

ABSTRACT

In the contemporary business arena, few businesses operate without credit from banks, with small and medium enterprises (SMEs) lending portfolio by banks in Kenya estimated at KSh332 billion. Four hundred thousand SMEs did not see their second anniversary in the recent past in Kenya raising questions about the impact of banks credit accessibility on success of the SMEs. The purpose of the study was to establish the effect of banks credit accessibility on the performance of small and medium enterprises in Maua Town, Meru County, Kenya. Maua is a cosmopolitan urban centre serving the entire Igembe region of Meru County as well as parts of Isiolo County. Specifically, the study sought to evaluate the effect of loan collateral requirements on the performance of SMES; to establish the effect of cost of credit on the performance of SMEs, and to establish the effect of loan repayment period on the performance of SMEs in Maua Town. The population of the study comprised 250 registered SMEs licensed in Maua Town by the County Government of Meru. Using stratified and simple random, 153 enterprises were selected as the sample of the study. Data was collected using questionnaires, which were administered during business hours. Data was analysed using SPSS Version 21 and presented using frequency tables. Regression Analysis was used to establish the effect of respective independent variables on the dependent variable. Linear regression analysis indicated all the three independent variables (collateral requirements, costs of credit and loan repayment period) had a negative effect on performance of SMEs. The study recommended that Banks should review collateral demands for SME owners to allow for more items of value to be used as security as this will encourage businesspeople to borrow; that banks should retain or minimize current interest rates, and that loan repayment periods should be reviewed and changed in respect to the purpose of borrowing as some investment do not yield immediate returns.