Mobile Loans as Financing Options in Kenya and the Financial Performance of SMEs in Low Income Areas in Nairobi County

Margaret Murage[1]

[1]KCA University
[1]Maggiemurage@gmail.com

ABSTRACT

This study sets out to examine the effect of loan accessibility on the financial performance of SMEs in urban informal settlements in Kenya. Based on the descriptive survey design, data were collected from 120 SMEs in the 6 wards of Mathare Sub-County using semi-structured questionnaires. It was analysed using descriptive and inferential statistics. The findings show that all the loan accessibility had a significant and positive relationship with the financial performance of SMEs. In this regard, enhancing loan accessibility contributed to the financial performance of SMEs in urban areas. Financial inclusion among SMEs in urban areas was also enhanced through mobile loans. This could go on to enhance living standards among the inhabitants of urban informal settlements as envisaged by world bank. In this regard, several recommendations were made. Mobile loan providers should market their mobile loan products to make them visible since only 4, Safaricom-Fuliza, M-Shwari, Tala, and KCB-Mpesa were the most used. Civil society organizations in collaboration with mobile loan providers should also carry out capacity building campaigns among SMEs in informal settlements. This would lead to enhanced visibility and accessibility of these mobile loans among the inhabitants of urban informal settlements.

Keywords: Loan Accessibility, Financial Performance, Financial Inclusion, Small and Medium Enterprises, Urban Informal Settlements
----

I. INTRODUCTION

Small and Medium Enterprises (SMEs) can be loosely defined as firms with a small number of employees (Rijkers, Arouri, Freund, & Nucifora, 2014). This could be 10 to 50 for small enterprises to 50 to 100 for medium enterprises. Irrespective of their size, SMEs are motivated by increased profitability. This underlines the importance of enhanced financial performance which is an integral component of firms the world over. This performance can be measured in various ways including but not limited to synergy value in terms of revenue increases, reduction of expenses, and lower overall cost of capital (Collard, 2010). It can also be measured through ways such as better production techniques and increased market power; tendency to exert control over the market (Koller et al., 2010). Increases in the firm's size of assets and positive operating income for a period of one or two consecutive years are other important measures of financial performance in a firm (Denis & Rodgers, 2007). Kalay et al. (2007) point out that less debt-to-asset ratios can depict the financial performance of a firm. Profitability and less debt are other important measures of the financial performance of a firm (Warren & Westbrook, 2009). But for SMEs to realize enhanced financial performance, they must be able to access capital; often in terms of loans (Archer, 2019). This current study hypothesizes that one of the major ways in which firms have been able to obtain this most needed capital is by leveraging mobile loans.

Mobile loans enhance the accessibility of loans among SMEs. They also lead to affordable (low-interest loans) as well as flexible repayment periods. The joint influence of these variables could lead to better performance among SMEs in informal sectors. Studies such as Archer (2019) focused on Vietnam show that ease in access to funding contributes to the financial performance among SMEs in the country. However, the level to which financing affects the financial performance of SMEs in urban informal settlements was not the focus of the former study

A study by Global System for Mobile Communications Association points out that by the end of 2014, there were close to 300 million mobile money accounts enlisted globally. At the same time, those which were active remained at 103 million (GSMA, 2014). This was more prevalent in developing prevalent at 61%. At the same time, Sub-Saharan Africa (SSA) led with active mobile services at 53%. At the same time access to mobile credit, services increased by

50%. This shows high levels of mobile loans (credit) in SSA in comparison to developed countries. However, the level to which these mobile loans contribute to the performance of SMEs may not be inferred from these findings. This study thus sets out to investigate the effect of mobile loan accessibility on the financial performance of SMEs in urban informal settlements in Kenya.

1.1 Statement of the Problem

SMEs are indispensable in Kenya's economy. They contribute to 18% of the GDP and employ about 80% of Kenya's population (Kithae et al., 2012). Regrettably, 70% of SMEs in Kenya collapse within three years due to financing problems among other factors (Douglas, Douglas, Muturi, & Ochieng, 2017). A study by Abala (2013) shows that in Kenya's informal settlements 84.7% of businesses cite the lack of financial assistance as a challenge facing them. This happens in the backdrop of high adoption of mobile loans with Kenya Credit Bureaus pointing out that as of 2019, 19 million Kenyans, had active mobile loans. As such, the level to which mobile loan solutions have been leveraged to mitigate the challenges limiting access to traditional bank loans by SMEs remains largely unexplored.

