MICRO CREDIT ORIENTATION, FINANCIAL LITERACY AND INVESTMENT EFFICIENCY OF SMES IN KERICHO COUNTY, KENYA

BY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS AND ECONOMICS, DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE CONFERMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE OPTION)

MOI UNIVERSITY

2025

DECLARATION

This project is my original work and it has not been presented for a degree in any other University. No part of this project can be reproduced without the prior written permission of the author and/or Moi University.

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DEDICATION

This academic endeavor is respectfully dedicated to my parents, who instilled in me the profound value of education and consistently provided encouragement and support, inspiring me to pursue loftier aspirations in life.

ACKNOWLEDGEMENTS

I extend my sincere appreciation to the Lord Almighty for bestowing upon me the fortitude, bravery, and steadfastness required to embark upon and successfully conclude this research. I am deeply thankful to all the lecturers at Moi University, with special appreciation to my supervisors, Dr. Collins Kapkiyai and Dr. Catherine Muganda, for their invaluable guidance and for dedicating their time to review and support my work throughout the research writing process. I am deeply appreciative to my parents, brothers, and sisters for their unwavering financial and emotional support, which has been instrumental in this journey. Finally, my heartfelt thanks go to my classmates and colleagues from the Kericho County Government for providing me with the time and encouragement to pursue this course.

ABSTRACT

Small and Medium Enterprises (SMEs) are vital for economic advancement, especially in developing economies. Despite their importance, many struggle with optimizing investment effectiveness, crucial for their survival and growth. Microcredit orientation, encompassing credit availability and usage, is a key influence on investment success. However, its effectiveness in boosting efficiency may depend on entrepreneurial financial acumen. Thus, this research explored how financial literacy influences the link between microcredit practices and SME investment efficiency in Kericho County. The research specifically aimed to investigate microcredit accessibility's influence, assess microcredit utilization's consequences, and ascertain microcredit terms' impact on SME investment efficiency. It also delved into financial literacy's moderating role concerning various microcredit orientation components and investment efficiency. This investigation was underpinned by financial intermediation, pecking order, and human capital theories. Utilizing an explanatory research design, this study focused on all 5,813 registered SMEs in Kericho County. Stratified random sampling selected 385 SMEs from its five sub-counties. Data from managerial personnel were gathered via questionnaires. Reliability was verified using a Cronbach's alpha coefficient (minimum 0.7). Post-collection, responses were coded and analyzed using SPSS version 26. Analysis included descriptive statistics (averages, frequencies, dispersion) and inferential statistics (multiple regression, Pearson’s Moment Correlation). The research revealed microcredit accessibility (β= -0.026, $p=0.001<0.05$), utilization ($\beta=0.209$; $p=0.000<0.05$), and conditions (β =0.8; $p=0.000<0.05$) were all statistically significant. Financial literacy moderated microcredit accessibility ($\beta=-0.211$, $p=0.011<0.05$, $\Delta R^2 = 0.246$) and conditions (β =0.979, $p=0.000<0.05$, $\Delta R^2 =0.045$), but not utilization ($\beta=0.110$, $p=0.177>0.05$, $\Delta R^2 =0.316$). The study concluded that combined microcredit elements contributed to SME investment efficiency. Therefore, the study recommended that financial institutions providing microcredit products should formulate policies aimed at making microcredit conditions more manageable. They should also educate SME owners on effective strategies for utilizing the microcredit obtained from these institutions. The findings of this study are expected to be valuable for policymakers, the leadership of financial institutions, regulatory bodies, and academics and scholars.

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OPERATIONAL DEFINITION OF TERMS

Financial Literacy refers to the knowledge, skills, and confidence of SME owners and managers to effectively understand, analyze, and apply financial concepts and tools for making informed decisions about managing their business finances.

Investment efficiency Refers to the ability of SMEs to allocate and utilize financial resources, particularly micro-credit, in a manner that maximizes returns while minimizing waste or inefficiencies. In this study, investment efficiency was measured by return on assets and profit margins

Micro credit accessibility It is the extent to which SMEs can obtain micro-credit, determined by factors such as ease of application, availability of credit facilities, and SME awareness of funding options. In these study time taken to approve, loan application process, availability of loan product and awareness of loan product were used to measure the rate of loan accessibility.

Micro credit conditions These are the terms and conditions associated with micro-credit, such as interest rates, repayment schedules, and collateral requirements, and their suitability for enabling SMEs to achieve optimal investment outcome. In this study micro credit condition

	was measured by collateral requirements, flexibility in payment and guarantor demands
Micro credit orientation	refers to the strategic approach and behavior of SMEs in understanding, accessing, utilizing, and managing micro-credit facilities. Collectively this factors influence how effectively SMEs leverage micro-credit to enhance their investment efficiency.
Micro credit utilization	Refers to the effectiveness and purpose for which SMEs allocate and use micro-credit funds, including their ability to invest in productive activities that promote growth and profitability. In this study, micro credit utilization was measured by the use of micro credit in establishing new investment, improving working capital and business expansion
Small and Medium Enterprises	are business entities operating characterized by their scale of operation, which typically includes a workforce of 10 to 50 employees and an annual turnover ranging from KES 500,000 to KES 50 million.

ABBREVIATIONS

FDI	Foreign Direct Investment
GDP	Gross Domestic Products
MFIS	Microfinance Institutions
NBFIS	Banks And Other Financial Institutions
NGOS	Non-Governmental Organizations
ODA	Overseas Development Assistant
RMF	Rural Microfinance
SACCOS	Savings And Credit Co-Operative Organizations
SMEs	Small, and Medium Enterprises
SPSS	Statistical Packages for Social Scientist

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter outlines the foundational context of the study, articulates the problem it addresses, defines its objectives, and presents the guiding research questions. Additionally, the importance and boundaries of the study are also explored.

1.2 Background to the Study

Investment efficiency is the effective allocation and utilization of resources by businesses to generate optimal returns on investments. Investment efficiency among small and medium enterprises is essential as it directly influences their profitability, growth potential, and long-term sustainability (Krause et al., 2019). Efficient investment decisions ensure that financial resources are directed toward high-return opportunities, minimizing waste and maximizing the impact of available capital. However, many SMEs struggle with making informed investment choices due to limited access to financial knowledge, inadequate market insights, and constrained financial resources. As such, fostering investment efficiency among SMEs requires not only access to capital, such as through microcredit, but also the necessary financial literacy to make sound investment decisions (Sadiq & Rasheed, 2022; Ghosh & Ramesh, 2020).

In areas where financial inclusion is still lacking, micro-credit orientation, which entails having access to and using small loans to promote entrepreneurship has been crucial (Rahman et al., 2021). These financial initiatives give underprivileged business owners access to funding that is sometimes denied by conventional lending organizations. However, financial knowledge is necessary if microcredit is to result in investment efficiency (Rahman et al., 2021; Sayed & Sayed, 2023). Entrepreneurs who possess financial literacy are better able to manage resources, assess investment opportunities, and maintain business operations. This leads to increased investment efficiency, which in turn boosts the growth and success of SMEs (Wang et al., 2021).

Microcredit initiatives have gained widespread acceptance as a means of promoting economic growth and lowering poverty, particularly in developing nations (Sayed & Sayed, 2023). Because of the success of the Grameen Bank model, which offers microloans to empower low-income entrepreneurs, Bangladesh, for example, has a long history of microcredit (Rahman et al., 2021). According to reports, millions of rural citizens in Bangladesh have benefited from microcredit as of 2023, with women making up more than 90% of borrowers (Shafi & Yusuf, 2023). With an estimated 30 million active borrowers, Bangladesh's microfinance institutions had a loan portfolio of about USD 12 billion in 2021 (Frontiers in Microfinance, 2023). However, research indicates that the true effect of microcredit on the long-term investment efficiency of SMEs is still unclear and frequently depends on the financial literacy of the borrowers. Compared to 34% of borrowers with lower financial literacy levels, 55% of borrowers with moderate to high financial literacy showed efficient investment habits in a 2022 study (Shafi & Yusuf, 2023).

Furthermore, although microcredit is less common in the United States of America (USA) than in developing nations, credit unions and Community Development Financial Institutions (CDFIs) help underprivileged populations by offering modest loans (CDC, 2023). Since their founding, CDFIs have provided more than USD 222 billion in loans and investments to SMEs nationwide (Sayed & Sayed, 2023). Research indicates that SMEs who benefited from CDFI financial guidance outperformed those who did not in terms of investment efficiency and business viability. This result highlights a global trend where education and credit availability work together to boost SME performance and resilience, supporting the notion that financial literacy, when combined with microcredit, can result in better investment choices (Wang et al., 2021). According to regional research, financial literacy promotes prudent resource allocation, educated decision-making, and risk reduction, all of which greatly increase the investment efficiency of SMEs (CDC, 2023).

To address the unmet need for financial services, a diverse array of microfinance institutions (MFIs) has progressively developed across Africa. Some of these organizations focus exclusively on extending credit, while others engage in offering both deposit and lending services, and a few are solely involved in collecting deposits. Throughout this research, the term "microfinance Institutions" is employed according to its conventional definition, referring to financial entities committed to helping small businesses, low-income individuals, and households excluded from more established financial systems to accumulate savings and gain access to financial services. The institutions that provide microfinance services are highly varied, encompassing commercial banks, state-owned development banks, Savings and Credit Cooperative Organizations (SACCOs), and postal offices.

The logic behind microcredit is that poor people who are typically denied credit because they are considered “high-risk” and “unbankable” by traditional financial institutions, can easily access low-cost loans made available to them. If such marginalized people obtain microcredit, they will be able to invest, grow their income, become financially stable, create employment opportunities, lifting them and others out of poverty (Kaburi et al., 2013). Thus, the primary objective of microcredit is to help borrowers become self-employed or grow their small businesses. The Kenyan government promotes microcredit for small businesses because, in an ideal scenario, investments facilitated by microcredit will enable these businesses to overcome poverty through agricultural ventures, thereby simultaneously alleviating poverty and advancing the agricultural sector (Republic of Kenya et al., 2017). Thus, it is pertinent to determine whether SMEs who obtain microcredit are actually lifted out of poverty.

Lastly, Kenyan mobile banking technologies have led to a notable development of microcredit services. Small and medium-sized businesses (SMEs), which play a major role in economic growth, have benefited greatly from microcredit's advancement of financial inclusion (Sayed & Sayed, 2023). Due in major part to the widespread use of mobile banking, micro-credit services are now available to a broad spectrum of entrepreneurs, with almost 86% of Kenyans now having access to formal financial services (Frontiers in Microfinance, 2023). With an estimated 7 million borrowers and a total loan portfolio of over USD 1.3 billion as of 2022, Kenya's microfinance industry is strong. Numerous SMEs have been able to start and expand because to the easy access to funding, which has promoted local economic growth and the creation of jobs. A more nuanced picture is revealed by the relationship between microcredit availability and the real investment effectiveness of these funds.

Investment efficiency refers to how effectively a company utilizes its resources to generate value and profits. This concept is a critical element for the growth and long-term viability of Small and Medium-sized Businesses (SMEs). Two key indicators commonly employed to evaluate investment effectiveness are Return on Assets (ROA) and profit margin. Both metrics offer essential insights into a company's success in deploying its resources and managing expenditures to achieve profitability.

Return on Assets (ROA) is a financial measure that quantifies a business's proficiency in converting its assets into earnings. This figure is derived by dividing net income by total assets. A higher ROA signifies superior investment efficiency, indicating that the business can generate more profit from its asset base (Abiodun, 2020). ROA is a particularly vital metric for SMEs because it reflects the effectiveness of their capital allocation decisions. A strong ROA suggests that an SME is optimally leveraging its resources to achieve profitability. This is especially important for sustained growth, particularly when the business has limited access to funding. By improving their ROA, businesses can enhance their competitive standing in the market, attract potential investors, and bolster their overall financial health (Adebayo & Olagunju, 2021).

Another important measure of investment efficiency is Profit margin. It shows the portion of revenue that is higher than operational costs and the cost of goods sold. A large profit margin indicates that the business is able to keep a sizable amount of its sales as profit, indicating efficient production methods and good cost control (Karim & Hossain, 2019). In competitive marketplaces where cost management is critical, SMEs must maintain a strong profit margin to ensure financial viability. A strong market position, where the company can command higher prices or efficiently cut expenses, can also be indicated by a large profit margin (Ghosh & Ramesh, 2020). Businesses can evaluate their performance in relation to their financial resources and investment choices by using this statistic in conjunction with ROA. By providing information on asset utilization and profit-generating potential, ROA and profit margin are both useful instruments for SMEs to assess the effectiveness of their investments. SMEs can streamline their operations and set themselves up for success and expansion by concentrating on raising these metrics.

Understanding the dynamics of financial inclusion and entrepreneurship in small and medium-sized businesses (SMEs) requires a micro-credit mindset (Beck, 2023). This approach covers the availability and use of microcredit as well as the circumstances surrounding its issuance, all of which are critical in assessing how it affects investment efficiency and business expansion (Bongomin, Dube, & Wekesa, 2020). The ease with which business owners can get loans is known as micro-credit accessibility. One important measure of accessibility is the amount of time it takes to approve a loan. Entrepreneurs may be deterred from applying if the approval procedure is lengthy, particularly if they are in immediate need of funding (Sheng, 2021). However, a speedier approval procedure can increase the possibility that microcredit will be utilized for urgent business requirements, which will accelerate growth (Mutua, Mwai, & Odhiambo, 2020).

Additionally, the loan application procedure itself ought to be simple and uncomplicated. Potential borrowers who lack the means or expertise to understand the process may be turned off if it is complicated. Furthermore, two important measures of accessibility are the availability of loan products and consumer knowledge of them. Businesses are more likely to discover a loan product that meets their unique needs, whether they are for working capital or business expansion, when a variety of loan products are available and effectively promoted (Ngugi & Otieno, 2020).

Utilization of microcredit describes the way in which the money is used. Working capital, business expansion, and the usage of funds for new investments are the main indications. Enhancing the company's infrastructure, buying equipment, or creating new goods or services are frequently the goals of new investments (Chakraborty et al., 2021). On the other hand, working capital is utilized for the daily operations of the company, including paying staff, buying supplies, and meeting other operational expenses. Another crucial application is business expansion, which entails employing microcredit to grow operations, add new product lines, or penetrate untapped markets. Financial literacy and the proper use of microcredit are strongly related because more financially educated entrepreneurs are better able to use the money wisely and strategically (Karim & Hossain, 2019).

Finally, SMEs' interactions with microcredit are influenced by its terms, which include guarantor expectations, payment flexibility, and collateral restrictions. For many entrepreneurs, particularly those in the informal or low-income sectors, who might not have the assets to provide as security, collateral requirements might be a deterrent. Payment schedule flexibility is essential because it lowers the risk of default by enabling business owners to repay loans in accordance with their cash flow (Sarker, Rahman, & Alam, 2022). An entrepreneur's ability to obtain microcredit is also influenced by guarantor demands, since these extra conditions may prevent borrowers who do not have the required business or social networks. Thus, the accessibility and efficacy of microcredit in fostering the expansion of SMEs are greatly impacted by microcredit circumstances (Gichuki & Odhiambo, 2023).

Financial literacy plays a crucial role in determining the effectiveness with which businesses, especially small and medium-sized enterprises (SMEs), deploy microcredit for investment choices (Aggarwal, 2023). A key indicator of financial literacy is investment knowledge, which encompasses an individual's understanding of various financial instruments, strategies for managing risk, and the ability to evaluate potential investment opportunities. As noted by Aggarwal (2023), entrepreneurs with a more developed understanding of investing are better equipped to make informed choices regarding the allocation of their microloans, thereby ensuring that funds are directed towards projects that maximize returns and mitigate potential risks.

