IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 13, Issue 2 Ser. VIII (Mar. – Apr. 2022), PP 56-70
www.iosrjournals.org

Effectiveness of Financial Inclusion on the Growth of Micro Enterprises in Meru County, Kenya

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Abstract:
Background: *Financial inclusion makes it possible for businesses and persons to get affordable and useful financial products and services delivered in a responsible and sustainable manner that meet their needs. Existing literature reveals that the aspect of financial inclusion has a positive effect in the growth of micro enterprises. However, they are faced by universal challenges of financial inclusion across the globe mostly due to lack of collateral, high interest rate, small equity base, short repayment periods, information asymmetries between borrowers and lenders, management skills, changes in technology and profile such as level of education, age, gender among others. In Kenya, there has been increased government efforts and financial deepening to remedy this but still micro enterprises are failing within the first two years after opening. This study therefore examined the effectiveness of financial inclusion on the growth of micro enterprises in Meru County. The specific objective of the study was: to establish the effect of accessibility of financial products and services on the growth of micro enterprises. The study was guided by Financial Intermediation Theory of Banking. The study was carried out in Meru county specifically in Imenti South Sub-county in micro enterprises which are licensed and have been in operation for three years and above. A sample size of 84 micro enterprises was selected using Slovin's Formula. A questionnaire was used to collect the data. The data was then analyzed by the use of Statistical Package for Social Sciences (SPSS) and presented in form of percentages and frequencies followed by a simple explanation after each analysis for ease of understanding. Regression model was employed to show the relationship between the dependent and independent variable. The significance of the relationship was computed using ANOVA. The study established that accessibility of financial services positively and significantly influences growth of micro enterprises in Meru County. The study recommended that financial institution should make loan products more affordable by doing away with processing fees, lace fees, appraisal fees, and application fees, offer variety of loan products and create more awareness of the other existing financial products and services to micro enterprises owners in Meru county. Further, micro enterprises owners are recommended to visit their financial providers to enquire on various products and services offered that can help grow their business.*
Key Words: *Financial Inclusion, Accessibility, affordability, Growth, Micro Enterprises*

Date of Submission: 22-04-2022 Date of Acceptance: 06-05-2022

I. Introduction

Generally, financial inclusion is the availability of financial products and services to all regardless of income levels. Bruno and Blaise (2017) highlighted that "there is no standard, universally accepted definition of financial inclusion". However, several researchers have tried to define financial inclusion differently but what cut across all the definitions is the ability to access financial services at affordable cost.

Chakraborty (2011) defines financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. Amanja (2015) defines it as a state in which all people who can use financial services have access to a full suite of quality financial services provided at affordable prices, and in a convenient manner. While the Center for Financial Inclusion (2016) defines financial inclusion as access to a full suite of financial services including credit, savings, insurance, and payments, provided with quality that is convenient, affordable, suitable, dignity and client protection together with financial capability meaning clients are informed and able to make good money management decisions, to everyone who can use financial services including excluded and underserved people, through a diverse and competitive marketplace with a range of providers, a robust financial infrastructure and a clear regulatory framework.

The number of adults worldwide who have access to formal financial products and services from financial institutions that are regulated is 69% (World Bank, 2018). Financial inclusion review research around the world by Peterson (2020) showed that financial inclusion affects and is influenced by financial innovation level, poverty levels, financial sector stability, economic state, financial literacy and regulatory structure which vary from country to country. In South Africa, poverty is associated with financial exclusion in addition to banks discrimination against the poor (Velonkosini 2020). In Uganda, It is determined by financial innovation and financial literacy (Akileng, Lawino & Nzibonera, 2018). While in Kenya Financial education, income level and savings influence financial inclusion (Kariuki & Muturi, 2018).

Micro enterprises are enterprises with less than ten employees, a turnover not exceeding Ksh. 500,000, its total assets and financial investment or the registered capital does not surpass 10 million in manufacturing sector, 5 million in the service and farming sector

and has businesses in almost all sectors of economy such as trading, manufacturing and service (Kenya National Bureau of Statistics 2016, Micro and Small Enterprises Act (2012). They are also commonly referred to as small businesses. Most countries base the definition of these enterprises depending on the annual sales turnover, value of assets and the number of employees. They are commonly under sole proprietorship form of business and mostly owned by women and youth.