This study is important since any challenges affecting their performance should be promptly investigated and remedial actions suggested. Without studies such as this current one, understanding how financing challenges could be abridged by mobile loans in selected urban informal settlements in Kenya could remain an elusive feat. This is particularly so since the existing body of literature cannot cast a vivid image on the influences of mobile loan accessibility on the financial performance of SMEs in urban informal settlements such as Mathare Slums. In this context, this study sets out to bridge these literature gaps by investigating the effect of mobile loans accessibility on the financial performance of SMEs in urban informal settlements in Kenya with reference to Mathare Slums.

1.2 Research Objectives

To examine the effect of mobile loan accessibility on the financial performance of SMEs in urban informal settlements in Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Framework

This study is pegged on the economic theory of financial innovation theory. The financial innovation theory was postulated by William Silber in 1975. It is based on the hypothesis that "new financial instruments or practices are developed to lessen the financial constraints imposed on banks" (Silber, 1975). It is an adaptation of the economic theory to explain the essence of financial innovation. The economic theory is founded on the premise that market participants respond to market imperfections through financial innovations (Harris & Raviv, 1989; Ross, 1989). In this regard, the demand and supply forces of financial innovations are pegged on the need to deal with market infections such as transaction costs, information asymmetries, and other inefficiencies while still realizing profit maximization (Ross, 1989). Within the context of this study, the need to maximize profits while reducing the cost of credit could be a motivation for adopting mobile loans.

Studies on financial innovations argue that these innovations emanate from the interactions of demand and supply (Duffie & Rahi, 1995; Harris & Raviv, 1989). When consumers demand easy access to capital, innovators may seize the opportunity and come up with financial products that have less risk and lower tax implications to reach these consumers maximally. However, innovations are affected by external and internal constraints. These include government regulations and inflation among others.

Within the context of this study also, it is hypothesized that the demand for easy access to capital among the banked has led to financial institutions to come up with mobile loan innovations. These loans are designed in such a way that consistency in serving them without default leads to a higher loan limit. This reduces risks while also reducing transaction costs since there is no requirement to visit the financial institution. The loans are based on demand and supply market considerations in which various financial service providers continue to innovate to make their loans more attractive than those of their competitors. SMEs can leverage on the high number of loan products in the market to finance their businesses, leading to enhanced financial performance as conceptualized by this current study.

2.2 Empirical Review

Archer (2019) carried out a study titled, "Formality and financing patterns of small and medium-sized enterprises in Vietnam: emerging markets finance and trade." The study was based on a Vietnam SME Survey between 2007 and 2013. Based on the two-stage econometric approach, the study found ought that the propensity to obtain

funding contributed to the financial performance of SMEs in the country. This current study sets out to investigate the veracity of these findings in Kenya.

Raj and Sen (2015) in "finance constraints and firm transition in the informal sector" studied the Indian manufacturing sector. Data was collected from "a rich firm-level data-set drawn from nationally representative surveys." The study findings show that the inability to access financing was a significant constraint to the growth of small firms in the Indian informal sector. This current study sets out to investigate the veracity of these findings in Kenya.

A study based on a global analysis of microfinance institutions by Shahriar and Garg (2017) focused on "lender–entrepreneur relationships and credit risk." The study utilized information on 1087 MFIs from 69 countries between 2003 and 2014. The findings show that the extent to which financial institutions were able to access funding affected their performance. This current study investigates the effects of mobile loans on the performance of SMEs in Kenya.

Baloguna, Nazeemb, and Agumbac (2016) in "determinants predicting credit accessibility within Small and Medium-Sized Enterprises in the South African Construction Industry" collected primary from 179 construction SMEs. This was to establish the extent of credit accessibility in these institutions. Desk review of extant secondary data on the study variables was also sought. Binary logistic regression was used to study the nexus between demographic variables and credit accessibility. The findings show that firm characteristics had a significant influence on access to finance. This current study sets out to find out the level to which access to mobile loans from SMEs affected the financial performance of SMEs in Kenya. This is of pertinent importance since the former study was not focused on Kenya or an East African country for that matter.

A study was undertaken in Kenya by Chepsang, Iraya, and Okiro (2018) focused on "the effects of access to credit on the financial performance of SMEs in Nairobi County. Data was collected using questionnaires and interviews. Secondary data was also sought from journals, books, and the internet with the study focus being 2012 and 2016. The findings obtained show that there was a huge financing gap between SMEs. This current study investigates the level to which mobile loans bridged this gap and the associated effect on the performance of SME in the county.