Entrepreneurs with investment knowledge are able to differentiate between profitable ventures and those that could result in losses. It also affects their capacity to evaluate the financial standing of their company, plan for long-term viability, and make wise investments. Even having access to microcredit cannot result in profitable business endeavors if one has adequate financial expertise, since ill-informed choices might lessen the impact of these loans. Essentially, investment expertise is the instrument that permits efficient use of these funds, even though microcredit supplies the financial means (Muiruri, Ochieng, & Ombui, 2021).

Furthermore, understanding how to strike a balance between short-term and long-term financial objectives is another aspect of investment expertise. A strategic approach to managing the financial resources of their company is more likely to be taken by entrepreneurs who possess sufficient investment knowledge. This strategy entails identifying lucrative growth prospects, comprehending the time worth of money, and keeping an investment portfolio in line with their corporate goals. Because it enables SMEs to make wise financial decisions that improve their growth prospects, financial literacy, as viewed through the lens of investment knowledge, is therefore a critical moderating factor in the relationship between microcredit access and investment efficiency (Wambugu & Mwangi, 2023).

1.2.1 SMEs in Kericho County

Kenya small and medium-sized businesses (SMEs) play a crucial role in the local economy by reducing poverty, creating jobs, and diversifying the economy. Traditionally recognized for its tea business, the county has witnessed an increase of SMEs in a number of industries, including manufacturing, services, retail, transportation, and agriculture. Notably, the hospitality and tourist industries, which profit from the area's natural resources and picturesque scenery, as well as Agro-processing companies, which add value to raw agricultural products, have been growing (KNCCI, 2020). However, SMEs in Kericho face significant challenges. One of the largest obstacles is the lack of inexpensive financing options, as many businesses find it difficult to obtain loans from official financial institutions because of the strict standards. Because of this, SMEs are forced to rely on unofficial loan sources, which may have unfavorable terms. Business activities are also hampered by infrastructure issues like unstable energy, inadequate road systems, and restricted internet access. The expansion potential of many SMEs is also constrained by a shortage of technological know-how and competent workforce (CIDP 2018). Another crucial issue is financial literacy. The inability of many SME owners to properly manage their company's finances results in wasteful resource utilization and bad investment choices. Many businesses are unable to fully utilize the possibilities of accessible microcredit and other financial instruments due to this financial illiteracy.

1.3 Statement of the problem

Small and Medium Enterprises (SMEs) play a vital role in the economic development by contributing to employment generation, poverty reduction, and economic diversification. However, despite their potential, many SMEs in the county face significant challenges in achieving investment efficiency. One of the critical factors contributing to these challenges is the limited access to microcredit and inadequate financial literacy, which can impact the decision-making processes related to investments, cash flow management, and long-term business sustainability. Microcredit orientation refers to the extent to which SMEs utilize available microfinancing options to fuel their business growth. While microcredit has been touted as a tool for empowering SMEs, its effectiveness is often undermined by insufficient understanding of financial principles, poor investment strategies, and lack of proper financial planning. Recent studies indicate that Small and Medium Enterprises (SMEs) in Kericho County have faced challenges in achieving optimal investment efficiency over the past five years (Cheruyot, 2019; KNBS, 2019). A 2016 report by the Kenya National Bureau of Statistics (KNBS) revealed that 72% of manufacturing SMEs in the county recorded a return on capital employed of less than 5%, with only 28% achieving returns above this threshold. Furthermore, in 2014, 41% of these SMEs experienced negative returns, and only 13% had returns exceeding 10% (KNBS,2016). These figures suggest that a significant proportion of SMEs in Kericho County have struggled with low investment returns, potentially due to micro credit orientation dynamics. Additionally, financial literacy, which includes the ability to understand and apply financial concepts such as budgeting, forecasting, and risk management, is often low among SME owners and managers, leading to inefficient allocation of resources and poor investment decisions. Despite the critical relationship between microcredit, financial literacy, and investment efficiency, there is a limited understanding of how these factors interact and influence the performance of SMEs in Kericho County due to scanty extant literature. Previous studies focusing on investment efficiency of SMEs have largely been carried out in developed countries, for instance Müller, Behrendt, and Schmitz (2020) carried out their study in the European Union, Liu, Zhang, and Wang (2022) carried out their study in China and Ghosh and Ramesh (2020) carried out their study in European countries. Furthermore, previous research has largely concentrated on the direct link between microcredit orientation variables and investment efficiency, often overlooking the impact of other influencing factors. This study, therefore, aimed to bridge this knowledge gap by investigating the moderating role of financial literacy on the relationship between microcredit orientation and the investment efficiency of SMEs. The ultimate objective was to generate valuable insights for policy recommendations, thereby promoting improved access to microcredit and strengthening financial education initiatives for SMEs throughout the region.

1.4 Objectives of the Study

Objectives of the study are indicated by the general objective and the specific objective

1.4.1 General Objective

The main goal of this study was to evaluate how financial literacy influences the connection between microcredit practices and the investment effectiveness of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.

1.4.2 Specific Objectives

The specific objectives of this study were:

1. To examine the effect of micro credit accessibility on investment efficiency of SMEs in Kericho County, Kenya
2. To assess the effect of micro-credit utilization on investment efficiency of SMEs in Kericho County, Kenya
3. To establish the effect of micro-credit condition on investment efficiency of SMEs in Kericho County, Kenya

4a. To analyse the moderating effect of financial literacy on the relationship between micro credit accessibility and investment efficiency of SMEs in Kericho County, Kenya

4b. To assess the moderating effect of financial literacy on the relationship between micro-credit utilization and investment efficiency of SMEs in Kericho County, Kenya

4c. To establish the moderating effect of financial literacy on the relationship between micro-credit condition and investment efficiency of SMEs in Kericho County, Kenya

1.5 Research Hypotheses

The study tested the following null hypotheses for the specific objectives:

Ho1: Microcredit accessibility does not demonstrate a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) within Kericho County, Kenya.

Ho2: Microcredit utilization does not exhibit a statistically significant influence on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

Ho3: Microcredit conditions do not have a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

Ho4a: Financial literacy does not have a moderating effect on the relationship between microcredit accessibility and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

Ho4b: Financial literacy does not have a moderating effect on the relationship between microcredit utilization and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

Ho4c: Financial literacy does not have a moderating effect on the relationship between microcredit conditions and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

1.6 Significance of the Study

The findings of this study offer advantages to various groups, both directly and indirectly involved, including SME management, policymakers, microcredit institutions, and the government. This research will assist SMEs in Kericho County and other regions in comprehending the criteria used for loan disbursement to individuals, the concept of financial inclusivity through microcredit, and the potential impact of microcredit provision on poverty reduction and economic advancement.

Policymakers, such as the Sacco Societies Regulatory Authority (SASRA), Kenya Union of Savings and Credit Co-operatives (KUSCCO), and the management of microcredit institutions and regulatory bodies, would find the conclusions and recommendations valuable. Managers could leverage the study's findings to assess the reach, perceptions, and effectiveness of their microcredit products among SMEs and other business entities. The study will enable microcredit institutions to clearly identify shortcomings in their support for small business operations and consequently enhance their current practices.

Furthermore, the study will help the government recognize the contribution of microcredit to the growth of small businesses. It will encourage the government to increase funding to achieve its Vision 2030 goals related to poverty alleviation. The findings are also anticipated to be significant for academia, expanding scholarly work within the field of microfinance, particularly microcredit in Kenya's financial sector. Researchers can utilize these findings to enrich the existing literature on microcredit, thereby contributing to the development of the expanding discipline of microfinance. Lastly, the study will provide researchers with a comprehensive understanding of microcredit activities, allowing them to explore previously unexamined areas. Research students can also use this work as reference material during their academic pursuits.

1.7 Scope of the Study

The research aimed to establish the degree to which financial literacy shapes the interaction between microcredit practices and the investment effectiveness of Small and Medium-sized Enterprises (SMEs) operating in Kericho County. Its precise objectives involved evaluating the impact of microcredit availability, assessing the consequences of microcredit usage, and determining the influence of microcredit terms on investment efficiency. Additionally, the investigation delved into the moderating function of financial literacy concerning the broader relationship between microcredit orientation and the investment efficiency of these SMEs. The scope of the inquiry covered all SMEs situated across every sub-county within Kericho County, with data meticulously gathered through structured questionnaires. This particular study was conducted within Kericho County, spanning the period from May to December 2024.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed both conceptual and empirical literature related to the contribution of micro credit loans towards economic development. The empirical review comprised of the following area methods of assessing of assessing farmers borrowing capacity by microfinance institutions, accessibility of microcredit loans, utilization of micro credit by farmers and the relationship between micro-credit provision and economic development. The conceptual framework of the study is also presented.

2.1 Concept of Investment Efficiency

The best use and distribution of financial resources by companies to maximize return on investment (ROI) while lowering expenses and risks is known as investment efficiency. Given that SMEs frequently deal with resource limitations and increased financial uncertainty, investment efficiency is essential for the viability and expansion of their businesses (Krause et al., 2019). Effective use of limited resources by SMEs is made possible by efficient investment decisions, which guarantee that every investment unit makes a substantial contribution to value creation and competitive advantage (Sadiq & Rasheed, 2022).

The idea of investment efficiency includes a number of elements, such as the amount, timing, and risk of investments. In order to spend their limited financial resources wisely, SMEs must assess a range of investment alternatives. A key component of this process is financial literacy, which entails comprehending and making good use of financial information. The efficiency of the investment process is increased when

SME owners and managers possess a high degree of financial literacy, which allows them to evaluate the risks and possible rewards of various investments (Smith et al., 2021).

Effective investment efficiency also entails prudent cash flow management and the deliberate selection of investment initiatives that complement the strategic objectives of SMEs. In order to ensure that investments support the financial health of the company, SMEs must strike a balance between the need for short-term liquidity and long-term growth potential. Additionally, it entails assessing non-financial results including enhanced customer satisfaction, brand value, and market positioning in addition to financial returns (Krause et al., 2019).

Financial literacy can increase investment efficiency by improving SME owners' and managers' decision-making skills, according to research. Managers with a solid understanding of finance are better able to weigh the advantages and disadvantages of various investment possibilities, making sure that they are sustainable and lucrative. Investment efficiency can also be impacted by micro-credit orientation, which describes how SMEs use micro-credit loans for investment goals. Financial literacy can assist guarantee that investments are sustainable and in line with long-term business objectives, even though SMEs with a strong micro-credit orientation typically emphasize investments that can provide substantial returns in the short term (Gichuki & Mwaura, 2020). As a result, investment efficiency is essential to SMEs' long-term viability and success. Thus, investment efficiency is essential to SMEs' long-term viability and success. Financial literacy-guided, efficient use of financial resources can assist SMEs in making wise investment choices that boost competitiveness, spur growth, and enhance overall company performance.

2.2 Concept of Micro Credit Orientation

2.2.1 Micro credit accessibility

The ease with which Small and Medium Businesses (SMEs) can obtain small-scale loans and credit facilities to support operations, expansion, and other financial requirements is known as micro-credit accessibility. For SMEs, especially those who might not have enough collateral or credit history to obtain loans from regular financial institutions, having access to microcredit is essential (Abiodun, 2020). For micro-entrepreneurs or SMEs, micro-credit facilities often offer small, frequently unsecured loans. By allowing underbanked and unbanked business owners to engage with the financial system, microcredit accessibility plays a crucial role in achieving financial inclusion, which in turn encourages economic growth and entrepreneurial endeavors (Johnson & Arnold, 2021).

The method used by the lending institution to evaluate risk is one of the main factors that determines accessibility to microcredit. Instead of depending only on credit ratings or collateral, many microfinance institutions (MFIs) take a more flexible approach to credit evaluation, frequently evaluating borrowers' cash flow, business viability, and commitment. By enabling entrepreneurs who would not be able to meet the stringent requirements of traditional banks to receive financial support, this flexibility improves accessibility (Berg & Cull, 2022). Nevertheless, a number of obstacles can still make microcredit less accessible, including high interest rates, a lack of MFI outreach in underserved or rural areas, and a lack of financial literacy among prospective borrowers, which may impair their comprehension of loan conditions and repayment commitments (Ghosh & Guha, 2023).

Access to microcredit has improved thanks in large part to technology. With less paperwork and faster processing times, SMEs may now apply for and obtain loans more easily thanks to digital lending platforms and mobile banking services. Because it lowers physical barriers to credit availability, the digital transformation of microfinance is especially advantageous for SMEs located in remote areas (Rahman et al., 2021). Furthermore, collaborations between digital service providers and MFIs are assisting in cost reduction and streamlining loan procedures, increasing accessibility for SME owners who might otherwise be financially excluded (Klapper & Singer, 2020).

Notwithstanding these developments, there are still obstacles to overcome, including legal limitations, occasionally unaffordable interest rates, and issues in determining the trustworthiness of borrowers without official financial histories (Banerjee & Duflo, 2019). Therefore, increasing accessibility and making sure business owners have the financial literacy they need to handle credit responsibly are essential for microcredit's efficacy as a strategy for boosting SME investment efficiency (Aggarwal, 2023).

2.2.2 Micro-credit utilization

A crucial component of microcredit orientation is microcredit usage, which measures how well small and medium-sized businesses (SMEs) use microloans to optimize their investment efficiency (Rahman et al., 2021). Utilizing microcredit entails both the distribution of money and their efficient application to profitable endeavors, which can have a substantial impact on business outcomes including sustainability, growth, and profitability. Effective use of microcredit funding is essential for SMEs since it has a direct impact on their capacity to grow and compete in their respective markets.

Utilizing microcredit is a multifaceted notion that frequently includes elements such as allocating loans for company purposes, smart financial planning, and prompt payback (Nawaz, 2021). Prioritizing productive uses above consumptive spending is a sign of effective usage, which can increase both immediate and long-term returns on investment. According to research, SMEs with strong financial literacy are typically better at directing microcredit funds toward growth-oriented initiatives including expanding their markets, diversifying their product lines, and acquiring new technologies (Rahman & Akter, 2020). As SMEs allocate funding to initiatives that boost revenue and productivity, this ultimately leads to increased investment efficiency.

Using microcredit also means continuing to borrow in a responsible manner. For example, SMEs are less likely to have problems like debt overhang if they closely monitor loan utilization by keeping track of expenses and coordinating them with business objectives (Sarker et al., 2022). Additionally, SMEs may better exploit microcredit for sustainable growth and steer clear of financial traps by being aware of the interest rates, fees, and repayment plans linked to their loans. In this sense, being able to increase credit usage represents a deliberate approach to maximizing loan advantages while controlling related risks, going beyond basic access to funds.

However, a number of variables, such as the borrower's level of financial literacy and the design of the lending facilities offered by micro financial institutions, may affect how well microcredit funds are used. Improper capital allocation can result in inefficiencies, underutilization, or even misuse of loans for SMEs with low financial literacy, all of which have a detrimental effect on business performance (Karim & Hossain, 2019). On the other hand, SMEs that get focused financial management assistance are more likely to allocate capital wisely, increasing the effectiveness of their investments (Chowdhury & Yasmin, 2023). Thus, improving financial literacy and giving SMEs continual instruction on how to use microcredit effectively can be important drivers of investment efficiency and long-term financial stability.

2.2.3 Micro-credit conditions

The concept of micro-credit condition refers to the conditions and guidelines that apply to small and medium-sized businesses (SMEs) receiving small loans. The loan criteria, repayment terms, interest rates, and collateral restrictions that affect SMEs' access to and affordability of microcredit are all included in these conditions. Since SMEs are frequently limited by traditional financing choices because of their lack of collateral or credit history, effective microcredit conditions are essential for facilitating their access to capital (Alhassan & Sakara, 2019). Therefore, microcredit conditions are essential for improving SMEs' creditworthiness and financial sustainability, which can boost their investment efficiency.

In order to accommodate SMEs with limited financial capacity, certain microcredit schemes use variable or low interest rates. Microcredit conditions are generally made to provide flexible funding (Rahman & Khan, 2021). These parameters make it possible for SMEs to obtain funding for resource, technological, and innovative investments—all of which are critical for expansion and increased productivity. Furthermore, certain microcredit programs' repayment flexibility enables borrowers to match loan payments to cash flows, easing financial burden and lowering the chance of default (Nyaga, Wanyoike, & Kamau, 2022). These circumstances promote the use of microcredit, allowing SMEs to maximize their resources and raise their return on investment.