Micro enterprises are the engines of modern economy worldwide since they make major contribution to global economic growth and sustainable development in areas such as generation of employment, alleviation of poverty, wealth creation and food security (Fred, Omotayo, Maxwell, Adeshola, Augusta, Stephen, 2018). According to World Bank (2021), they make up to 90% of businesses and more than 50% of employment worldwide in addition to them contributing up to 40% of national income in emerging economies. They are a backbone of European Economy helping to create more than 85% of the new jobs (Jean 2016). According to Alena & Julia (2019) they account to 25% of the total number of people employed in Russia’s economy. They are the pillar of China’s economy (Kellee 2017).

Kenya Bureau of Statistics 2016 survey of national Micro, Small and Medium Enterprises highlighted that Micro, Small and Medium Enterprises (MSMEs) employed 14.9 million people with 77.1% in wholesale, retail, repair of motor cycle and motor vehicle, 11.8% in manufacturing and 11.1% in accommodation and food service activities. Further, the report stated that out of the total number, licensed Micro enterprises employed 55.2%, Small enterprises 32.3% and Medium enterprises 12.5% of the total number in various establishments. In addition, Micro, Small and Medium Enterprises contributed 28.5% of the total economy.

Micro enterprises are said to be growing when they open new branches, employ more workers, increase business assets, increase savings level, increase stock and stock turnover in addition to sales growth among others. Stock turnover is the number of time a micro enterprise is able to replace the stock it has sold in a given period of time which is measured by cost of goods sold divided by average stock for the same period. Sales growth is the increase in revenue. Rate of sale which is the comparison of the stock available and stock sold shows the micro enterprise revenue increase. Increased revenue can result into increased savings level, opening of new branches, employment of more workers and increased business asset among others to a micro enterprise. Income generated helps in poverty reduction and raising the living standards.

Financial inclusion is a key enabler to reducing poverty and boosting prosperity (World Bank 2018). It is often considered as a critical element that makes growth inclusive as access to finance can enable economic agents to make longer-term consumption and investment decisions, participate in productive activities, and cope with unexpected short-term shocks (Park & Mercado 2015). According to Thorsten, Liping & Rudai, (2015) in China, financing is positively associated with sales growth of microenterprise. A study done in Kenya by Ochanda (2014) found out that the growth of Small enterprises was 92% positively influenced by access to credit.

This being the fact therefore, accessibility of financial products and services influence the growth of Macro enterprises.

However, access to financial products and services is a major impediment to micro enterprises growth mostly due to lack of collateral, tight borrowing regulations, discrimination and lack of information in addition to low level of education, unqualified personnel and lack of market. Chimucheka & Mandipaka (2015), Anthony, Christian & Tettey (2015). Karpowicz (2014) considers access and depth barriers as being some of determinants of financial inclusion which discourages micro enterprises from using formal financial products and services in Colombia. Access barriers include physical infrastructure, documentation requirements and bureaucratic procedures while depth barriers are collateral requirements, information disclosure and contract enforcement procedures. In addition, lower account costs and greater proximity to financial intermediaries are associated with financial inclusion (Franklin, Asli, Leora, Maria & Martinez 2016).

Micro enterprises are faced with several of these and more hurdles while trying to access financial products and services. It becomes even more difficulty for Micro enterprises to obtain loans in cases of gender, ethnicity and race discrimination. A report developed under a contract with the Small Business Administration, Office of Advocacy in United State, Alicia (2018) concluded that Blacks and Hispanics were less likely to have business bank loans compared with Whites and Asian-owned businesses, which were more likely to use credit card financing.

Economic Co-operation and Development (OECD) (2018) report stated that in developing countries, Micro enterprises significantly pay higher interest rates than their counterparts in high-income countries. In addition, the report also noted that men are more likely to have access to finance than women to either start or grow their business.