Ndagijimana (2017) carried out a study on "The effect of mobile lending on the financial performance of commercial banks in Kenya." Based on the cross-sectional descriptive survey the study adopted a census method. The study included all commercial banks practicing mobile lending. Data was collected from the audited financial records. It was established that mobile lending enabled the unbanked, as well as those from remote areas to access financing. Regression analysis shows that there were mobile loans that influenced the financial performance of commercial banks in Kenya. However, the study was not focused on SMEs but rather on lending institutions. As such, it may be untenable to understand the level to which the financial performance of the borrowing institutions was enhanced.

Fatoki and Asah (2011) studied "The Impact of Firm and Entrepreneurial Characteristics on Access to Debt Finance by SMEs in King Williams' Town, South Africa." The main aim of this study was to investigate the impact of firm and entrepreneurial characteristics on access to debt finance where data collection was done through questionnaires in a survey and by the use of descriptive statistics, Pearson correlation, and logistic regression for statistical analysis. The findings of this study show that the access to debt finance by SMEs is impacted by firm and entrepreneurial characteristics and suggests a few recommendations such as SMEs should always be ready to make investments by collateral provision, attending seminars and training which if put into practice can improve managerial competence.

Murigi (2014) studied "the Effect of financial access on the financial performance of Small and Micro Enterprises in Mukuru Slums". The findings show that access to credit whether from informal, formal, and semiformal institutions has a positive and significant effect on SMEs in Mukuru slums and that the credit acquired from informal sources leads to better performing SMEs. To achieve financial access of SMEs in informal settlements, this study recommended various ways of achieving this such as the formulation of measures such as special funds to cater to SMEs' financial needs.

Harash, Al-Timimi, and Alsaadi (2014) studied "The Influence of Finance on Performance of Small and Medium Enterprises (SMEs)." Through the use of cross-country studies, the findings of this study show that the probability of lack of credit facilities decreases with the growth of firms and that SMEs in less developed areas are more likely to develop financing constraints, even though access to finance has been identified as a critical obstacle to firm growth and access to external finance has a positive impact on entrepreneurship which is reflected on the number of start-ups and firm dynamism and innovation.

Haron et al. (2013) studied "Factors influencing Small and Medium Enterprises (SMEs) in Obtaining Loans." In this study, we see that small and medium enterprises (SMEs) are great contributors to economies through the promotion of economic growth, but they face the challenge of access to finances which is brought about by lack of collateral and a good track record which make it difficult for SMEs to access credit facilities from banking institutions.

III. RESEARCH METHODOLOGY

3.1 Research Design

This study was based on descriptive survey design. This design is preferable since it helps explain causal relations based on various data sources such as questionnaires, interviews, and document analysis; all of which are possible to deploy in this study. The design is also able to apply multiple methods of analysis such as correlation and simple as well as multiple regression analysis to test the relationship between the study variables.

3.3 Population

Mugenda and Mugenda (2008) point out that a population is a large group of participants from which a sample is drawn. This study targets SMEs in the six wards of Mathare Sub-County namely: Hospital, Mabatini, Huruma, Ngei, Mlango Kubwa, and Kiamaiko. There are about 3500 SMEs in the Sub-County with turnovers of over Ksh.50, 000 per month. A sampling frame is a list of the sampling units that are used in the selection of a sample (Bryman & Cramer, 1994). In this study, the sampling frame was the SMEs operating in each Ward of Mathare Sub-County. These SMEs undertake activities in various sectors such as construction, tailoring and dress-making, food and hospitality activities, health services, general supplies, vegetable sales, and transport among others. In Each SME, the proprietor/manager was targeted.

3.4 Sample

Cooper & Schindler, (2014) points out that sampling is suitable where it's not practical to study a whole population. The sample size for this study was obtained from a sampling formula by Yamane as shown below:

$$n = \frac{N}{1 + N(e)^2} = 97.1$$

Where:
n= the sample size
N = the size of the population
e= the error of 10%
The calculation from a population of 3500 is 98.

This study used the proportionate stratified sampling procedure and snowballing techniques to obtain the sample from each Ward in Mathare-Sub County. Therefore, the sample of 98 respondents was chosen proportionately from each Ward. This ensured that the true picture of the subject under investigation in the study areas is captured. The respondents were also obtained proportionately from different kinds of SMEs using the snowballing non-probabilistic sampling method.