The collateral requirement is a crucial component of microcredit terms. Microcredit, in contrast to standard loans, frequently needs little to no collateral and is based on the borrower's repayment history and the business's potential for growth (Gichuki & Odhiambo, 2023). For SMEs that might not have enough assets to qualify for larger loans, this factor is very important. These conditions encourage more SMEs to make profitable investments by providing easily accessible loans, which could boost their market competitiveness and promote economic growth. In order to guarantee that borrowers, make well-informed financial decisions that improve investment outcomes, microcredit conditions may sometimes occasionally include non-financial assistance, such as financial literacy training.

Furthermore, as favorable terms result in better repayment behavior, microcredit conditions that are well-tailored to SME needs might reduce the risks associated with high default rates. Both lenders and borrowers gain from this alignment, which creates a favorable lending climate that supports long-term expansion in the SME sector. Thus, advantageous microcredit circumstances reinforce SMEs' position as vital engines of economic development by supporting both short-term access to financing and long-term financial inclusion and stability (Njagi, 2021).

2.3 Concept of Financial Literacy

Financial literacy refers to the ability to grasp and apply diverse financial competencies, including but not limited to budgeting, making investment decisions, managing personal finances, and understanding various financial products. It entails understanding financial principles and how they affect both individual and corporate financial decisions, including interest rates, inflation, loans, and investment strategies (Lusardi & Mitchell, 2020). Financial literacy is fundamental for empowering individuals and businesses, especially Small and Medium-sized Enterprises (SMEs), to make well-informed choices concerning debt management, investment strategies, and savings. Such decisions can significantly influence their overall financial performance and stability.

When it comes to SMEs, financial literacy is crucial for efficient financial resource management, particularly when using microcredit. Since SMEs frequently have particular financial difficulties, including restricted access to official financial institutions, a lack of financial expertise, and trouble managing cash flow, it is clear that they require financial literacy (Hussain et al., 2020). SMEs are better able to maximize microcredit facilities for expansion, guarantee investment efficiency, and reduce the risks associated with making bad financial decisions when they have a strong foundation in financial literacy.

Financial knowledge has a particularly important impact in the effectiveness of investments. According to Muiruri et al. (2021), SMEs with greater financial literacy are more adept at assessing investment prospects, controlling financial risks, and optimizing investment returns. Entrepreneurs that possess financial literacy are more equipped to evaluate possible returns on investments, comprehend the time worth of money, and make choices that support their long-term corporate objectives. This is especially crucial in the context of microcredit, where limited cash and access to official financing choices frequently result in riskier investment decisions.

Furthermore, by enhancing their comprehension of loan terms, repayment plans, and the consequences of borrowing, financial literacy assists SMEs in navigating the complexity of micro-credit arrangements. More financially literate SMEs are more likely to handle debt well, refrain from taking on excessive debt, and strategically choose when and how to use microcredit to finance initiatives that boost growth and operational efficiency (Bongomin et al., 2020). Consequently, financial literacy is a key idea for SMEs, especially when it comes to the efficient use of microcredit and investments. It enables business owners to control risks, make wise financial decisions, and eventually accomplish long-term company success.

2.4 Theoretical Review

The study was anchored on financial intermediation theory, pecking order theory and human capital theory.

2.4.1 Financial Intermediation Theory

Financial Intermediation Theory was developed by David Diamond in 1984. The theory tackles problems like information asymmetry and risk management by highlighting the function of financial intermediaries (like banks and microfinance organizations) in promoting the transfer of funds between savers and borrowers (Diamond, 1984). According to this theory, these middlemen lower transaction costs, lower risks, and give people access to capital all of which are critical for the overall health of the economy. By (1) pooling resources from different depositors to lend to borrowers, (2) keeping an eye on borrowers to lower moral hazards, and (3) diversifying risks for both lenders and borrowers, financial intermediaries, according to financial intermediation theory, play a critical role in the economy. By carrying out these tasks, financial intermediaries give liquidity and increase financing accessibility for groups who might otherwise have trouble raising capital, such small enterprises or people with restricted access to capital markets (Diamond, 1984).

In relation to the current study, which looks at the moderating role of financial literacy on the relationship between micro-credit orientation and investment efficiency of SMEs, directly relates to the ideas of risk reduction, information asymmetry, and liquidity provision. The provision of microcredit to SMEs relies heavily on financial intermediaries, especially microfinance organizations. By lessening the information imbalance that exists between lenders and SMEs, these organizations assist companies in obtaining the funding they require for investments. Because it enables SME owners to make well-informed investment decisions, financial literacy is essential for increasing investment efficiency. Thus, financial intermediaries serve as a channel via which microcredit orientation and financial literacy might affect the results of SMEs' investments. Because it specifically addresses how financial intermediaries improve access to capital which is a crucial component of investment efficiency in SMEs. The financial intermediation theory is extremely pertinent to the current study. SMEs that possess financial literacy are more equipped to utilize the loans they are given, which results in better investment choices and outcomes.

This theory helps explain how financial institutions and financial literacy impact the relationship between micro-credit orientation and investment efficiency by bridging the gap between microfinance institutions and SMEs.

2.4.2 Pecking Order Theory

Pecking Order Theory was developed by Stewart Myers and Nicolas Majluf In 1984. According to the Theory, companies prefer internal funds (retained earnings) over debt and debt over equity when external funding is required. This indicates that businesses use a hierarchical approach to financing decisions (Myers & Majluf, 1984). The argument states that companies prefer to use internal resources since doing so eliminates the expenses and dangers involved with issuing debt or stock, such as dilution of ownership or taking on more financial commitments. According to Pecking Order Theory, small and medium-sized businesses mostly rely on microcredit as an external source of funding because it is frequently more accessible than standard loans or equity financing (Bhandari, 2020). The theory is supported by the micro-credit orientation, which describes SMEs' desire for modest loans with flexible terms to finance their operations or investments since it offers an alternative to more expensive and inflexible financing sources.

The cost hierarchy of financing, investment behavior under restrictions, and financing preferences (internal vs. external funding) are the main ideas of the theory that are pertinent to this investigation. In particular, the way that SMEs make these financing decisions is greatly influenced by their level of financial literacy. Based on their comprehension of cost-benefit trade-offs, financially literate business owners are more likely to make well-informed judgments regarding when to look for microcredit or explore investment possibilities (Myers & Majluf, 1984). Because it may explain SMEs' financial decision-making processes, particularly when it comes to using microcredit for investment efficiency, the Pecking Order Theory is quite pertinent to the current study. Because they are better at handling their financing alternatives, SMEs with greater financial literacy may exhibit higher investment efficiency, according to the hypothesis (e.g., employing micro-credit successfully). Therefore, financial literacy influences how SMEs approach their financing and investment strategies by moderating the link between micro-credit orientation and investment efficiency.

2.4.3 Human Capital Theory

Human Capital Theory was advanced by Economists Gary Becker and Jacob Mincer (Becker, 1964). According to the theory, expenditures in human capital, such as education, training, and knowledge, are essential for boosting both individual and organizational production. Becker (1964) asserts that because human capital improves decision-making skills and resource efficiency, people and organizations who invest in it typically experience increased economic performance and output. Human capital theory's central tenet is that knowledge and skill development boost an individual's or an organization's productivity. According to the notion, improved financial literacy gives business owners the skills they need to make wise financial decisions, which increases the effectiveness of investments in SMEs. The notion that financial literacy promotes better financial outcomes and efficient decision-making is supported by the idea of investing in human capital (Mincer, 1974).

In relation to this study, Human Capital Theory is essential since it explains the influence of financial literacy on investment efficiency inside SMEs. As an investment in human capital, financial literacy helps entrepreneurs make better investment decisions, which eventually increases investment efficiency. This information might be crucial for optimizing returns on microcredit investments in SMEs, where financial decisions are crucial and resources are frequently few (Nguyen et al., 2021). Therefore, financial literacy is essential for bridging the gap between the inclination toward microcredit and the capacity to effectively use these resources. Thus, Human Capital Theory is a pertinent theory for this study since it offers a framework for comprehending how financial literacy improves investment efficiency in SMEs. In order to increase the investment efficiency of SMEs that depend on microcredit, it emphasizes the significance of financial education as a major influence on economic decision-making.

2.5 Empirical Review

This section delves into the existing academic literature concerning the connection between microcredit practices and investment performance. Additionally, the discussion addresses the moderating influence of financial literacy on this relationship. This review was systematically guided by the study's specific objectives, involving a thorough examination of previous scholarly articles, academic studies, and various publications to identify the knowledge gaps that this research aimed to fill.

2.5.1 Micro credit accessibility and Investment Efficiency

A study by Müller, Behrendt, and Schmitz (2020) explored the impact of microcredit availability on the investment efficiency of SMEs within the European Union. The research specifically aimed to determine if microcredit assists small enterprises in more effectively allocating resources and achieving improved outcomes. Researchers utilized a cross-sectional survey design, collecting information through both qualitative and quantitative methodologies. The investigation encompassed 250 small and medium-sized enterprises spanning Romania, Poland, and Hungary. For data analysis, the study employed descriptive statistics, factor analysis, and regression modeling. The findings indicated that the accessibility of loans and other financial support significantly bolstered the investment effectiveness of SMEs throughout Eastern Europe. Access to microcredit was observed to boost investments in crucial areas such as technology, machinery, and human capital.

A separate study by Liu, Zhang, and Wang (2022) investigated the potential advantages of microcredit for SMEs' capital investment decisions, including resource allocation aimed at increasing growth and productivity. This research collected data from a sample of 300 SMEs located across both rural and urban areas of China, utilizing a survey approach and a quantitative research design. The data was analyzed using multiple regression techniques and other statistical methods. The study's results demonstrated that flexible loan approaches positively influenced the investment efficiency of Chinese SMEs. It was found that SMEs with timely access to microcredit made more effective investments in equipment, technology, and human resources, which in turn elevated their production levels.

Furthermore, Adebayo and Olagunju (2021) examined how microcredit availability affected the investment efficiency of Nigerian SMEs. The primary objective of their study was to ascertain the influence of microcredit availability on the financial management and investment choices of Nigerian small and medium-sized businesses. The researchers adopted a quantitative research design, collecting data through a survey method. The sample comprised 300 SMEs from Lagos, Abuja, and Kano, including both owners and managers. Data analysis involved descriptive statistics and regression analysis. The study revealed that loan availability, awareness of loan products, and rapid loan approval positively impacted the investment efficiency of SMEs in Nigeria. Moreover, microcredit enabled SMEs to invest in technology, inventory, and equipment, leading to improved business operations and increased output. The study also indicated that SMEs with adequate access to microcredit were better positioned to allocate resources, resulting in more efficient investment decisions.

A study by Nabadda, Mutebi, and Nabirye (2020) centered on how Ugandan SMEs' investment efficiency is affected by the availability of microcredit. The study's main goal was to assess the impact of microcredit availability on Ugandan SMEs' operational effectiveness and investment decision-making. The study combined qualitative and quantitative research approaches in a descriptive research design. 250 SMEs in Kampala, the capital of Uganda, that were situated microcredit in urban and peri-urban areas made up the sample. Regression analysis was used to ascertain the impact of on investment efficiency, and descriptive statistics were used to summarize the data. According to the study, loan availability greatly increased Ugandan SMEs' investment efficiency. Productivity increased as SMEs with access to microcredit were able to make more calculated investments in important areas including working capital, technology, and infrastructure.

A study by Mutua, Ochieng, and Wambua (2020) sought to investigate how the availability of microcredit affected the effectiveness of small and medium-sized businesses' (SMEs') investments in Nairobi County, Kenya. The study primarily aimed to investigate the effects of microcredit accessibility on SMEs' capital allocation, investment decision-making, and overall productivity. A descriptive research design was used in the study. A sample of 200 SMEs, with an emphasis on firm owners and managers, were given surveys. To learn more about how microcredit affected investment behavior, a small sample of respondents also participated in in-depth interviews. Regression analysis was one of the statistical techniques used in data analysis. The study found that micro-credit accessibility significantly enhanced the investment efficiency of SMEs. It was shown that SMEs were more inclined to adopt new technologies, increase their operational efficiency, and invest in productive assets when they had better access to microcredit. The study did point out, though, that one important factor influencing how well the loans were used was the degree of financial knowledge among business owners. Better investment plans were displayed by SMEs with greater financial literacy, which resulted in increased investment efficiency.

A study conducted by Njeru, Mwaura, and Kamau (2021) investigated how the availability of microcredit affected Kenyan SMEs' investment efficiency. The study's main goal was to evaluate the effects of microcredit facilities on SMEs' operational efficiency and investment choices. To investigate the connection between investment efficiency and microcredit accessibility, the study used a correlational research approach. Structured questionnaires were used to survey 150 SMEs in rural Kenya. Business owners and managers who had used microcredit facilities from organizations like SACCOs and microfinance banks were included in the sample. Multiple regression analysis and descriptive statistics were used to analyze the data. The study's conclusions showed that the investment efficiency of SMEs in rural Kenya was considerably increased by the availability of funds. SMEs were able to grow their businesses, increase efficiency, and make timely capital investments because to their access to microcredit. The study also showed that sufficient funding guaranteed effective resource distribution, particularly when buying supplies and machinery.

2.5.2 Micro-credit utilization and Investment Efficiency

Ghosh and Ramesh (2020) carried out a study to investigate how small enterprises' use of microcredit affects their investment efficiency. Understanding how microcredit affects investment choices and the effectiveness of resource allocation in small businesses was the main goal. The study specifically sought to determine whether financial literacy influenced the association between investment outcomes and the use of microcredit. The study used a survey approach and a quantitative research design to gather information from 250 small firms in five European nations, including France, Spain and Germany. Multiple regression analysis was used to examine the data. The results showed that while having enough working capital had a positive impact on investment efficiency, financial literacy significantly moderated this effect. Better investment was made by small enterprises with more financial literacy since they were able to use microcredit more efficiently.

Kim and Park (2021) examined how American small firms' use of microcredit affected the effectiveness of their investments. The study's main goal was to examine how microcredit and firm investment efficiency are related, with an emphasis on how financial literacy affects this relationship. Over the course of three years, 300 small business owners were surveyed as part of the study's longitudinal research approach. Both primary data from surveys and secondary data from company performance records were gathered as part of the process. The results showed that microcredit greatly increased the efficiency of investments, particularly in companies with more financial literacy. Specifically, business owners with a solid understanding of finance were more likely to distribute microcredit efficiently, which boosted growth and profitability.

Akintoye and Akinmoladun (2019) examined the connection between SMEs' investment efficiency and the use of microcredit. Evaluating how financial literacy can improve the investment choices of SMEs that depend on microcredit was the main goal. 400 SME owners in Nigeria, Ghana, and Côte d'Ivoire were given questionnaires as part of the descriptive research design technique. Regression analysis and descriptive statistics were used to examine the data. The results of the study showed that the use of microcredit improved the efficiency of investments. Furthermore, as it helped entrepreneurs make better investment choices, financial literacy turned out to be a substantial moderating factor. The study emphasized the need for financial education programs tailored to SME owners to improve micro-credit usage and investment outcomes.

Ngugi and Otieno (2020) investigated how microcredit affected the effectiveness of investments in SMEs in Kenya and Uganda. This study's main goal was to find out how using microcredit affects investment choices and whether financial literacy affected these choices. The researchers combined qualitative and quantitative methods in a mixed-methods strategy. Twenty company owners in each nation were interviewed, and a sample of 300 SMEs was surveyed. The results showed that by giving SMEs the money they needed to expand, microcredit use increased investment efficiency. Additionally, as more financially educated firm owners made wiser investment choices, it was discovered that financial literacy considerably moderated the relationship between microcredit and investment efficiency. According to the study's findings, SMEs must become more financially literate in order to maximize the advantages.

