with the relevant government agencies charged with the responsibility of promoting the activities of SMEs should design capacity building programmes for the SME entrepreneurs to provide reliable information and training on the entrepreneurial dynamics that affect business performance, especially with respect to uptake of credit products. Such opportunities ought to take into consideration the business characteristics and their relationship with both access to and uptake of credit so as to address both the supply and demand sides of business financing.

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