3.8 Data Processing and Analysis

Data was collected using semi-structured questionnaires and data collection forms. This study used descriptive and inferential statistics (Cooper & Schindler, 2014). Descriptive statistics entailed frequency, percentages, and means. Inferential statistics involved correlation and regression analysis. The findings were presented in Tables. Diagnostic tests were carried out before inferential statistics to ascertain whether the data is properly modelled by a normal distribution included tests for normality, multicollinearity, and Heteroscedasticity.

IV. FINDINGS

4.1 Response Rate

The study sampled 98 the proprietors/managers of SMEs. Out of these, 86 responded. The return rate was thus 88% which was deemed sufficient for analysis.

4.2 Pilot Testing

The study tested the data collection tool for reliability and validity before the administration of the tool. When all the tests were successfully done then the tool was administered. In this study, Cronbach alpha values of 0.812 for loan accessibility and 0.811 for financial performance were obtained as presented in Table 1. Since these were more than 0.7, the research instrument was deemed sufficient for use in data collection.

Table 1 Reliability Test

Item	No. of Items	Cronbach Alpha (α)
Loan Accessibility	7	0.812
Financial Performance	5	0.811

This study utilized content validity. The respondents could easily understand and respond to the study questions. The tool was thus deemed adequate for use in data collection.

4.3 Demographic Information of the Study Participants

The study sought to find the gender of the respondents. The findings show that close to two-thirds of the respondents were female (66.3%) while males were 33.7%. This implies that bother genders were significantly represented in the study. The major businesses were restaurants, shops, chemical sales, transport (rider/taxi), sales, farming, barbershop, plumbing, manufacturing, carpentry, general supplies, legal practice, cyber, mechanics shop, phone shops, outdoor films, stationery, and saloon/hairdressing among others. This shows that the respondents were from divergent businesses. As such, the findings obtained could adequately represent SMEs in the study area.

The findings show that more than a third of the respondents had diplomas (36%). These were followed by close to a fifth (19.8%) who had degrees. Those who had certificates and high school qualifications followed at 15.1%. These findings show that the respondents had divergent education levels and could make significant contributions to the study.

Further, the findings show that most of the respondents (45.5%) had been in business for periods ranging between 2 and 5 years. These were followed by close to a third (32.6%) who had been in business for 6 to 10 years. These findings show that most of the respondents had been in business long enough to understand the contribution of mobile loans to the financial performance of businesses.

The respondents were asked to indicate the frequency of borrowing various mobile loans they had used. The responses were captured on a scale of 1 to 4 where 1=Often (Several times a year); 2= Always (Every Month); 3=Rarely (Sometimes in 2 years) and; 4 =Never (Never borrowed). Weighted means were used to indicate the average agreeability with the different frequencies of borrowing. The findings show that M-Shwari and Fuliza-Safaricom were used always (M=2). Other popular loans were Tala and KCB M-Pesa were where used rarely or sometimes in 2 years (M=3). These findings show that only four mobile phones were mostly used. These were   M-Shwari, Fuliza-Safaricom, Tala, and KCB M-Pesa. The other mobile loans (Berry, Timiza-Barclays, Branch, Shika, iPesa, Zenka, Zidisha, Okash, Jazika, Utunzi, Kopakash, HF Whizz, Saida, Haraka, M-Co-op cash, and Equitel loans) were never borrowed (M=4). This was due to the fact that they were hard to apply for and obtain. In some cases, borrowers were turned back based on CRB ratings. Furthermore, some of the respondents had never heard about some of them.

4.4 Descriptive Statistics
4.4.1 Mobile Loan Accessibility and the Financial Performance of SMEs

The study sought to examine the effect of mobile loan accessibility on the financial performance of SMEs in urban informal settlements in Kenya. The respondents were presented with statements on the nexus between the two variables on a scale of 1-5 where 1-to a very low extent; 2-to a low extent; 3- to a moderate extent; 4-to a high extent and; 5-to a very high extent. The findings are presented in Table 2.