Mwaniki and Nyakundi (2022) investigated the relationship between investment efficiency and microcredit use in Nairobi, Kenya-based SMEs. Analyzing how financial literacy influences the relationship between microcredit and investment efficiency was the main goal of the study. Using a cross-sectional design, the study polled 200 Nairobi-based SMEs. Structured questionnaires were used to gather data, and statistical techniques such as regression and correlation analysis were used. According to the study, using microcredit greatly increased investment efficiency by making capital more accessible to SMEs. Furthermore, as financially knowledgeable firm owners were better able to make wise investment choices, the moderating function of financial literacy was emphasized. To enhance investment results, the study suggested incorporating financial literacy initiatives into microcredit programs.

Mutua and Mwangi (2023) conducted research to investigate the relationship between financial literacy and the application of microcredit to boost investment efficiency among Kenyan SMEs. The core objective of their study was to evaluate the degree to which financial literacy influences the effectiveness of microcredit utilization in enhancing investment decisions. The researchers employed a descriptive survey design and gathered data from 250 SME owners situated in Nairobi and Kisumu. Data analysis was carried out using SPSS, incorporating both descriptive and inferential statistical methods to interpret the findings. The results demonstrated that the use of microcredit by SMEs was highly impacted by financial literacy, with those with more financial literacy choosing better investments and using resources more effectively. The study found that the key to increasing investment efficiency through microcredit is raising SME owners' financial literacy.

2.5.3 Micro-credit conditions and Investment Efficiency

A study by Zhang et al. (2020) investigated the relationship between micro-credit conditions and investment efficiency among SMEs in China. The study's main goal was to assess how micro-credit conditions impact the investment choices made by SMEs in the area. The study employed a quantitative approach and survey methodology, focusing on 500 SMEs in various Chinese provinces. Data was gathered using structured questionnaires that addressed variables like investment efficiency and payment flexibility. Regression models were used for statistical analysis, and the study discovered a positive correlation between investment efficiency and favorable flexibility in payment.

Smith and Evans (2021) examined how Canadian SMEs' investment behaviors and results are influenced by availability and financial knowledge. A mixed-methods approach was used, which included quantitative surveys given to 200 SMEs in different Canadian provinces as well as qualitative interviews with 30 SMEs. The survey questions focused on the SMEs' investment choices, loan terms, and access to microcredit. Both regression analysis for quantitative data and theme analysis for qualitative data were used in the data analysis process. The study found that SMEs' return on assets was higher when they had better access to collateral assets.

A study by Tshabalala and Mhlanga (2022) investigated how interest rates and repayment plans affected the effectiveness of investments in the context of Southern Africa. 400 SMEs in South Africa were given surveys as part of the study's quantitative research design. The survey asked about the SME owners' financial literacy, investment choices, and access to microcredit. Structural Equation Modeling (SEM) was used to evaluate the data and determine how investment efficiency, financial literacy, and microcredit conditions relate to one another. Favorable microcredit circumstances considerably increased the investment efficiency of SMEs in South Africa, according to the study. Additionally, SMEs with strong financial literacy and access to reasonably priced loans were able to make investments in ventures with higher potential returns. The study underlined how crucial financial literacy is to SMEs' ability to successfully use microcredit for investment.

A study conducted by Ochieng and Kinyua (2020) to evaluate how well Kenyan SMEs' investment decisions and results are facilitated by microcredit products. The study targeted 300 SMEs in Nairobi and the neighboring counties using a cross-sectional survey design. SME managers and owners were given structured questionnaires. Multiple regression analysis was utilized to examine the data. According to the study, SMEs' investment efficiency was significantly impacted by microcredit terms such interest rates, loan amounts, and repayment schedules. Additionally, it was shown that SMEs were able to optimize the advantages of microcredit, which resulted in a higher profit margin, thanks in large part to financial literacy.

A study by Njeri and Mwangi (2023) examined the effects of microcredit product terms on rural SMEs' investment decisions and productivity. 20 rural SME owners in central Kenya participated in in-depth interviews as part of this study's qualitative case study methodology. To find recurrent trends in the ways that microcredit conditions influenced investment choices, the interviews were subjected to a thematic analysis. According to the study, financial institutions' microcredit terms were frequently unsuitable for rural SMEs' requirements, which resulted in inefficient investment. It was discovered that the SME owners lacked financial literacy, which made it more difficult for them to use microcredit efficiently.

2.5.4 Moderating effect of financial Literacy

A study conducted by Lusardi and Mitchell (2020) investigated the impact of financial literacy on the ability of small businesses to make sound investment choices when utilizing microcredit. The specific aim of their research was to determine if financial knowledge could enhance the effectiveness of microcredit-backed investments made by small and medium-sized enterprises (SMEs). Employing quantitative methods and survey techniques, the study collected data from 350 SME proprietors operating in various sectors. The study's findings demonstrated that the association between investment efficiency and microcredit inclination was considerably tempered by financial literacy. Higher financial literacy among SMEs was associated with stronger decision-making abilities, which enhanced investment results and increased business sustainability. The study came to the conclusion that increasing SME owners' financial literacy can optimize microcredit's potential, improving investment efficiency and supporting small firms' overall economic growth.

Akinyemi and Ogundele (2021) conducted a study to ascertain if SMEs' capacity to efficiently handle and use microcredit for investment purposes is influenced by their level of financial literacy. 400 SME owners from the Johannesburg and Cape Town regions participated in the study, which employed a survey approach and a descriptive research design. Because financially literate businesses were able to make well-informed investment decisions that resulted in higher returns on micro-credit loans, the findings showed that financial literacy was essential to increasing investment efficiency. Additionally, the study proposed that policies targeted at SMEs' financial education might improve their capacity to fully utilize microcredit, which would increase the sustainability and efficiency of their investments.

A study by Wambugu and Mwangi (2023) aimed to find out if financial literacy could influence the connection between SMEs' capacity to invest effectively in expansion prospects and their access to microcredit. The study's specific goal was to assess the influence of financial literacy on Kenyan SMEs' investment choices. Surveys and interviews with 250 SME owners in Nairobi and Mombasa were part of a mixed-methods research design that used quantitative and qualitative data collection techniques. The results showed that financial literacy greatly enhanced investment efficiency, with financially literate business owners being better equipped to handle microcredit and make wise investment decisions that raised company profitability. According to the study's findings, improving financial literacy among Kenyan SMEs may result in more efficient use of microcredit for economic growth and investment.

Mutua et al. (2020) conducted a study to evaluate the impact of financial literacy on the investment results of microcredit-using SMEs. Its specific goal was to investigate if financial literacy may improve the efficient use of microcredit for investments in the expansion of SMEs. The study employed a correlational research approach and gathered information from 300 SMEs in Nairobi using structured questionnaires. According to the study's findings, SMEs with greater financial literacy managed microcredit more effectively, which resulted in more effective investments. The study also showed that improving financial literacy might aid SMEs in overcoming the difficulties associated with using microcredit, which would ultimately lead to improved financial results. The study suggested that in order to increase the efficiency of SME investment, Kenyan officials should encourage financial literacy.

2.6 Conceptual Framework

According to Kothari (2017), a conceptual framework serves as a "map" for the proposed study, assisting the researcher in simplifying research materials by imparting structure and coherence. A conceptual framework holds a crucial interpretivist function, as it visually represents the hypothesized relationships among the study's variables. In this particular study, the independent variables consist of microcredit accessibility, microcredit utilization, and microcredit conditions. The moderating variable is financial literacy, assessed through investment knowledge, while the dependent variable, investment efficiency, is measured by return on assets and profit margin.

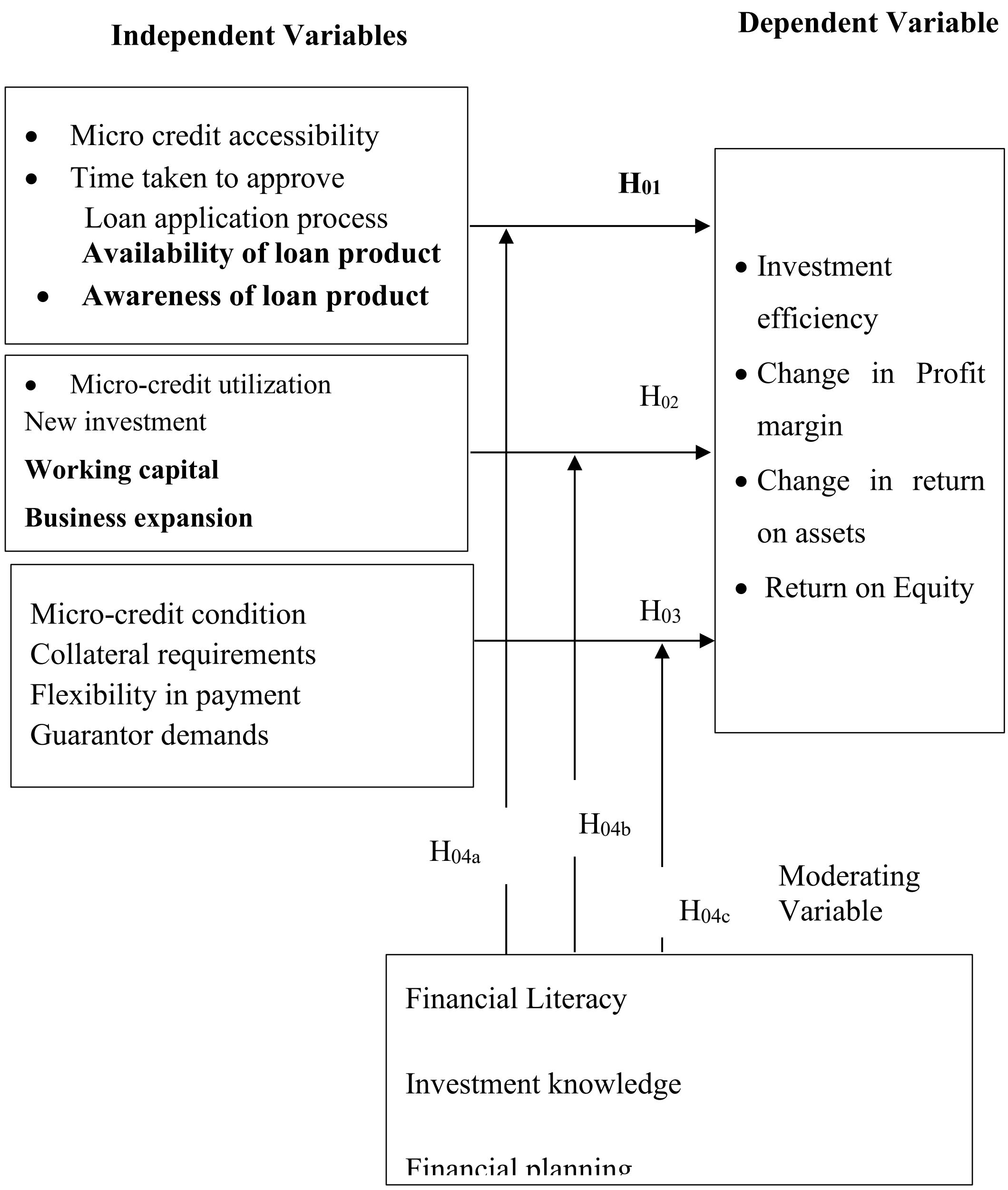

Figure 2.1 Conceptual Framework

Source: Researcher, (2025)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This particular study found an explanatory research design fitting, primarily because it aimed to delve into the way financial literacy shapes the link between microcredit orientation and the investment efficiency observed among SMEs in Kericho County.

3.1 Study Area

The study will be conducted in Kericho County, Kenya, situated in the south rift region (0.4°S 35.3°E). This county shares its borders with five other counties: Bomet, Nyamira, Kisii, Nakuru, and Kisumu. Kericho County spans an area of 2,454.5 square kilometers and has a total population of 901,777 residents and a growth rate of 2.4% (KNBS, 2019). The county is one of the largest tea producers in the country and it is renowned worldwide for the taste of its tea. The multinational tea companies such as Ekaterra Tea, Williamson tea and James Finlay are domiciled the County which also has 18 other small scale tea processing factories. Other agricultural activities include, coffee farming, dairy production and processing and sugar production and processing.

The study location was intentionally chosen for this research because it is considered a relatively cosmopolitan town (28.3% urbanization). Literate population (79.7% children of the ages between 15-18 years are attending school). It also has expansive business activities taking place (5,813 registered business, 5,740 wholesalers and 5807 licensed small scale businesses). These statistics gives an indication that the region is business oriented with several SMEs, however, there is scanty prior literature explaining how micro credit lending institutions affect investment efficiency in the County.

3.2 Research Design

A research design functions as a blueprint or plan intended to produce solutions to research questions. It articulates both the inherent structure of the research problem and the investigative strategy utilized to gather empirical evidence regarding the problem's relationships (Creswell, 2021). This study employed an explanatory research design. Explanatory research design concentrates on identifying and comprehending the causal links between variables. It aims to clarify how and why specific phenomena occur by analyzing the relationships among independent, dependent, and moderating variables (Robinson & Leonard, 2024). Kothari (2017) notes that this design is especially apt for studies seeking to test hypotheses and establish causal connections, frequently through quantitative techniques such as surveys and statistical analysis. For this specific investigation, an explanatory research design was appropriate, as its goal was to explore how financial literacy influences the connection between microcredit orientation and the investment efficiency of SMEs in Kericho County.

3.3 Target Population

The target population represents the broader group to which the researcher aims to apply the study's findings. As defined by Stratton (2021), a population is a clearly delineated collection of individuals or entities under investigation. For this particular study, the target population comprised all 5,813 businesses registered in Kericho County (KNBS, 2019). These SMEs are distributed across the five sub-counties, as shown in Table 3.1.

Table 3.1 Target Population

Sub county	Number of SMEs
Ainamoi	2,238
Belgut	998
Bureti	921
Soin/Sigowet	825
Kipkelion East	712
Kipkelion West	119
Total	**5,813**

Source: Revenue Department, Kericho County (2024)

3.4 Sampling Procedure and Sample Size

Sampling is the procedure of choosing a limited number of elements (a sample) from a larger collection (target population) to serve as a foundation for estimating or forecasting the occurrence of unconfirmed information, circumstances, or results pertaining to the broader group (Rahman, 2023). Stratified random sampling was employed to select the study participants. This method was chosen because the target population was heterogeneous, comprising sub-counties with varying numbers of SMEs. Consequently, the sub-counties of Kericho County formed the strata in this research. To guarantee a proportional representation of SMEs, the sample size contributed by each sub-county was adjusted based on the respective stratum's target population.

The sample size for this study was determined using the formula designed for cross-sectional research, as detailed by Sapra (2023). This formula was deemed suitable because the study's outcomes primarily involved proportions, such as the proportion of entities with access to microcredit information. The calculation was based on a 95% confidence level, a 5% sampling error, and a proportion of 0.5 for the attribute of interest, which presumed the highest possible variability in that attribute (Noordzij et al., 2010). The specific formula utilized was:

$$SS = \frac{Z^2(p)*(1-p)}{c^2} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.1)$$

Where: SS = the calculated sample size. Z2 = 1.96, representing the value for a 95% confidence interval (this corresponds to the area under a standard normal curve or a Student's t-distribution with infinite degrees of freedom, encompassing 95% of the observations). c = the desired level of precision or sampling error, which was set at ±5% for this study. p = the estimated proportion of the attribute of interest present within the population, such as the percentage of farmers who are members of a farmer association. As this proportion was not available from prior research, the study utilized a proportion of 0.5, which presumes the highest possible variability within the population. Consequently, the estimated sample size was likely to be more conservative, meaning it was probably larger than strictly necessary.

Thus,

$$SS = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2}$$

$$= 385 \text{ SMEs}$$

The sample size for SMEs in this study was 385.