In Kenya, financial inclusion is a vital factor anchored in vision 2030 where Kenya is expected to have a globally competitive and vibrant financial sector with high levels of savings and financing investments needs for Kenyans to be achieved through increased bank deposits and reducing interest rates. The strategic plan aims also to decrease the population without access to finance from 85% to below 70%. To achieve this, the government has taken initiative to financially include the disadvantaged group by providing a fund for (women, youth and disabled persons) in order to help them access affordable credit to aid in starting and expanding businesses in addition to improving their living standard. Such funds include Youth Enterprise Development Fund gazette on 8th December 2006, Women Enterprises Fund established in August 2007 and Uwezo fund established on 21st February 2014. These initiatives target the growth of micro enterprises which are a source of a number of economic contributions such as employment opportunities, income generation, innovation and provision of market competition among others.

Further, there is increased financial deepening in Kenya and the number of financial institutions is still growing. Formal financial sector comprises of banking sector, security market, insurance and retirement benefit schemes, microfinance banks (MFBs) plus deposit taking Savings and credit cooperative society limited (SACCO). Both commercial banks and micro finance banks (MFBs) are regulated by Central Bank of Kenya (CBK) while Savings and Credit Cooperative Society Limited (SACCO) are regulated by SACCO regulatory authority (SASRA).

According to CBK Bank Supervision Annual Report 2018, as at December 31, 2018, the Kenyan banking sector consisted of the following: Central Bank of Kenya (CBK), as the regulatory authority, 43 banking institutions (42 commercial banks and 1 mortgage finance company), 9 representative offices of foreign banks, 13 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs) 19 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 70 foreign exchange (forex) bureau.

CBK, World Bank, and Kenya Financial Sector Deepening 2015 report noted that other significant financial sector players are mobile network operators. They are engaged in the provision of payments and have also acted as a channel for loans and savings products working in partnership with commercial banks. They are regulated by the CBK and the Communications Authority of Kenya (CA). According to Chijioke (2015) M-pesa plays a vital role of rising financial inclusion in Kenya as most rural villages in Kenya have M-pesa agent.

Statement of the Problem

Accessibility of affordable and convenient financial products and services is vital for the growth of micro enterprises in terms of increasing stock, sales, investments, savings, income, employing more workers and opening new branches in addition to daily operation.

However, micro enterprises are being faced by universal challenges of financial inclusion across the globe mostly due to lack of collateral, high interest rate, small equity base, short repayment periods, information asymmetries, management skills, changes in technology, financial illiteracy, complex financial products, high ledger fees, physical barriers, long service time, financial products not suited for customers, low and irregular income, cultural barriers, and profile such as level of education, age and gender (Financial Deepening Kenya (2007), Ackah & Vuvor (2015), Abdifatah (2018), Victor M. & Amit S. (2020),

Daniel (2020), Das Et al. (2020).

To remedy the problem of financial exclusion, the Kenyan government has created funds such as Youth Enterprise Development Fund (YEDF), Women Fund and Uwezo Fund among others with an aim of achieving the financial goals in the vision 2030 which are increased savings, reduced cost of capital, increase investments rates and decrease the number of people without access to finance from 85% to below 70%.

There is also notable increased financial deepening by financial institutions through innovative products ranging from business-specific accounts, digital banking systems, variety of debit and credit cards with attractive rates and features in addition to networking opportunities coupled with membership to business club (Ayugi 2017).

In addition, there is an increased number of financial institution's branches and their agents, employment of direct sales representatives to conduct door to door direct selling, provide excellent customer service and seek customer feedback on their products.

Products are also being tailor-made to suite business needs in their growth life-cycle. These include: affordable loans, overdrafts, insurance cover, group guarantee loans, flexible repayment package, training, advisory services and elaborate systems that promotes easy and quick application, processing and disbursement of funds to eligible customers.