Table 2 Mobile Loan Accessibility and the Financial Performance of SMEs

Statement	Mean	Std. Dev.
1. Ease in obtaining loans contributes to the financial performance of my business	3	1.39
2. Inability to access financing affects the growth of small firms in the area	3	1.32
3. Lack of enough loans limits affects the financial performance of my business	4	1.35
4. I can easily get a mobile loan to invest in my business and this has affected the performance of my business	3	1.20
5. Ability to apply for multiple mobile loans enhances the performance of my business	3	1.35
6. Even without a bank account, I can get a mobile loan and this has enhanced the performance of my business	4	1.33
7. Even without collateral, I can get a bank loan and this has led to better performance in my business	3	1.45
N=86		

The study sought to examine the effect of mobile loan accessibility on the financial performance of SMEs in urban informal settlements in Kenya. The respondents agreed to a high extent (WMs=4) that lack of enough loan limits affected the financial performance of my business and that even without a bank account, they could get a mobile loan and this has enhanced the performance of my business. This agrees with Archer (2019) who found ought that the propensity to obtain funding contributed to the financial performance of SMEs in the country. It is thus clear that loan accessibility influenced the performance of mobile loans.

The respondents went on to agree to a moderate extent (WMs=3) with all the other statements presented to them. In this regard, the respondents agreed that ease in obtaining mobile loans contributes to the financial performance of their business and that the inability to access financing affected the growth of small firms in the area. These findings corroborate those of Raj and Sen (2015) who posit that access financing had significant relationships with the growth of small firms in the informal sector.

The respondents also pointed out that they could easily get mobile loans to invest in their business and this had affected the performance of their businesses. Ability to apply for multiple mobile loans enhanced the performance of their businesses. They also agreed to a moderate extent (WM=3) that even without collateral, they could get a bank loan and this has led to better performance in their businesses. These findings show that mobile loan accessibility tended to have mobile effects on the financial performance of SMEs as posited by Ndagijimana (2017).

The respondents were asked to point out other ways in which ease to obtain a mobile loan affected the financial performance of your business. They pointed out that it led to an increase in capital. Lack of requirements for paperwork and securities also made it easy to access financing. Accessibility also boosted their businesses and led to expansion which agrees with Raj and Sen (2015). In some instances though, ease of loan access meant that most businesses ended up having unnecessary liabilities. Challenges in access to loans meant that businesses were often faced with a lack of cash, leading to the sale of assets to increase access to financing. These findings show that all in all accessibility to financing affected the financial performance of SMEs.

The respondents also were asked to point out other ways in which ease to obtain a mobile loan affected the financial performance of your business. They pointed out that it led to an increase in capital. Lack of requirements for paperwork and securities also made it easy to access financing. Accessibility also boosted their businesses and led to expansion. In some instances though, ease of loan access meant that most businesses ended up having unnecessary liabilities. Challenges in access to loans meant that businesses were often faced with a lack of cash, leading to the sale of assets to increase access to financing.

4.4.2 Financial Performance of SMEs

The dependent variable of the study was the financial performance of SMEs in urban informal settlements in Kenya. This section presents the findings obtained.

Table 3 Financial Performance of SMEs

Statement	Mean	Std. Dev.
1. Since I started using mobile loans my business has been making more sales	3	1.32
2. Since I started using mobile loans my business has been making more profits	3	1.35
3. My business has more assets since I started using mobile loans	3	1.31
4. My business has less debts since I started using mobile loans	3	1.38
5. I have expanded my business to other areas since I started using mobile loans	3	1.45
N=86		

The dependent variable of the study was the financial performance of SMEs in urban informal settlements in Kenya. The respondents agreed to a moderate extent (WM=3) with all the statements presented to them. In this regard, they agreed to a moderate extent that since they started using mobile loans, their businesses had been making more sales and that since they started using mobile loans; their business had been making more profits. Also, their businesses had moderately more assets since they started using mobile loans. Their businesses also had fewer debts since they started using mobile loans (WM=3). They had also expanded their business to other areas since they started using mobile loans. These findings show that the businesses started seeing positive performance since the start of using mobile loans.

4.5 Inferential Statistics

This section presents normality tests, correlation, and regression analyses.

4.5.1 Diagnostic Tests

The diagnostic tests carried in this study were normality tests, tests for heteroskedasticity, autocorrelation, and multicollinearity.

4.5.1.1 Normality Test

Kolmogorov-Smirnov and Shapiro-Wilk normally test show that the variables under investigation did not deviate from a normal distribution ($p < 0.05$). The test for heteroskedasticity shows that there was no heteroskedasticity problem since as shown in the scatter plot, the spots are diffused and do not form a clear pattern. This could arise from the fact that the data used was drawn from ordinal psychometric scales and had definite responses.