Table 3.2 Sample Size

Sub county	**Number of SMEs**	**Sample size ($\frac{N}{N} * N$)**
Ainamoi	2,238	148
Belgut	998	66
Bureti	921	61
Soin/ sigowet	825	55
Kipkelion East	712	47
Kipkelion West	119	8
Total	**5,813**	**385**

Source: Researcher (2025)

3.5 Data Collection Instruments

The research exclusively used newly acquired quantitative data. Primary data is defined as information collected directly for the first time, contrasting with secondary data, which comprises information previously compiled by other sources and already subjected to statistical analysis (Taherdoost, 2021). For this study, the primary data sources were the responses provided by SME managers through administered questionnaires (Appendix II). The use of primary data was relevant because it allowed the study to directly obtain managers' perspectives on microcredit. Questionnaires were chosen as the data collection instrument due to their efficiency, saving time for both the researcher and respondents, and facilitating easy access to a representative number of participants (Creswell, 2021). The questionnaire was structured, containing only closed-ended questions. Closed-ended questions offer predefined answers and typically yield quantitative data. These questions were formulated to elicit objective information from respondents, based on their professional background and operational environment. The inclusion of closed-ended questions ensured the collection of objective data and opinions, which was expected to offer more valuable insights into the impacts of microcredit.

3.6 Pilot Study

Prior to the main research, a pilot study was conducted to evaluate and improve the validity and reliability of the questionnaire. This preliminary study helped in identifying potential problems or shortcomings for the primary research project, along with any procedural breaches or overly complex methods or tools. The pilot study included 38 SMEs from Bomet County, given that SMEs in both Bomet and Kericho counties share similar characteristics. According to Kothari (2017), a pilot study's sample should exhibit comparable features and constitute 10% of the anticipated sample size for the main study. The research instruments' clarity was assessed using the Cronbach's alpha coefficient, with Kothari (2017) suggesting that a coefficient of 0.7 or higher is sufficient for a study. The pilot study's results yielded a Cronbach's alpha coefficient of 0.889.

3.7 Validity and Reliability

The study examined the validity and reliability of the instrument before data collection.

3.7.1 Validity of the Instruments

According to Mugenda and Mugenda (2013), the validity of an instrument denotes the degree to which it precisely measures its intended construct. Therefore, evaluating an instrument's validity is crucial in research to ensure the collection of accurate and dependable data. This study assessed content, construct, and face validity. Content validity, which examines how well the items in a research instrument represent the full scope of the content being measured, was enhanced by conducting a comprehensive literature review of previous studies on microcredit orientation and the investment efficiency of SMEs.

Construct validity, conversely, assessed the degree to which the research instruments accurately measured the theoretical constructs they were designed to capture. This aspect of validity was improved through discussions with subject matter experts and faculty members from the School of Business and Economics at Moi University.

3.7.2 Reliability of the Instruments

Reliability refers to a research instrument's capacity to yield consistent scores or results when used repeatedly under identical conditions or with comparable participants (Dubey & Kothari, 2022). According to Collis and Hussey (2021), an instrument's reliability can be determined by evaluating its internal consistency. Assessing an instrument's internal consistency ascertains the degree to which its various items measure the same underlying concept or construct. This was accomplished using Cronbach's alpha coefficient with the assistance of SPSS Version 26. Mugenda and Mugenda (2013) state that an alpha coefficient of 0.7 or higher indicates that the instrument is reliable. Data for evaluating the instrument's reliability was gathered from a pilot study conducted among SMEs in Bomet County, utilizing 10% of the main study's sample size. As recommended by Creswell and Creswell (2017), this amounted to 38 respondents. The study found a Cronbach's alpha coefficient of 0.897, confirming the instrument's reliability for data collection.

3.8 Data Collection Procedures

This phase involved deploying the research instruments in the field to gather data. Prior to commencing data collection, the researcher secured an introductory letter from the University, which facilitated the application for research permits from the National Commission for Science, Technology and Innovation. The researcher then identified and trained a research assistant to aid in distributing the questionnaires. Both the researcher and the research assistant personally administered the questionnaires using a drop-and-pick method to enhance the response rate.

3.9 Measurement of Study Variables

The study established measurement indicators for each variable as presented in Table 3.3. In the study, Investment efficiency is the dependent variable which will be measured by Return on assets, profit margin and return on equity. The independent variables will include loan accessibility which will be measured by time taken to approve, loan application process, availability of loan product and awareness of loan product. Loan utilization which will be measured by new investments, working capital, and business expansion and lastly, micro credit condition measured by collateral requirement, flexibility in payment and guarantor demands. The moderating variable was financial literacy which was measured by investment knowledge, financial planning, financial products and budgeting skills. A likert scale was adopted to measure the strength of all these indicators

Table 3.3 Measurement of Variables

Variable	Variable type	Indicators	Measurement	Scale
Investment efficiency	Dependent variable	Return on assets	Likert scale	
		Profit margin		
Loan accessibility	Independent variable	Time taken to approve	Likert scale	
		Loan application process		
		Availability of loan product		
		Awareness of loan product		
Loan Utilization	Independent variable	New investment	Likert scale	
		Working capital		
		Business expansion		
Loan Condition	Independent variable	Collateral requirement	Likert scale	
		Flexibility in repayment		
		Awareness of financial products		
		Guarantor demands		
Financial Literacy	Independent variable	Investment knowledge	Likert scale	
		Financial planning		
		Budgeting skills		

Source: Author (2025)

3.10 Data Analysis

Following data collection, researchers meticulously reviewed and refined the quantitative information to ensure its precision and completeness. Subsequently, this carefully prepared data was analyzed to assess the impact of microcredit orientation, financial literacy, and investment efficiency on SMEs within Kericho County. The analytical process involved editing, coding, tabulation, and meticulous report formatting, all aimed at ensuring the data's reliability before statistical examination. Quantitative insights were then processed using descriptive statistics, including averages, frequencies, and standard deviations. The intricate relationships among the variables were inferentially explored through correlation and regression techniques. The resulting findings were systematically presented in tables detailing frequencies, means, and standard deviations. A direct regression analysis was specifically performed to evaluate the link between microcredit orientation and investment efficiency. Additionally, a moderated regression analysis was conducted to ascertain the moderating influence of financial literacy on the association between microcredit orientation and the investment efficiency of SMEs in Kericho County. Consequently, two distinct empirical models, ranging from Model 3.1 to Model 3.3, were employed.

3.10.1 Direct Relationship

Multiple regression analysis was used to test the study's hypotheses. The regression model is as follows:

$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \varepsilon$ .... (1)

$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4XM + \varepsilon$ .... (2)

In the equation

Y = the dependent variable which was micro credit orientation

β_0 is the constant

X_1 Loan accessibility

X_2 Loan utilization

X_3 Cost of credit

X_4 Loan repayment period

M = Financial Literacy

β_1, β_2, β_3 &β_4 are beta coefficients

ε = Represent the error term

3.10.2 Moderating Effect

To assess how financial literacy influences the relationship between microcredit orientation and the investment efficiency of SMEs in Kericho County, the study adopted an empirical model proposed by Baron and Kenny (1986). This framework, as highlighted by Creswell and Creswell (2017), offers a structured approach for examining whether a moderating variable impacts the connection between an independent variable and a dependent variable. Baron and Kenny detailed a three-stage methodology for testing a variable's moderating influence within a regression analysis.

The initial stage involved examining the regression of the independent variable on the dependent variable. This step assessed the relationship between the predictor variables and the dependent variable, excluding any consideration of the moderating variable.

$$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4M + \beta_5X_1*M+ \varepsilon \qquad (3)$$

$$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4M + \beta_5X_1*M+ \beta_2X_2*M+\varepsilon \qquad (4)$$

$$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4XM + \beta_5X_1*M+ \beta_2X_2*M+ \beta_3X_3*M+ \varepsilon \qquad (5)$$

In the model;

Y= Investment efficiency

β_0= constant

β_i = Represents the regression coefficient for the independent variables, which include microcredit accessibility, microcredit utilization, and microcredit conditions.

X_i = Independent variables

X_iM = Represents the interaction term derived from the cross-multiplication of each independent variable with the moderator variable.

ε =Error term

The Moderated Multiple Regression model was applied separately for each independent variable. The relationship between an independent variable (X) and the dependent variable (Y) was considered to be moderated by a moderator variable (M) if the interaction term (X*M) showed statistical significance in predicting the dependent variable (Y) within the model.

3.11 Diagnostic Tests

Multicollinearity, autocorrelation, heteroscedasticity, normality, and linearity tests were carried out before the regression analysis.

3.11.1 Multicollinearity Test

Multicollinearity test is carried out to assess the correlation between two independent variables a situation which makes it difficult to isolate the individual effect of the independent variable on the dependent variable. Multicollinearity can arise in two ways; that is cross-sectional between groups or time based, within a group. This often leads to inflated errors or unstable coefficients (Bayman, & Dexter, 2021).

Multicollinearity was tested using Variance Inflation Factor (VIF). In this measure a VIF > indicates a high threshold of Multicollinearity which will requires corrective measures, a VIF which is greater than is an indication of moderate Multicollinearity while a value less than 5 is an indication of low Multicollinearity.

3.11.2 Testing for Heteroscedasticity

According to Lewis (2022), heteroscedasticity can occur when there are variations in the residual variance across different observations, such as differences among individuals or groups, leading to inefficient coefficient estimates and unreliable standard errors. When relying on primary data, heteroscedasticity may arise from inconsistencies in respondents' characteristics or their interpretation of survey items. White's test was employed to detect heteroscedasticity. If the p-value is ≤0.05, the null hypothesis is rejected, indicating the presence of heteroscedasticity. Conversely, if the p-value is >0.05, the null hypothesis is not rejected, implying the absence of heteroscedasticity. To address heteroscedasticity, Feasible Generalized Least Squares (FGLS) could be applied to produce more reliable coefficient estimates and standard errors (Lu & Wooldridge, 2020).

3.11.3 Normality Test

Normality testing is conducted to determine whether the residuals or data in a regression model follow a normal distribution, as required by the assumptions of classical linear regression. Since the study relied on primary data, the Shapiro-Wilk Test was employed to test for normality. The threshold for this test is a p-value ≤ 0.05, which indicates that the

data is not normally distributed, while a p-value > 0.05 suggests that the data is normally distributed (Demir, 2022). If non-normality was detected, it could be addressed through outlier treatment, where outliers are identified and corrected using transformation methods to improve the normality of the data.

3.11.4 Linearity Test

Linearity test is necessary in ensuring that the relationship between the dependent and independent variables is linear which is a key assumption for regression modeling. When using primary data obtained, linearity testing ensures that the relationships between variables are consistently linear across the dataset. The Ramsey RESET Test was employed to assess linearity in this study. The null hypothesis for this test was that the model is correctly specified and exhibits linearity. A p-value > 0.05 indicates that the null hypothesis is not rejected, confirming linearity, while a p-value ≤ 0.05 suggests that the null hypothesis is rejected, indicating potential non-linearity in the model.

3.12 Ethical Considerations

Prior to undertaking the study, the researcher secured all requisite permissions, including a clearance letter from Moi University's Board of Graduate Studies and a research permit from the National Commission for Science, Technology and Innovation. Throughout the study, the researcher prioritized respecting the rights, needs, values, and preferences of the respondents by obtaining formal approval from both the participants and administrators before commencing data collection. All opinions and ideas shared by the respondents were treated with the utmost confidentiality. The obtained data from the study were only used for academic purposes, and the respondents were allowed to withdraw from the study at any time without incurring any cost. The study was conducted with the highest degree of sincerity and openness to ensure transparency.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter outlines the analysis, findings, interpretation, and presentation of the collected data. The data analysis was conducted in alignment with the study's objectives, which aimed to investigate the impact of microcredit accessibility, microcredit utilization, microcredit conditions, and the influence of financial literacy on investment efficiency among SMEs in Kericho County. The analytical approach includes descriptive statistics, inferential statistics, and hypothesis testing.

4.1 Response rate

The researcher administered a structured questionnaire to a total of 385 respondents. The findings presented in Table 4.2 showed that the response rate was 90.6% as 349 questionnaires were returned. Only 36 questionnaires were not returned or were rejected due to incompleteness, accounting for 9.3% of the total. According to Kothari, (2017), a response rate of 90.6% is considered excellent for data analysis since it provides a strong basis for generalizability while a response rate above 70% is deemed sufficient in survey research to ensure representativeness and minimize non-response bias. Therefore, a response rate of 98.8% far exceeds this threshold, making the data highly reliable and suitable for robust statistical analysis.

Table 4.1 Response rate

Response Rate	Sample size	Percentage
Returned Questionnaires	349	90.6%
Not retuned/incomplete	36	9.3%
Total	**385**	**100**

Source: Research Data (2024)

4.2 Reliability Test Results

The study assessed the reliability of its research instrument by calculating the Cronbach's Alpha coefficient, which yielded an average coefficient of 0.889. These results are detailed in Table 4.2.

Table 4.2 Reliability Test Results

Constructs	**Cronbach's Alpha Coefficients**	**Items**	**Recommendation**
Micro credit accessibility	0.952	6	Reliable
Micro credit utilization	0.899	6	Reliable
Micro credit condition	0.825	6	Reliable
Financial literacy	0.9.01	6	Reliable
Investment efficiency	0.869	6	Reliable
Overall reliability	**0.889**	**30**	

Source: Author, (2025)

4.3 Demographic Information

The research sought to collect personal and business characteristics from the participants, such as their sex, age bracket, highest educational attainment, and the scale of their enterprises. This information was deemed vital to ascertain the respondents' capacity to accurately address the study inquiries and to validate the wider applicability of the findings. The outcomes of this data collection are presented across Tables 4.3 to 4.7.

4.3.1 Gender of the Respondent

The research aimed to ascertain the gender composition of its participants. As detailed in Table 4.3, the results from a total of 349 respondents revealed that the male demographic represented the larger segment at 55.3%, while females comprised the remaining 44.7%.

Table 4.3 Gender of the Respondent

Gender of the Respondent	Frequency	Percent
Male	193	55.3
Female	156	44.7
Total	349	100.0

Source: Research Data (2025)

4.3.2 Age of the Respondent

Regarding the ages of the respondents, the findings showed that the largest group, 37.8%, fell within the 32-38 year bracket. This was followed by 24.4% who were aged 25-31 years, 20.6% between 39-45 years, 10.3% who were 46 years and older, and finally, 6.9% were between 18-24 years.

Table 4.4 Age of the Respondent

Age of the Respondent	Frequency	Percent
18-24 Years	24	6.9
25-31 Years	85	24.4
32-38 Years	132	37.8
39-45 Years	72	20.6
46 Years and Above	36	10.3
Total	349	100.0

Source: Research Data (2025)

4.3.3 Academic Achievement

The study sought to identify the highest academic qualifications among the respondents. The results showed that the largest group, 29.5%, held a degree. This was closely followed by 28.1% who had diplomas and 22.6% with certificates or lower qualifications. Additionally, 13.2% of the respondents possessed master's degrees, while 6.6% held PhDs.

Table 4.5 Academic Achievement

Academic Achievement	Frequency	Percent
Certificate and Below	79	22.6
Diploma	98	28.1
Degree	103	29.5
Masters	46	13.2
PhD	23	6.6
Total	349	100.0

Source: Research Data (2024)

4.3.4 Experience

The study sought to assess the experience of the respondents in running SME business in the County. The study found that most of the respondents, 23.2% had between 16-20years of experience, 22.9% of the respondents had between 11-15 years of experience, 21.5% had between 6-10 years of experience, 21.2% had above 21 years of experience and 11.2% had below 5 years of experience in running SME business in the county.

Table 4.6 Experience

Experience	Frequency	Percent
Below 5 Years	39	11.2
6 - 10 Years	75	21.5
11 - 15 Years	80	22.9
16 - 20 Years	81	23.2
Above 21 Years	74	21.2
Total	349	100.0

Source: Research Data (2024)

4.3.5 Nature of Business

The study aimed to evaluate the scale of SME operations within the County. The findings indicated that the majority of respondents, 51.9% owned small enterprises and 48.1% owned medium enterprises in the County.