Despite this increased effort in financial deepening by both the government and financial institutions, financial services still remain a challenge and micro enterprises are still failing at least in their second year after opening due to financial constraints. According to United State bureau of Labor Statistics (USBLS) (2020), approximately 20% of new businesses fail during the first two years after opening while the 2016 National Micro, Small and Medium establishment survey done by Kenya Bureau of Statistics reported that 61% of enterprises fail within the first two years after opening.

It is for this reason therefore, that this study sought to establish whether financial inclusion is working well to achieve the expected aim of provision of accessible and affordable financial products and services to micro enterprises by examining the effectiveness of financial inclusion on the growth of micro enterprises in relation to accessibility of financial products and services.

Study Objective

To establish the effect of accessibility of financial products and services on the growth of micro enterprises.

Research Question

How does accessibility of financial products and services influence the growth of micro enterprises?

II. Empirical and Theoretical Review

Theoretical Review

Financial Intermediation Theory of Banking

Von Mises Ludwig (1912) is the earlier proponent of the financial Intermediation Theory of Banking. Mises viewed banking as a negotiation between granters of credit and grantees of credit. To him, bankers are only those who lend the money of others while those who merely lend their own capital are capitalists. He said that as a negotiator of credit, banks activity is characterized by lending of other people's borrowed money. He added that banks that issue notes or open current accounts must have a fund from which to grant loans, in addition to their own resources and that of their customers. Financial intermediaries help to reduce transaction costs and information asymmetry between lenders and borrower. Information asymmetry can result to adverse selection, moral hazard and credit rationing. Bert & Dick (2002) criticized this theory by highlighted that financial intermediaries are as a results of market imperfections and that they become irrelevant when market is perfect that is immediately the borrowers and savers are able to reach one another easily without costs. They added that financial intermediaries are an endangered species in a world with increased market efficiency and transparency. Financial intermediation has an effect on economic growth through the influence it has on savings, technological innovations and investments (David & David 2021).

Financial intermediation banking theory is linked to this study in that financial institutions plays the role of financial inclusion by collecting deposits from micro enterprises that wish to save and lend the same at interest to other micro enterprises to enable their daily operations and investments. John (2015) refers to financial intermediation as a business model that facilitates financial transactions between savers and borrowers by developing products and services designed to connect the interests of both the savers who securely store value and earn a return and borrowers who invest in assets or business. In regard to this, financial institutions should ensure accessibility of financial products and services by coming up with an outstanding business model to facilitate the financial intermediation process that will be beneficial to them and micro enterprises.

A good business model means that micro enterprises are better able to access financial products and services at affordable rates such as saving services, payment services and credit services with less collateral in addition to ensuring that the level of uptake or usage is reasonable. An outstanding business model will also ensure that there are various products and services tailor-made to the micro enterprise's needs, are affordable and convenient to use such as variety of business loans and digital banking services. In addition, a business model that provides ease of feedback to queries, promote financial literacy awareness and identify key area of training and development among others will come in handy for micro enterprises.

Financial institutions benefits also from well laid down financial intermediation process by gaining large customer base. This means more deposits that can be used for investments purposes in addition to lending out to micro enterprises, individuals, corporate and government at an interest hence profit. According to Krugman 2015, "banks make their profits by taking in deposits and lending the funds out at a higher rate of interest".

Empirical Literature

The study by Malamulo (2019) on nexus between growth of micro, small and medium enterprises (MSMEs) and youth employment in Eritrea concluded that there is no sufficient evidence that the growth of micro, small and medium enterprises influences youth employment. Further, the study concluded that micro, small and medium enterprises are deterred by obstructive access to raw materials, obstructive banking regulations and obstructive general business regulations and policies. The study collected data from seventy-six (76) micro, small and medium enterprises by a use of a questionnaire. Stratified sampling technique was used and analysis was done by use of ordinal and binary logistic regressions, chi-square and correlation tests.