4.5.1.2 Test of MultiCollinearity

To determine whether Multicollinearity levels would pose a challenge to the study, the Variance Inflation Factor (VIF) value was tested. A VIF of above 10 is interpreted as indicating problems with Multicollinearity (Bryman, 2012). In this study thus, it was found out that there was no multicollinearity problem.

4.5.2 Pearson Correlation

Pearson correlation analysis was carried out to test the significance of the relationships between the independent and dependent study variables. The findings show that there was a significant relationship between financial performance in SMEs and loan accessibility, ($r = 0.924$, $p < 0.05$).

Table 4 Pearson Correlation

Correlations		
		Loan Accessibility
Financial Performance	Pearson Correlation	.924**
	Sig. (2-tailed)	.000
	N	86
**. Correlation is significant at the 0.01 level (2-tailed).		

4.5.3 Regression Analysis

Univariate regression analysis was carried to test the level to which mobile loan accessibility predicted financial performance.

4.5.3.1 Coefficient of Determination

Multiple R is the correlation between the observed values of independent variables and the value of the dependent variable predicted by the multiple regression models. In this regard, the findings show that there was a strong correlation between the predicted and observed values of the performance of SMEs. The coefficient of determination R^2, which is the proportion of variance in the dependent variable that can be explained by the independent variable, was found to be 0.863. This means that repayment timelines explained 86.3% of the change in the financial performance of SMEs. In addition, the adjusted R^2 value of 0.858 means that 85.8% of the variance in the level of the financial performance of SMEs can be accounted for by the population from which the sample was taken.

Table 5 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.863	.858	.46964
a. Predictors: (Constant), Repayment Timelines, Loan Accessibility, Interest Rates				

120

4.5.3.2 Analysis of Variance

Table 6 presents the results obtained from the Analysis of Variance (ANOVA). The F-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. In essence, ANOVA shows whether the overall model results in a significantly good degree of prediction of the outcome variable. The findings show that repayment timelines statistically significantly predict the dependent variable (Financial Performance), F= 171.527, p<0.05. It can thus be concluded that the regression model was a good fit for the data.

Table 6 Analysis of Variance

ANOVA[b]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	113.496	3	37.832	171.527	.000[a]
Residual	18.086	82	.221		
Total	131.581	85			
a. Predictor: (Constant), Loan Accessibility					
b. Dependent Variable: Financial Performance					

Table 7 presented the regression coefficients obtained from this study. Herein, significant t-test values (repayment timelines, p<0.05;) was obtained. This means that all the independent variables significantly predicted the dependent variable and could be fitted into the regression model adopted by this study.

The fitted regression model using the unstandardized coefficients was thus as follows:

*Financial Performance = 0.876 + 0.859 * Loan Accessibility + 0.289*

Standardized Beta Coefficients were also obtained, this shows that an increase in Loan Accessibility by 0.7 would lead to an increase in the performance of SMEs by 1 unit.

Table 7 Regression Coefficients

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	.876	.289		3.033	.003
Loan Accessibility	.859	.134	.700	6.418	.000
a. Dependent Variable: Financial Performance					

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The findings show that all the loan accessibility had a significant and positive relationship with the financial performance of SMEs. In this regard, enhancing loan accessibility contributed to the financial performance of SMEs in urban areas. Financial inclusion among SMEs in urban areas was also enhanced through mobile loans. This could go on to enhance living standards among the inhabitants of urban informal settlements as envisaged by world bank.

5.2 Recommendations

Mobile loan providers should market their mobile loan products to make them visible since only 4, Safaricom-Fuliza, M-Shwari, Tala, and KCB-Mpesa were the most used. Civil society organizations in collaboration with mobile loan providers should also carry out capacity building campaigns among SMEs in informal settlements. This would lead to enhanced visibility and accessibility of these mobile loans among the inhabitants of urban informal settlements.

REFERENCES

Archer, L.T. (2019). Formality and Financing Patterns of Small and Medium-Sized Enterprises in Vietnam. *Emerging Markets Finance and Trade*. Taylor & Francis Online. DOI: 10.1080/1540496X.2019.1658576

Baloguna, O.A., Nazeemb, A., & Agumbac, J.N. (2016). Determinants Predicting Credit Accessibility within Small and Medium-Sized Enterprises in the South African Construction Industry. *Procedia Engineering*, 164 (1), 473 – 480.