Table 4.7 Nature of Business

Nature of Business	Frequency	Percent
Small Enterprise	181	51.9
Medium Enterprise	168	48.1
Total	349	100.0

Source: Research Data (2024)

4.4 Descriptive Statistics

This study assessed how financial literacy impacts the connection between microcredit practices and the investment effectiveness of Small and Medium-sized Enterprises (SMEs) in Kericho County. Specifically, it aimed to examine the impact of microcredit accessibility, assess the role of microcredit utilization, and determine the effect of microcredit conditions on SME investment efficiency in Kericho County, Kenya. Additionally, a key objective was to gauge the extent to which financial literacy moderated the overall connection between microcredit orientation and the investment efficiency of businesses in that region.

4.4.1 Micro Credit Accessibility

This section presents the respondents' feedback regarding the impact of microcredit accessibility on the investment efficiency of SMEs. The results in Table 4.8 show that the majority of respondents, 82.8%, concurred that financial institutions supply sufficient information about available microcredit products to SMEs in the region. This yielded a robust mean of 3.96 and a standard deviation of 0.41, with 6.9% of respondents also strongly agreeing and 10.3% remaining undecided. When asked if financial institutions in Kericho County provide a variety of credit products customized for different business types and sizes, 69.1% of respondents were undecided, 17.2% agreed, 6.9% strongly agreed, and another 6.9% disagreed. This resulted in a mean of 3.24 and a standard deviation of 0.68.

Regarding whether the documentation required for credit applications is clear and not overly burdensome for their businesses, respondents' answers indicated a strong mean of 4.14 and a standard deviation of 0.57. This is attributed to 65.6% of respondents agreeing, 24.1% strongly agreeing, and 10.3% remaining neutral on the statement. The statement that the microcredit application process for SMEs in Kericho County is straightforward and easy to complete yielded a mean of 4.41 and a standard deviation of 0.62. This outcome was due to 48.4% of respondents strongly agreeing, 44.7% agreeing, and 6.9% being neutral on the statement.

When asked about minimal delays in microcredit approval from financial institutions for their businesses, a combined 100% of respondents (82.8% agreed and 17.2% strongly agreed) affirmed this, resulting in a mean of 4.17 and a standard deviation of 0.38. Furthermore, the majority of respondents, specifically 58.7% who agreed and 41.3% who strongly agreed, indicated that the microcredit approval timeframe for their businesses was reasonable, thereby supporting timely investment decisions. This particular statement showed a robust mean of 4.41 with a standard deviation of 0.49.

Table 4.8 Credit Accessibility

	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)	M	SD
Financial institutions provide adequate information on the micro credit products available to SMEs in my region	24(6.9%)	289 (82.8%)	36 (10.3%)	0(0%)	0 (0%)	3.96	0.41
Financial institutions in Kericho County offer diverse credit products tailored to different business types and sizes(	24(6.9%)	60 (17.2%)	241 (69.1%)	24 (6.9%)	0 (0%)	3.24	0.68
The documentation required for credit applications is clear and not burdensome for my business	84 (24.1%)	229 (65.6%)	39 (10.3%)	0(0%)	0 (0%)	4.14	0.57
The micro credit application process for SMEs in Kericho County is straightforward and easy to complete	169 (48.4%)	156 (44.7%)	24(6.9%)	0(0%)	0 (0%)	4.41	0.62
My business experiences minimal delays in micro credit approval from financial institutions	60 (17.2%)	289 (82.8%)	0(0%)	0(0%)	0 (0%)	4.17	0.38
The time taken to approve micro credit for my business is reasonable and allows for timely investment decisions	144 (41.3%)	205 (58.7%)	0(0%)	0(0%)	0 (0%)	4.41	0.49

Source: Research Data (2024)

4.4.2 Micro Credit Utilization

This section contains the respondents' responses to statements on the effect of micro credit utilization on investment efficiency of SMES. The findings in Table 4.9 showed that majority of the respondents, 69.1% agreed, 17.2% were neutral and 13.8% strongly agreed that access to microcredit has helped their business improve its working capital management. This statement had a mean of 3.96 and a standard deviation of 0.56. When asked if microcredit loans provide their business with sufficient funds to manage day-to-day operations effectively, majority of the respondents, 51.6% agreed, 38.1% strongly agreed and 10.3% were neutral. This indicated a mean of 4.28 and a standard deviation of 0.64.

Majority of the respondents, 58.7% agreed, 34.4% strongly agreed and 6.9% were neutral when asked if the availability of microcredit has increased the ability of their business to invest in new projects or assets, showing a mean of 4.27 and a standard deviation of 0.58. When questioned if microcredit facilities have enabled their business to make new investments, the majority of respondents, specifically 55.3%, strongly concurred, while another 44.7% agreed, leading to an average score of 4.55 with a standard deviation of 0.50.

Regarding whether microcredit loans had facilitated their businesses in establishing new branches or boosting production capacity, 41.5% of the respondents remained neutral. However, a combined 58.4% (30.9% strongly agreed and 27.5% agreed) affirmed this statement, which yielded a mean of 3.89 and a standard deviation of 0.85. When participants were asked if the acquired microcredit had contributed to their business expansion, a substantial 75.9% strongly agreed and 24.1% agreed, indicating an average of 4.24 with a standard deviation of 0.43.

Table 4.9 Micro credit utilization

	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)	M	SD
Access to microcredit has helped my business improve its working capital management	48(13.8%)	241 (69.1%)	60 (17.2%)	0(0%)	0(0%)	3.96	0.56
Microcredit loans provide my business with sufficient funds to manage day-to-day operations effectively	133 (38.1%)	180 (51.6%)	36 (10.3%)	0(0%)	0(0%)	4.28	0.64
The availability of microcredit has increased the ability of my business to invest in new projects or assets.	120 (34.4%)	205 (58.7%)	24(6.9%)	0(0%)	0(0%)	4.27	0.58
Microcredit facilities have enabled my business to make new investments	193(55.3%)	156 (44.7%)	0(0%)	0(0%)	0(0%)	4.55	0.50
Microcredit loans have supported my business in opening new branches or increasing production capacity	108(30.9%)	96(27.5%)	145 (41.5%)	265(	0(0%)	3.89	0.85
The microcredit obtained has contributed to the expansion of my business	84(24.1%)	265 (75.9%)	0(0%)	0(0%)	0(0%)	4.24	0.43

Source: Research Data (2024)

4.4.3 Micro Credit Conditions

This section presents the respondents' views on how loan conditions affect the investment efficiency of SMEs. As indicated in Table 4.10, a total of 65.6% of respondents (comprising 55.3% who agreed and 10.3% who strongly agreed) found the collateral requirements for securing microcredit to be fair for their businesses, while 34.4% remained undecided. This particular statement had an average rating of

3.76 with a standard deviation of 0.62. In contrast, the idea that collateral demands presented a notable barrier to accessing microcredit for business investments recorded a mean of 4.14 and a standard deviation of 0.57. For this point, 65.6% of respondents agreed, 24.1% strongly agreed, and 10.3% expressed a neutral stance.

When asked about the flexibility of their microcredit repayment schedules and their suitability for the business's cash flow, a substantial 100% of respondents (75.9% agreed and 24.1% strongly agreed) affirmed this. This consensus resulted in a mean of 4.24 and a standard deviation of 0.43. Furthermore, 72.5% of respondents (48.4% strongly agreed and 24.1% agreed) indicated that microcredit providers offer flexible payment terms conducive to improved financial management, while 17.2% were neutral and 10.3% disagreed. This statement had a mean of 4.11 and a standard deviation of 1.03.

Regarding the manageability of guarantor requirements for accessing microcredit, 100% of respondents (82.8% agreed and 17.2% strongly agreed) found them manageable, with a mean of 4.17 and a standard deviation of 0.38. A significant 89.7% of respondents (55.3% strongly agreed and 34.4% agreed) believed that the microcredit provider's guarantor demands had not impeded their business's ability to secure investment funding, with 10.3% remaining neutral. This particular statement showed a mean of 4.45 and a standard deviation of 0.67.

Table 4.10 Loan Conditions

	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)	M	SD
The collateral requirements for obtaining microcredit are reasonable for my business	36(10.3%)	193 (55.3%)	120 (34.4%)	0(0%)	0(0%)	3.76	0.62
The need for collateral has been a significant challenge in accessing microcredit for business investments.	84(24.1%)	229 (65.6%)	36(10.3%)	0(0%)	0(0%)	4.14	0.57
The repayment schedule for the microcredit I received is flexible and suits my business's cash flow	84(24.1%)	265 (75.9%)	0(0%)	0(0%)	0(0%)	4.24	0.43
The microcredit provider offers flexible payment terms that allow for better financial management in my business	169 (48.4%)	84(24.1%)	60(17.2%)	36 (10.3%)	0(0%)	4.11	1.03
The guarantor demands for accessing microcredit are manageable for my business	60(17.2%)	289 (82.8%)	0(0%)	0(0%)	0(0%)	4.17	0.38
The microcredit provider's requirement for guarantors has not hindered my business's ability to obtain funding for investments	193 (55.3%)	120 (34.4%)	36(10.3%)	0(0%)	0(0%)	4.45	0.67

Source: Research Data (2024)

4.4.4 Financial Literacy

This section presents the respondents' views on how financial literacy affects the investment efficiency of SMEs. As indicated in Table 4.11, a significant proportion of respondents, totaling 89.7% (72.5% agreed and 17.2% strongly agreed), believed that their financial literacy had considerably boosted the impact of microcredit on their business's investment efficiency. A smaller group, 10.3%, remained neutral on this point. This statement registered an average score of 4.07 with a standard deviation of 0.52. Furthermore, a combined 100% of respondents (51.6% agreed and 48.4% strongly agreed) affirmed that possessing a well-structured financial plan enhanced the efficiency with which they used microcredit for business expansion, resulting in a mean of 4.48 and a standard deviation of 0.50.

When asked if their grasp of financial concepts, such as budgeting and forecasting, improved their ability to manage microcredit for optimal business growth, most respondents, 65.6%, agreed, 27.5% were neutral, and 6.9% strongly agreed. This yielded a mean of 3.79 and a standard deviation of 0.55. A substantial 100% of respondents (65.6% agreed and 34.4% strongly agreed) indicated that their financial planning skills aided them in effectively allocating microcredit funds towards profitable investments, showing a mean of 4.34 and a standard deviation of 0.47.

Regarding their confidence in making investment decisions due to their understanding of relevant investment opportunities, 48.4% of respondents were neutral, 44.7% agreed, and 6.9% strongly agreed. This particular statement had a mean of 3.58 and a standard deviation of 0.62. Lastly, a majority of respondents, 55.3%, agreed, 27.5% were neutral, and 17.2% strongly agreed that their knowledge of various investment types helped them better utilize microcredit for their business, revealing a mean of 3.90 and a standard deviation of 0.66.

Table 4.11 Financial Literacy

	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)	M	SD
My financial literacy has significantly enhanced the impact of microcredit on my business's investment efficiency	60(17.2%)	253 (72.5%)	36(10.3%)	0(0%)	0(0%)	4.07	0.52
Having a well-structured financial plan has improved the efficiency of how I utilize microcredit for business expansion	169(48.4%)	180 (51.6%)	0(0%)	0(0%)	0(0%)	4.48	0.50
Understanding financial concepts, such as budgeting and forecasting, has improved my ability to manage microcredit for optimal business growth	24(6.9%)	229 (65.6%)	96(27.5%)	0(0%)	0(0%)	3.79	0.55
My financial planning skills have helped me effectively allocate the microcredit funds toward profitable investments	120(.4.4%)	229 (65.6%)	0(0%)	0(0%)	0(0%)	4.34	0.47
I feel confident in making investment decisions due to my understanding of investment opportunities related to my business	24(6.9%)	156 (44.7%)	169 (48.4%)	0(0%)	0(0%)	3.58	0.62
My knowledge of different types of investments has helped me make better use of microcredit for my business	60(17.2%)	193 (55.3%)	96(27.5%)	0(0%)	0(0%)	3.90	0.66

Source: Research Data (2024)

4.4.5 Investment Efficiency of SMEs

This section outlines participant responses concerning the investment efficiency of SMEs. Table 4.12 shows that most respondents (72.5% agreed, 17.2% strongly agreed, 10.3% neutral) observed an increase in their business's profit margins since receiving microcredit, yielding a mean of 4.07 and a standard deviation of 0.52. A significant majority (58.7% strongly agreed, 41.3% agreed) affirmed that microcredit positively impacted financial performance by boosting profit margins, with a mean of 4.59 and a standard deviation of 0.49.

Regarding whether microcredit use improved overall business profitability, most respondents (69.1% agreed, 30.9% strongly agreed) confirmed this, resulting in a mean of 4.31 and a standard deviation of 0.46. A substantial portion (62.2% strongly agreed, 37.8% agreed) noted significant profit margin improvements due to effective microcredit deployment, showing a mean of 4.62 and a standard deviation of 0.48.

The statement that microcredit financing enhanced their business's return on assets (ROA) had a mean of 4.03 and a standard deviation of 0.67. Here, 55.3% agreed, 24.1% strongly agreed, and 20.6% were neutral. Finally, a majority (45% strongly agreed, 44.7% agreed, 10.3% neutral) indicated that microcredit positively contributed to their business's financial performance via higher profit margins, demonstrating a mean of 4.35 and a standard deviation of 0.66.

Table 4.12 Investment Efficiency of SMES

	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)	M	SD
My business's profit margins have increased since receiving microcredit	60 (17.2%)	253 (72.5%)	36(10.3%)	0(0%)	0 (0%)	4.07	0.52
Microcredit has contributed positively to the financial performance, especially in increasing profit margins	205(58.7%)	144 (41.3%)	0(0%)	0(0%)	0 (0%)	4.59	0.49
The utilization of microcredit has enhanced my business's overall profitability	108 (30.9%)	241 (69.1%)	0(0%)	0(0%)	0 (0%)	4.31	0.46
Profit margins have significantly improved as a result of effective use of microcredit	217 (62.2%)	132 (37.8%)	0(0%)	0(0%)	0 (0%)	4.62	0.48
The microcredit financing has helped improve the return on assets (ROA) for my business	84(24.1%)	193 (55.3%)	72 (20.6%)	0(0%)	0 (0%)	4.03	0.67
Microcredit has contributed positively to the financial performance of my business through increased profit margins	157 (45%)	156 (44.7%)	36 (10.3%)	0(0%)	0 (0%)	4.35	0.66

Source: Research Data (2024)

4.5 Regression Assumptions

To test for the regression assumptions, Multicollinearity, autocorrelation, heteroscedasticity, normality, and linearity tests were carried out.

4.5.1 Multicollinearity Test

Multicollinearity was tested using Variance Inflation Factor (VIF). Table 4.13 indicates that all the VIF values of variables are < 5; this indicates that multicollinearity poses no major concern.

Table 4.13 Test Results for Multicollinearity

Variable	VIF	Tolerance 1/VIF
Micro credit orientation	2.56	0.391
Financial literacy	1.85	0.541
Investment Efficiency	1.72	0.581

Source: Research Data, (2025)

4.5.3 Testing for Heteroscedasticity

White's test was employed to detect heteroscedasticity. A p-value of 0.05 or less leads to the rejection of the null hypothesis, signaling the presence of heteroscedasticity. Conversely, a p-value above 0.05 means the null hypothesis is not rejected, thereby indicating heteroscedasticity is absent. The findings in Table 4.14 show a p-value of 0.329, which surpasses the 0.05 significance level. Consequently, the research opted not to reject the null hypothesis. This outcome suggests that the regression model does not exhibit substantial heteroscedasticity, and the assumption of consistent variance holds true.