According to Kusuma (2020) in the study, the influence of financial inclusion on MSMEs' performance through financial intermediation and access to capital in Malang Indonesia, financial inclusion influences MSMEs' performance both directly and indirectly through mediation from financial intermediation and access to capital. Direct influence implies that any efforts to improve access to credit, increases market share, number of workers, sales as well as profit of the MSMEs. Further, the study noted that increase in financial inclusion has a major impact on improving MSMEs' performance through financial intermediation compared to access to capital. The study consisted of one hundred (100) MSMEs actors in Malang City, determined using Roscoes theory. The data was collected by distributing questionnaires using simple random sampling method. The study hypotheses were examined using Partial Least Square (PLS) model.

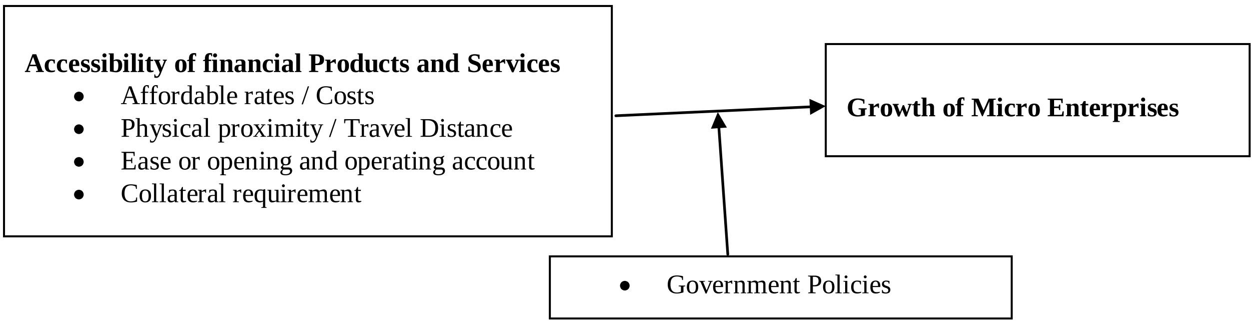
Ochanda (2014) study on the effect of financial deepening on the growth of small and medium –sized enterprises in Kenya, found out that access to credit positively influenced the growth of 92% of SMEs. High cost of finance and lack of collateral was a barrier to new SMEs. High financial sector regulation, inflation and interest rates also hindered the growth of SMEs. The study recommended for establishment of subsidized credit for SMEs in addition to a research organ to steer ahead financial innovation as well as deregulation of financial sector.

He did this by adopting exploratory design and application of stratified sampling to identify 100 SMEs in Nairobi County registered by the industrialization ministry. A regression models were used to analyze the results.

Samuel and Mbugua (2019) in their study, effect of financial inclusion initiatives on the financial performance of women-owned small and medium-sized enterprises in Kenya, concluded that access to financial resources and access to startup capital affects the overall performance of SMEs that are women owned within the Central Business District. In addition, they concluded that the performance of women owned enterprises in Kenya is also affected by other lines of credit with reference to businesses in the Nairobi CBD, financial management, loans affordability / interest rate. They did this with a study scope limited to registered women owned SMEs within Nairobi CBD in Nairobi County with a selected sample of 377 SMEs. Data was collected using questionnaires and analyzed both qualitatively and quantitatively.

Conceptual Framework

Independent Variable **Dependent Variable**



Intervening Variable

Figure 1: Conceptual Framework

The conceptual framework shows how the independent variable (financial inclusion) was manipulated in relation to accessibility of financial products and services, to illustrate its influence on the dependent variable (growth of micro enterprises). Financial inclusion is the accessibility of formal financial products and services to all (in this case micro enterprises) regardless of income levels at an affordable cost and in a convenient manner. Growth of micro enterprises is any form of expansion or development of micro enterprises as a result of financial inclusion. It is measured over time. This growth can be in form of increase in the number of employees, sales, asset base, number of branches and level of savings.