Bitcoin Kenya. (2019). *19 Million Kenyans Have Active Mobile Loans with 40% Being Multiple Mobile Lenders*. Bitcoin Kenya. https://bitcoinke.io/2019/03/19-million-kenyans-active-mobile-loans-40-percent-multiple-mobile-lenders

Bryman, A., & Cramer, D. (1994). *Quantitative data analysis for social scientists* (Rev. ed.). Taylor & Frances/Routledge.

Chepsang, I., Iraya, C., & Okiro, K. (2018). Effects of access to credit on financial performance of small and medium enterprises in Nairobi County. *UON journal*, 2(1), 1.

Collard, J. (2010). Recovering & Building Value: Turnaround Management and Distressed Investing Strategies: A Compendium of Articles. *Strategic Management Partners*. Inc. 522 Horn Point Drive Annapolis, Maryland 21403 USA.

Cooper, R. D. & Schindler, S. P. (2014). *Business. Research Methods.* Boston: Irwin McGraw Hill.

Denis, D.K. & Rodgers, K.J. (2007). Chapter 11: Duration, Outcome, and Post-Reorganization Performance. *Journal of Financial and Quantitative Analysis* 42, 101-118.

Douglas, J., Douglas, A., Muturi, D., & Ochieng, J. (2017). "An Exploratory Study of Critical Success Factors for SMEs in Kenya." University of Verona 20th International Conference. Verona (Italy), 1 September 7 and 8, 2017.

Duffie, D., & Rahi, R. (1995). Financial market innovation and security design: an introduction. *Journal of Economic Theory*, 65(1), 1–42.

Fatoki, O., & Asah, F. (2011). The Impact of Firm and Entrepreneurial Characteristics on Access to Debt Finance by SMEs in King Williams' Town, South Africa. *International Journal of Business and Management*, 6(8), 54-67.

GSMA. (2014). *State of the Industry Mobile Financial Services for the Unbanked*. GSMA publication.

Harash, E., Al-Timimi, S., & Alsaadi, J. (2014). The Influence of Finance on Performance of Small and Medium Enterprises (SMEs). *International Journal of Engineering and Innovative Technology (IJEIT)*, 4(3), 1.

Haron, H., Binti, S., Jayaraman, K., & Ismail, I. (2013). Factors influencing Small and Medium Enterprises (SMEs) in Obtaining Loans. International Journal of Business and Social Science, 4 (15), 182.

Harris, M., & Raviv, A. (1989). The design of securities. *Journal Financial Economics*, 24(2), 255–287.

Kalay, A., Singhal, R. & Tashjian, E. (2007). Is Chapter 11 Costly?. *Journal of Financial Economics*, 84, 772–796.

Kithae, P.P., Gakure, R.W., & Munyao, L.M. (2012). The Place of Micro and Small Enterprises in Kenya in Achievement of Kenya's Vision 2030. *Journal of US-China Public Administration*, 9 (12), 1432-1440.

Koller, T., Goedhart, M., & Wessels, D. (2010). *Valuation: Measuring and Managing the Value of Companies*. Hoboken, *John* Wiley & Sons.

Mugenda, O., & Mugenda, A. (2008). *Social science Research: Theory and Principles*. Nairobi: Applied Research and Training Services.

Murigi, M. (2014). *The Effect of financial access on the financial performance of Small and Micro Enterprises in Mukuru Slums*. Master's Thesis. University of Nairobi.

Ndagijimana, A.N. (2017). Effect of mobile lending on the financial performance of commercial banks in Kenya. Master's Thesis. University of Nairobi.

Raj, R.S., & Sen, K. (2015 Finance Constraints and Firm Transition in the Informal Sector: Evidence from Indian Manufacturing. *Oxford Development Studies*, 43(1), 1.

Ross, S.A. (1989). Institutional markets, financial marketing, and financial innovation. *Journal of Finance*, 44(3), 541–556.

Shahriar, A.Z., & Garg, M. (2017). Lender–entrepreneur relationships and credit risk: A global analysis of microfinance institutions. *International Small Business Journal*, 35 (7), 829-854.

Silber, W.L. (1975). *Financial innovation*. Lexington Books

Warren, E. & Westbrook, J.L. (2009). The Success of Chapter 11: A Challenge to the Critics. *Michigan Law Review*, 107, 603–642.