Table 4.14 White's Test Results

Source	chi2	df	p
Heteroscedasticity	3.45	3	0.329

Source: Research Data, (2025)

4.5.4 Normality Test

The Shapiro-Wilk Test was employed to determine whether the dataset conformed to a normal distribution. The criterion for this evaluation dictates that a p-value of 0.05 or lower signifies a departure from normality, while a p-value exceeding 0.05 implies the data indeed follows a normal pattern. As presented in Table 4.15, the analysis revealed a p-value of 0.098, surpassing the 0.05 benchmark, thus substantiating that the data exhibited a normal distribution.

Table 4.15 Normality Test Results

Variable	Observations	W	Prob>z
Residual	349	0.973	0.098

Source: Research Data, (2025)

4.5.6 Linearity Test

The Ramsey RESET Test was utilized to evaluate the linearity of the model. Under this test, the null hypothesis posits that the model is accurately specified and demonstrates a linear relationship. A p-value exceeding 0.05 indicates that the null hypothesis is not rejected, thereby confirming linearity. Conversely, a p-value less than or equal to 0.05 suggests that the null hypothesis is rejected, pointing to potential non-linearity within the model. Since the calculated p-value of 0.147 surpasses the 0.05 significance threshold, we therefore retain the null hypothesis. This outcome implies that the regression model is accurately specified, with no evidence of non-linearity or omitted variables.

Table 4.16 Linearity Test Results

Source	F-statistic	df	p
Linearity	1.83	3	0.147

Source: Research Data, (2025)

4.6 Inferential Statistics

To ascertain the influence exerted by the independent variable upon the dependent variable, the researchers undertook comprehensive correlation and regression analyses.

4.6.1 Correlation analysis

The study utilized Pearson Product Moment Correlation Analysis to establish the direction and strength of the connections between its independent and dependent variables. The results, presented in Table 41.2, illuminate the relationships among loan accessibility, microcredit utilization, loan conditions, financial literacy, and investment efficiency.A notable positive correlation was identified between the ease of accessing loans and investment efficiency ($r=0.479$, $p<0.05$). Similarly, the use of microcredit also demonstrated a positive and significant correlation with investment efficiency ($r=0.405$, $p<0.05$). Furthermore, the results pointed to a positive and significant connection between the terms of the loans and investment efficiency ($r=0.913$, $p<0.05$). Finally, the study concluded that financial literacy significantly influenced investment efficiency ($r=0.616$, $p<0.05$).

Table 4.17 Correlation analysis

		Investment Efficiency	Micro-credit Accessibility	Micro-credit utilization	Micro-credit condition	Financial literacy
Investment Efficiency	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	349				
Micro-credit Accessibility	Pearson Correlation	.479**	1			
	Sig. (2-tailed)	.000				
	N	349	349			
Micro-credit utilization	Pearson Correlation	.405**	.850**	1		
	Sig. (2-tailed)	.000	.000			
	N	349	349	349		
Micro-credit condition	Pearson Correlation	.913**	.429**	.315**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	349	349	349	349	
Financial literacy	Pearson Correlation	.616**	.298**	.150**	.467**	1
	Sig. (2-tailed)	.000	.000	.005	.000	
	N	349	349	349	349	349

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

4.8 Hypothesis Testing

Regression analysis was carried out to evaluate the study's hypotheses, operating at a 95% confidence level. Initially, the research explored the direct correlations between the independent variables—microcredit accessibility, microcredit utilization, and microcredit conditions—and the dependent variable, which was investment efficiency. Subsequently, a multiple regression analysis was performed to ascertain the collective relationship among all the variables included in the study.

4.8.1 Micro Credit Accessibility

The first hypothesis stated that:

Ho1: Microcredit accessibility does not demonstrate a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) within Kericho County, Kenya.

The data in Table 4.15 showed a statistically significant inverse relationship between how accessible microcredit was and the investment efficiency of individuals ($\beta = -0.026$, $p<0.05$). This suggests that for each incremental rise in microcredit accessibility, investment efficiency saw a decline of 0.026. Therefore, the hypothesis that microcredit accessibility has no statistically significant influence on the investment efficiency of SMEs in Kericho County was disproved. Consequently, the opposing hypothesis, which asserts a statistically significant impact of microcredit accessibility on the investment efficiency of SMEs in Kericho County, Kenya, was affirmed.

4.8.2 Micro-credit utilization

The second hypothesis stated that:

Ho2: Microcredit utilization does not exhibit a statistically significant influence on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

The results presented in Table 4.18 demonstrated a statistically significant positive relationship between the use of microcredit and individual investment efficiency

($\beta=0.152, p<0.05$). This indicates that a one-unit increase in microcredit utilization corresponds to a 15.2% rise in investment efficiency. Consequently, the null hypothesis, which suggested that microcredit utilization has no significant statistical impact on the investment efficiency of SMEs in Kericho County, Kenya, was rejected. Conversely, the alternative hypothesis, asserting a statistically significant effect of microcredit utilization on the investment efficiency of SMEs in Kericho County, Kenya, was supported.

4.8.3 Micro-credit condition

The first hypothesis stated that:

Ho3: Microcredit conditions do not have a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya

The study performed a simple regression analysis to assess the direct correlation between microcredit terms and the investment effectiveness of SMEs within Kericho County, Kenya.

As shown in Table 4.18, the findings revealed a statistically significant and positive relationship between microcredit conditions and investment efficiency ($\beta=0.876, p<0.05$). This indicates that a one-unit improvement in microcredit conditions leads to an increase of 0.876 units in investment efficiency. Therefore, the null hypothesis, which claimed that microcredit conditions had no statistically significant influence on the investment efficiency of SMEs in Kericho County, Kenya, was disproven. Consequently, the alternative hypothesis, asserting a statistically significant impact of microcredit conditions on the investment efficiency of SMEs in Kericho County, Kenya, was upheld.

Table 4.18 Summary table for the overall direct effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Beta	Std. Error	Beta		
1	(Constant)	0.250	0.134		1.865	0.063
	Micro-credit accessibility	-0.028	0.005	-0.026	-5.600	0.001
	Micro-credit utilization	0.209	0.055	0.152	3.788	0.000
	Micro-credit condition	0.800	0.021	0.876	37.512	0.000
Model Summary						
R	0.921[a]					
R Square	0.848					
Adjusted R Square	0.847					
Std. Error of the Estimate	0.13432					
Model Fit						
F (Change)	642.824					
Sig.	.000[b]					
a. Predictors: (Constant), Micro-credit accessibility, Micro-credit utilization and Micro-credit condition						

Table 4.18 indicates that the beta coefficient for microcredit accessibility was -0.026 with a p-value less than 0.05. The beta coefficient for microcredit utilization was 0.152 with a p-value less than 0.05, and the beta coefficient for microcredit conditions was 0.876 with a p-value less than 0.05.

4.8.4 Moderating effect results

The study investigated the moderating effect of financial literacy on the relationship between microcredit orientation variables and the investment efficiency of SMEs in Kericho County, Kenya. The following hypotheses were tested.

Table 4.19 presents the results obtained after incorporating the moderator variable (financial literacy) into the regression model. The findings indicate that introducing financial literacy to microcredit accessibility resulted in an R^2 of 0.475. This suggests that the interplay between microcredit access and financial literacy accounts for 47.5% of the observed variability in the investment efficiency of SMEs. The introduction of financial literacy as a moderator into the regression model resulted in an R^2 change (ΔR2) of 0.246, indicating that the moderating influence of financial literacy explains an additional 24.6% of the investment efficiency variance beyond what microcredit accessibility alone can elucidate. Moreover, once the moderating effect of financial literacy was considered, the beta coefficient for microcredit accessibility altered from -0.026 ($p=0.533>0.05$) to -0.211 ($p=0.016<0.05$). Consequently, based on these findings, the null hypothesis, which posited that financial literacy has no statistically significant moderating effect on the relationship between microcredit accessibility and the investment efficiency of SMEs in Kericho County, Kenya, is rejected.

Moreover, Table 4.19 reveals that the introduction of financial literacy to microcredit utilization yielded an R^2 of 0.480. This signifies that the interaction between microcredit utilization and financial literacy can explain 48% of the variation in the investment efficiency of the SMEs. The addition of financial literacy as a moderator to the regression model led to a change in R^2 (ΔR2) of 0.316, indicating that the moderating effect of financial literacy accounts for an additional 31.6% of the variation in investment efficiency beyond the variation explained solely by microcredit utilization. Additionally, after the moderating effect of financial literacy, the beta coefficient for microcredit utilization changed from 0.152 ($p=0.000<0.05$) to 0.110 ($p=0.177>0.05$), suggesting a shift from a significant positive effect on investment efficiency to an insignificant effect. Therefore, the null hypothesis that financial literacy has no statistically significant moderating effect on the relationship between microcredit utilization and the investment efficiency of SMEs in Kericho County, Kenya, was accepted.

Finally, the findings indicate that the introduction of financial literacy to microcredit conditions resulted in an R^2 of 0.879. The inclusion of financial literacy as a moderator in the regression model led to a change in R^2 ($\Delta R2$) of 0.045, implying that the moderating effect of financial literacy accounts for an additional 4.5% of the variation in investment efficiency beyond the variation explained by microcredit conditions alone. Furthermore, after the moderating effect of financial literacy, the beta coefficient for microcredit conditions changed from 0.876 ($p=0.000<0.05$) to 0.979 ($p=0.000<0.05$), indicating a significant positive change in investment efficiency. Consequently, the null hypothesis that financial literacy has no statistically significant moderating effect on the relationship between microcredit conditions and the investment efficiency of SMEs in Kericho County, Kenya, was rejected.

Table 4.19 Summary table for the overall moderated effect

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	0.371	0.153		2.415	0.016
	Micro-credit accessibility	-0.267	0.105	-0.211	-2.544	0.011
	Micro-credit utilization	0.162	0.120	0.110	1.351	0.177
	Micro-credit condition	1.069	0.044	0.979	24.273	0.000
Model Summary						
R	0.948^b					
R Square	0.898					
Adjusted R Square	0.897					
Std. Error of the Estimate	0.11037					
Model Fit						
F (Change)	755.852					
Sig.	$.000^b$					

b. Predictors: (Constant), Micro-credit accessibility, Micro-credit utilization, Micro-credit condition and Financial literacy.

4.9 Summary of Study Hypotheses

Table 4.20 Summary of Study Hypotheses

Hypotheses		Beta	*P*-Values	Decision
Hypotheses $H_0 1$	Microcredit accessibility does not demonstrate a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) within Kericho County, Kenya.	-0.026	0.001	Reject
Hypotheses $H_0 2$	Microcredit utilization does not exhibit a statistically significant influence on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.	0.152	0.000	Reject
Hypotheses $H_0 3$	Microcredit conditions do not have a statistically significant impact on the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.	0.876	0.000	Reject
Hypotheses $H_0 4$	Financial literacy does not have a moderating effect on the relationship between microcredit accessibility and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.	-0.211	0.011	Reject
Hypotheses $H_0 5$	Financial literacy does not have a moderating effect on the relationship between microcredit utilization and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.	0.110	0.177	Accept
Hypotheses $H_0 6$	Financial literacy does not have a moderating effect on the relationship between microcredit conditions and the investment efficiency of Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya.	0.979	0.000	Reject

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a concise overview, conclusions, and actionable recommendations derived from the study's findings concerning how financial literacy influences the dynamic between microcredit orientation and the financial effectiveness of SMEs in Kericho County. A summary of the outcomes is detailed in section 5.2, followed by the study's conclusions in section 5.3, practical recommendations in section 5.4, and avenues for future investigations in section 5.5.

The central aim of this research was to explore the moderating role of financial literacy in the connection between microcredit orientation and the investment performance of SMEs located in Kericho County. Specific objectives included assessing the impact of microcredit availability, evaluating the effects of microcredit utilization, and determining the influence of microcredit terms on SME investment efficiency. Additionally, the research explored how financial literacy shapes the connection between microcredit practices and the investment performance of small and medium-sized enterprises. This inquiry was firmly rooted in the principles of financial intermediation theory, pecking order theory, and human capital theory.

A descriptive survey design was employed for this study, targeting all 5,813 officially registered SMEs within Kericho County. A stratified random sampling technique facilitated the selection of 385 SMEs from across the five sub-counties of Kericho. Structured questionnaires served as the primary tool for gathering data from the management of these participating SMEs. The validity of these data collection instruments was verified by supervisors. Reliability was ascertained using the

Cronbach's alpha coefficient method, yielding an ideal coefficient of 0.897. Upon collection, all questionnaires were systematically coded and analyzed with the aid of Statistical Package for Social Sciences (SPSS) version 26.

Data analysis involved computing descriptive statistics, such as means, frequencies, and standard deviations, while inferential statistics were conducted using multiple regression and Pearson's Moment Correlation analysis. The preliminary analytical phase concentrated on examining the demographic profiles of the participants and synthesizing their responses related to the study variables. Essential assumption tests were performed to check for normality, linearity, and multicollinearity among the variables. Subsequently, hypothesis testing was carried out in direct alignment with the research's specific objectives. The study's findings are presented in accordance with these established objectives.

5.2.1 Micro-credit accessibility and investment efficiency

The Pearson Product Moment Correlation analysis pointed to a notable association between microcredit accessibility and investment efficiency ($r=0.479$, $p<0.05$). For the purpose of hypothesis testing, both simple and multiple regression analyses were performed. The linear regression results, however, indicated that microcredit accessibility had a negligible connection with investment efficiency ($\beta=-0.026$, $p=0.000<0.05$). Consequently, the null hypothesis, which posited no statistically significant impact of microcredit accessibility on the investment efficiency of SMEs in Kericho County, Kenya, was upheld, leading to the rejection of the alternative hypothesis.

The study findings concur to those of Müller, Behrendt, and Schmitz (2020) that examined how the availability of microcredit affected SMEs' investment efficiency in the EU. According to the study, the availability of loans and other forms of financial support was found to have an influence on the effectiveness of investments made by SMEs in Eastern Europe. Access to micro-credit was found to increase investment in critical areas such as technology, machinery, and human capital.

5.2.2 Micro-credit utilization and investment efficiency

The correlation analysis results indicated a significant relationship between microcredit utilization and investment efficiency ($r=0.405$; $p<0.05$). To test the study hypotheses, both simple and multiple regression analyses were performed. The findings from the regression analysis demonstrated that microcredit utilization had a significant effect on the investment efficiency of SMEs ($\beta=0.559$; $p<0.05$). Consequently, the null hypothesis, stating that microcredit utilization has no statistically significant effect on the investment efficiency of SMEs in Kericho County, Kenya, was rejected.

These study findings support those of Ghosh and Ramesh (2020) who carried out a study to investigate how small enterprises' use of microcredit affects their investment efficiency. The findings revealed that while having enough working capital had a positive impact on investment efficiency, financial literacy significantly moderated this effect. Better investment was made by small enterprises with more financial literacy since they were able to use microcredit more efficiently.

5.2.3 Micro-credit conditions and investment efficiency

The correlation analysis revealed a significant link between microcredit conditions and investment efficiency ($r=0.616$; $p<0.05$). To evaluate the study's hypotheses, both simple and multiple regression analyses were performed. The results from the regression analysis demonstrated that microcredit conditions had a notable relationship with financial efficiency ($\beta=0.883; p<0.05$). As a result, the null hypothesis, which asserted that microcredit conditions have no statistically significant impact on the investment efficiency of SMEs in Kericho County, Kenya, was disproven.

The findings concur with those of Zhang et al. (2020) who after investigating the relationship between micro-credit conditions and investment efficiency among SMEs in China, established a positive correlation between investment efficiency and favorable flexibility in payment. Similarly, an investigation on how interest rates and repayment plans affected the effectiveness of investments in the context of Southern Africa by Tshabalala and Mhlanga (2022) found that SMEs with strong financial literacy and access to reasonably priced loans were able to make investments in ventures with higher potential returns. The study underlined how crucial financial literacy is to SMEs' ability to successfully use microcredit for investment

5.2.4 Moderating effect of financial literacy

Through a comprehensive multiple regression analysis, the study found that microcredit accessibility demonstrated a negative, statistically insignificant association with investment efficiency ($\beta=-0.028$; $p=0.533>0.05$). Conversely, microcredit utilization displayed a notable positive statistical relationship with investment efficiency ($\beta=0.209$; $p=0.000<0.05$). Similarly, microcredit conditions also exhibited a strong positive and statistically significant link with investment efficiency ($\beta=0.8$; $p=0.00<0.05$).