Accessibility of financial products and services can either hinder or promote the growth of micro enterprise. Affordable interest rates on loans and less collateral can positively influence micro enterprises uptake of such loans which can be utilize for the purpose of growing their enterprises. Accessibility in terms of distance traveled by micro enterprises can have an effect on their growth. Physical barriers such as long distance travel by micro enterprises to the financial institution or their branch is costly and detrimental to their growth. Costly in terms of transportation cost, time spent and loss of business opportunity while on transit. Huge documentation and bureaucratic procedures while opening an account and high ledger fees for maintaining the same is a hurdle for micro enterprises to have and maintain an account with financial institution. This means they will miss out on benefits of obtaining credit and a safe place to save which can hinder their growth.

The intervening variable is a hypothetical variable that will explain the casual relationship between the independent variable and dependent variable. It represents other factors a part from accessibility of financial products and services that can influence the growth of micro enterprises such as government policies. For example, government policies such as taxation or interest rates, can affect the aspect of financial inclusion and growth of micro enterprises. Interest caps and heavy taxation on financial institutions by government will increase the cost of borrowing to micro enterprises. All these factors affect the micro enterprises the same way because their set up is similar.

III. Methodology

Study Design

This study used survey research design employing descriptive techniques. Leedy and Ormrod (2010), refers to survey research as obtaining information about one or more groups of persons about their opinions, attitudes, characteristics or previous experiences by means of asking questions and tabulating their answers. The purposes of descriptive technique as per Mugenda and Mugenda (1999) is determining and reporting things the way they are. In the same regard, owners of micro enterprises were asked their opinion on the strategies of financial inclusion employed by the financial institutions. Logical conclusion were then made exactly from the respondent's responses and the results were generalized.

Target Population

Borg & Gall (1989) describes target population as all the members of a real or hypothetical set of people, events or objects to which a researcher desires to generalize the results of the research study. The target population for this study consisted of all the micro enterprises in Imenti South Sub-County – Meru County which are licensed and have been in operation for three years and beyond. The results were then generally taken to mean the results of other micro enterprises operating in Meru County since their operation set up is almost the same.

According to Meru County Revenue Board (MCRB), there were nineteen thousands eight hundred sixty-two (19,862) micro enterprises as at 30th October 2020. Out of those, two thousand and ninety-three (2,093) are registered, licensed and operating in Imenti South Sub-County from which one hundred and seven (107) have been in operation for the last three years and above which was the interest of this study.

Table 1: Categories of Business Activity in Imenti South Sub-County

Category	No. of Businesses	No. of Businesses in Operation for 3 Years
Trading (General Trade)	1,041	43
Service (Professional and Technical	668	24
Manufacturing (Workshops and Jua Kali)	261	21
Hospitality (Bars and Restaurants	223	19
Total	2,193	107

Source: Meru County Revenue Board (MCRB)

Sampling Procedure and Sample Size

The study employed stratified random sampling to select the sample. Having grouped the population into strata in respect to the nature of business activity under the categories of trading, service, manufacturing and hospitality, the research sample was then arrived at using Slovin's formula where by a sample total of eighty-Four (84) businesses from various categories was selected. Slovin's formula helped the researcher to arrive at a sample with an appropriate degree of accuracy.

Slovin's Formula is stated as follows:

n = $\frac{N}{1+Ne^2}$ or n = N $\div(1 + Ne^2)$

Where;

n = Sample size

N = Population size

e = Error tolerance / factor which is 5% at 95% confidence level

n = 107$\div$ $(1 + 107 \times 0.05^2)$ = 84

Table 2: The sample is represented under each category as follows:

Category	No. of Businesses in Operation for 3 Years and Above	Sample Size
Trading (General Trade)	43	34
Service (Professional and Technical	24	19
Manufacturing (Workshops and Jua Kali)	21	16
Hospitality (Bars and Restaurants	19	15
Total	107	84

Research Instruments

Questionnaire this was the main tool of data collection in this study. According to Mugenda and Mugenda (2003) a questionnaire is easy to formulate, east to administer, permit a greater depth of response, easy to analyze, and economical to use in terms of time. In addition, Gay (1992) holds that questionnaires grant respondents liberty to state their views or opinion and also to make suggestions. It is also anonymous which helps to produce more sincere answers than in an interview. The questionnaire comprised of three sections. The first section collected background information while the other two collected information related to effectiveness of financial inclusion and growth of micro enterprise.