Collectively, these predictive variables explained a substantial 84.8% ($R^2=0.848$) of the observed variation in investment efficiency. Moreover, the research confirmed that financial literacy played a significant moderating role in the relationship between microcredit orientation and investment efficiency, evidenced by an increase in the coefficient of determination by 0.05 (shifting from an R^2 of 0.848 to 0.898).

These results align with observations from Lusardi and Mitchell (2020), whose work similarly indicated that financial literacy positively influenced how microcredit orientation affected small enterprises' capacity for informed investment choices.

5.3 Conclusions

This study investigated how financial literacy influences the link between microcredit practices and the investment effectiveness of Small and Medium-sized Enterprises (SMEs) in Kericho County. Drawing from the insights garnered, the study presents the subsequent conclusions, presented by objective:

5.3.1 Micro-credit accessibility and investment efficiency

The study concludes that micro-credit accessibility has a negative but statistically significant effect on the investment efficiency of SMEs in Kericho County. This finding implies that mere access to credit does not automatically translate into improved investment outcomes. Structural barriers, lack of awareness, or inadequate utilization strategies may diminish the impact of accessible credit. Therefore, improving investment efficiency requires more than expanding credit access. It calls for complementary measures such as financial literacy and tailored credit programs that address specific SME needs.

5.3.2 Micro-credit utilization and investment efficiency

Micro-credit utilization was observed to exhibit a statistically significant positive correlation. influence on investment efficiency. These findings highlights imply that SMEs allocate and use of borrowed funds is critical to achieving financial and investment goals. SMEs that channel credit toward productive investments are more likely to experience improved efficiency. Therefore, the study emphasizes the requirement for developing capabilities through targeted programs to enhance SMEs' decision-making and resource allocation skills, ensuring that borrowed funds are used optimally

5.3.3 Micro-credit conditions and investment efficiency

The study establishes that micro-credit conditions significantly influence investment efficiency. Favorable conditions including adaptable repayment schedules, reduced interest charges, and minimal security deposit demands enhance the ability of SMEs to meet credit obligations and reinvest profits. This finding underscores the importance of credit institutions designing borrower-friendly conditions that align with the financial realities of SMEs. Policymakers and micro-credit providers should work collaboratively to create credit frameworks that encourage sustainable growth.

5.3.4 Moderating effect of financial literacy

Financial literacy significantly influences the dynamic between microcredit orientation and investment efficiency. It bolsters the positive impact of microcredit utilization and the terms of credit on investment outcomes, though it does not notably alter the relationship between credit accessibility and investment results. This underscores that robust financial knowledge equips SME owners with the essential competencies to manage credit effectively and make sound financial decisions. Thus, incorporating financial literacy programs into broader SME development efforts is critical for fully leveraging the advantages offered by microcredit services.

5.4 Recommendations

Drawing from the study's conclusions, the subsequent recommendations have been developed:

5.4.1 Practical Implication

The findings provide important insights to the management of SMEs, policy makers, Micro credit Institutions and the Government. Notably, while micro-credit accessibility was found to be negative but statistically significant, micro-credit utilization and micro-credit conditions demonstrated positive significant effects on investment efficiency. These results underscore the need for SMEs to prioritize how they utilize borrowed funds and negotiate favorable credit terms to enhance their financial outcomes. The study findings could imply that effective credit utilization is more crucial than mere access to credit. This could highlight the importance of strategic resource allocation by SME managers.

For policymakers, the study findings suggest the need to reevaluate frameworks for credit accessibility to SMEs. Although access to credit is often a focal point in policy discussions, its lack of statistical significance in this study indicates that additional barriers may be at play. Policymakers should consider enhancing complementary measures, such as business support services and capacity-building programs, to ensure that accessible credit translates into tangible investment efficiency for SMEs. In addition, the study highlights the critical role of financial literacy, suggesting that policies incorporating financial education could empower SMEs to leverage micro-credit more effectively.

From a governmental perspective, the findings emphasize the importance of supporting SMEs through targeted financial literacy campaigns. Partnering with micro-credit institutions and other stakeholders, the government can implement widespread training initiatives to improve financial management skills among SME owners. Moreover, regulatory oversight should ensure that micro-credit providers offer fair terms that facilitate SME growth. These measures can create a more enabling environment for SMEs to thrive and contribute meaningfully to economic development.

Finally, Micro-credit institutions also play a pivotal role in shaping the investment outcomes of SMEs. Given the significant impact of micro-credit conditions, these institutions should focus on creating borrower-friendly terms that encourage sustainable investment practices. Additionally, embedding financial literacy training into credit programs can equip SME owners with the skills needed to make informed financial decisions. This dual approach can enhance the utilization of credit and ensure that SMEs are better prepared to navigate financial challenges.

5.4.2 Policy Recommendations

Despite a correlation, the negative significant relationship between micro-credit accessibility and investment efficiency suggests barriers to accessing credit might not translate into better investment outcomes. Policymakers should streamline credit application processes, improve outreach to underserved SMEs, and ensure that accessible credit also aligns with the needs of businesses for better investment outcomes

With micro-credit utilization showing a significant positive impact on investment efficiency, it is essential to develop programs that train SMEs on best practices for managing and allocating borrowed funds. These programs should cover budgeting, investment planning, and resource allocation to maximize returns and ensure efficient use of micro-credit.

To maximize the impact of micro-credit on investment efficiency, financial institutions should be encouraged to develop products tailored to the specific needs of SMEs in different sectors. These could include sector-specific loans, varying loan sizes, or credit packages that combine financing with financial literacy support.

Considering the substantial positive correlation observed between microcredit conditions and investment efficiency, policymakers should focus on improving credit terms such as lower interest rates, flexible repayment schedules, and reduced collateral requirements. These adjustments would enhance the attractiveness and usability of micro-credit for SMEs, thereby boosting their investment efficiency.

Establish monitoring frameworks to ensure that SMEs are effectively utilizing micro-credit for productive purposes. Financial institutions and government agencies can collaborate to assess loan impact regularly, providing guidance to SMEs struggling with efficient fund management and improving overall investment efficiency.

5.4.3 Theoretical Implication

This study enhances the theoretical understanding of SME financing and investment efficiency, drawing upon Human Capital Theory, Pecking Order Theory, and Financial Intermediation Theory. It advances the Financial Intermediation Theory by demonstrating that the efficacy of financial intermediaries, such as microcredit institutions, extends beyond mere credit provision. The findings suggest that the intermediation process should incorporate capacity-building, like financial literacy programs, to empower borrowers to optimize credit value. This broadens the theory from a transactional view to a facilitative role in fostering SME growth.

The research also builds on Human Capital Theory by affirming financial literacy as crucial human capital that improves SME investment efficiency. It shows that SMEs with greater financial understanding are better positioned to leverage microcredit for productive investments, underscoring the importance of human capital development. This progresses the theory by highlighting the necessity of targeted financial education for superior entrepreneurial and investment outcomes.

Lastly, the study enriches Pecking Order Theory, which posits firms favor internal financing before external debt. While the theory stresses this funding hierarchy, the findings indicate financial literacy significantly influences external debt utilization efficiency. Financially astute SMEs are more likely to use credit effectively, yielding enhanced investment results. These insights imply that borrower financial competence should be integrated into the theoretical framework of financing decisions.

5.4.4 Suggestions for Further Research

It is necessary to address whether the findings of this research can be generalized across time within Kericho County and throughout the entire country. While SACCOs have been involved in lending since their inception in Kenya, this study employed a survey design. This methodological choice limits the universal applicability of the results over time. Therefore, future research could investigate the nature of the relationship between microcredit orientation and investment efficiency over a more extended period.

Kericho County contains numerous SACCO markets at various stages of development. This study, however, focused solely on SMEs within Kericho County. Further research could be conducted to ascertain the relationship between microcredit orientation and investment efficiency in different regions and economic sectors. Such studies could provide insights into whether the lending environment influences investment efficiency. Additionally, future research could explore how other variables might affect the relationship between microcredit orientation and investment efficiency.

Finally, there is a need to determine if a causal relationship exists between microcredit orientation and investment efficiency. Furthermore, the precise nature of this causality needs to be established to provide actionable guidance for integrating SACCO lending into financial planning for farmers in the Kirinyaga region.

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APPENDICES

Appendix I: Introduction Letter

Ezra Cheruiyot Kirui

Moi University

P. O. Box 3900-30100

4th August 2024

Dear Sir/Madam,

<u>RE: REQUEST FOR RESEARCH DATA</u>

I am a graduate student at Moi University. I am currently conducting a research study titled "Micro Credit Orientation, Financial Literacy and Investment Efficiency of SMES in Kericho County". Kindly assist by providing the information in the attached questionnaire. Please be assured that the information you give is purely for academic purposes as defined in the research objectives for this particular study and will therefore be treated with utmost confidentiality.

Your assistance and co-operation will highly be appreciated.

Yours sincerely,

Ezra Cheruiyot Kirui

Appendix II: Questionnaire

Dear Respondent,

This questionnaire is part of a research study aimed at understanding the moderating effect of financial literacy on the relationship between microcredit orientation and investment efficiency among Small and Medium-sized Enterprises (SMEs) in Kericho County, Kenya. Your honest responses are highly valued and will be kept strictly confidential, used solely for academic purposes. Participation is voluntary, and you may withdraw at any time.

Please read each section carefully and provide your responses as instructed.

PART A: PERSONAL INFORMATION

Tick or cross where applicable

1. What is your gender?
    a) Male ( )
    b) Female ( )
2. To what age bracket do you belong to?
    a) Below 24 years ( )
    b) 25 years – 31 years ( )
    c) 32 years – 38 years ( )
    d) 39 years – 45 years ( )
    e) 46 years and above ( )
3. What is your highest academic qualification?
    a) Diploma and below ( )
    b) Degree ( )
    c) Post graduate and above ( )
4. What is the nature of business of your business?
    a) Small scale
    b) Medium scale

5. For how long have you been in business?

    a) Below 5 years ( )

    b) 6 years – 10 years ( )

    c) 11 years – 15 years ( )

    d) 16 years – 20 years ( )

    e) 21 years and above ( )

SECTION B: SPECIFIC OBJECTIVES

To what extent do you concur with the subsequent statements? Kindly mark the relevant space in the table with a tick (√), using the following scale: 5 for Strong Agreement (SA), 4 for Agreement (A), 3 for Undecided (UD), 2 for Disagreement (D), and 1 for Strong Disagreement (SD).

Part One: Loan accessibility

	Statement	**5 (SA)**	**4 (A)**	**3 (U)**	**2 (D)**	**1(SD)**
1.	Financial institutions provide adequate information on the micro credit products available to SMEs in my region					
2.	Financial institutions in Kericho County offer diverse credit products tailored to different business types and sizes					
3.	The documentation required for credit applications is clear and not burdensome for my business					
4.	The micro credit application process for SMEs in Kericho County is straightforward and easy to complete					

5.	My business experiences minimal delays in micro credit approval from financial institutions					
6.	The time taken to approve micro credit for my business is reasonable and allows for timely investment decisions					

Part Two: Micro credit utilization

	Statement	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)
1.	Access to microcredit has helped my business improve its working capital management					
2.	Microcredit loans provide my business with sufficient funds to manage day-to-day operations effectively					
3.	The availability of microcredit has increased the ability of my business to invest in new projects or assets.					
4.	Microcredit facilities have enabled my business to make new investments					
5.	Microcredit loans have supported my business in opening new branches or increasing production capacity					
6.	The microcredit obtained has contributed to the expansion of my business					

Part Three: Loan condition

	Statement	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)
1.	The collateral requirements for obtaining microcredit are reasonable for my business					
2.	The need for collateral has been a significant challenge in accessing microcredit for business investments.					
3.	The repayment schedule for the microcredit I received is flexible and suits my business's cash flow					
4.	The microcredit provider offers flexible payment terms that allow for better financial management in my business					
5.	The guarantor demands for accessing microcredit are manageable for my business					
6.	The microcredit provider's requirement for guarantors has not hindered my business's ability to obtain funding for investments					

Part Four: Financial Literacy

	Statement	5 (SA)	4 (A)	3 (U)	2 (D)	1(SD)
1.	My financial literacy has significantly enhanced the impact of microcredit on my business's investment efficiency					
2.	Having a well-structured financial plan has improved the efficiency of how I utilize microcredit for					

	business expansion					
3.	Understanding financial concepts, such as budgeting and forecasting, has improved my ability to manage microcredit for optimal business growth					
4.	My financial planning skills have helped me effectively allocate the microcredit funds toward profitable investments					
5.	I feel confident in making investment decisions due to my understanding of investment opportunities related to my business					
6.	My knowledge of different types of investments has helped me make better use of microcredit for my business					

Part Five: Investment efficiency

	Statement	**5 (SA)**	**4 (A)**	**3 (U)**	**2 (D)**	**1(SD)**
1.	Investment efficiency in my business has increased since receiving microcredit					
2.	Microcredit has contributed positively to the financial performance of my business					
3.	The utilization of microcredit has enhanced my business performance					
4.	Investment efficiency has significantly improved as a result					

	of effective use of microcredit					
5.	The microcredit financing has helped improve the return on assets (ROA) for my business					
6.	Microcredit has contributed positively to the financial performance of my business					

---*The End*-----------------------------------

Appendix III: Clearance Letter from the Board of Graduate Studies

Telex No. MOIVARSITY 35047
Email: sbepostgraduate@mu.ac.ke

RE: MU/SBE/PGR/ACD/21B DATE: 22nd November, 2024

TO WHOM IT MAY CONCERN:

Dear Sir/Madam,

RE: EZRA CHERUIYOT KIRUI - REG. NO. SBE/PGM/ELD/023/17

The above named is a bonafide student of Moi University, School of Business & Economics, undertaking **Masters in Business Administration** degree; specializing in **Finance**.

Mr. Kirui has successfully completed coursework, defended his proposal, and is proceeding to the field to collect data for his research titled: *"Micro Credit Orientation, Financial Literacy and Investment Efficiency of SMEs in Kericho County, Kenya."*

Any assistance accorded to him will be highly appreciated.

For any additional information, do not hesitate to contact the undersigned.

Yours faithfully,

DEAN
School Of Business and Economics
MOI UNIVERSITY

PROF. RONALD BONUKE
ASSOCIATE DEAN AND CHAIR-POSTGRADUATE STUDIES

/pm

(ISO 9001:2015 Certified Institution)

Appendix IV: Research Permit from NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **449607**

Date of Issue: **17/December/2024**

RESEARCH LICENSE

This is to Certify that Mr.. Ezra Kirui Cheruiyot of Moi University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kericho on the topic: MICRO CREDIT ORIENTATION, FINANCIAL LITERACY AND INVESTMENT EFFICIENCY OF SMES IN KERICHO COUNTY for the period ending : 17/December/2025.

License No: **NACOSTI/P/24/414595**

449607

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix V: Plagiarism Awareness Certificate

SR931

ISO 9001:2019 Certified Institution

THESIS WRITING COURSE

PLAGIARISM AWARENESS CERTIFICATE

This certificate is awarded to

EZRA CHERUIYOT KIRUI

SBE/PGM/ELD/023/17

In recognition for passing the University's plagiarism

Awareness test for Thesis **entitled: MICRO CREDIT ORIENTATION, FINANCIAL LITERACY AND INVESTMENT EFFICIENCY OF SMES IN KERICHO COUNTY, KENYA with** similarity index of 4% and striving to maintain academic integrity.

Word count: 21346

Awarded by

Prof. Anne Syomwene Kisilu

CERM-ESA Project Leader Date: 14/07//2025