Data Collection Procedures

Before collecting data, the researcher obtained an introductory letter of data collection for the purpose of academic research from the university.

The data for this study was obtained from primary source. The researcher personally administered the questionnaire to the respondents by visiting the selected Micro Enterprises as per the sample size. One on one administration of questionnaire helped to create rapport between the researcher and the respondent. The respondents were given a duration of one week to fill in the questionnaire after which they were collected.

Method of Data Analysis

This involved collection of both quantitative and qualitative data which was checked for completeness and consistency before processing the same. Qualitative data was analyzed by grouping it into categories based on the characteristics of each group for example, Male or female in order to gain more insight, opinion and motivation of the population under study. Quantitative data was analyzed by attaching each variable to a numerical value. To facilitate the grouping of responses into various categories, the data was coded. Statistical Package for Social Sciences (SPSS) was used to analyze the data and it was presented in form of percentages and frequencies for easier understanding and analysis. According to Cooper and Schindler (2003), use of percentages is vital as it reduces all the numbers to a range of between 0 and 100 thus simplifying it in addition to translating it into standard form with a base of 100 for relative comparison. A simple explanation was also given after each analysis. A simple regression model was employed to show the relationship between dependent and independent variable.

The regression model used in this study is as follows:

Y=$\alpha + \beta 1X1 + e$

Where,

Y = Growth of Micro Enterprises

α= Constant

X1 = Accessibility of financial products and services

$\beta 1$ = Beta coefficients that indicates the sensitivity of financial inclusion

e = Error (5%)

IV. Findings

Response Rate

A total of 84 questionnaires were issued to the respondents. However, 5 questionnaires were not completely filled up hence were not considered for analysis, presentation and interpretation of the data leaving a total of 79 questionnaires for consideration. This represents 94% response rate which is optimal. Draugalis & Cecilia (2009), recommends a response rate of 50% - 60% or greater as optimal since the response bias which occurs as a result of data not collected from each respondent in the sample size is minimal.

Gender Presentation

The study sought to find out the gender of respondents. The results are shown in Table 4.1.

Table 3: Gender of respondent

Gender	Frequency	Percentage (%)
Male	36	46
Female	43	54
Total	79	100

The study revealed that the majority of the respondents were of the female gender which constituted 54% against male counterpart which was 46%. This depicts a fair distribution for both gender. The importance of the above information was to ensure that the study has a fair gender presentation.

Age Bracket

The respondents indicated their ages as shown in Table 4.2.

Table 4: Respondent's Distribution by Age

No. of Years	Frequency	Percentage (%)
20 - 30	14	17.72
31 – 40	37	46.83
41 – 50	19	24.05
51 & Above	9	11.39
Total	79	100

The study revealed that the majority of the respondents are within the age of 31- 40 years 37 (46.83%). Others were within 41 -50 years 19 (24.05%), 10 – 30 years 14 (17.72%) and the least were in the age bracket of 51 years and above 9 (11.39%). This shows that most of the respondents are above thirty years old hence they are mature and have experience in life.

Level of Education

The respondents indicated their level of education as shown in Table 4.3.

Table 5: Respondent's Level of Education

Education Level	Frequency	Percentage (%)
Primary	5	6.33
Secondary	27	34.18
Technical & Vocation	19	24.05
College	16	20.25
University	12	15.19
Total	79	100

The Study revealed that most of the owners of small enterprises have attained secondary education 27 (34.18%). Those with technical and vocation studies were 19 (24.05%), College 16 (20.25%), University 12 (15.19%) and a few 5 (6.33%) had only primary level of education. The purpose of this data was to establish the level of literacy of the owners of micro enterprises in Meru County. This is because literate micro enterprise entrepreneurs have a high probability of growing their business since they may easily understand the concept of bookkeeping and accounting basics necessary for the growth of their enterprises. Also they may have better management skills and knowhow compared to illiterate ones that can contribute to the growth of the enterprises. According to Chimucheka & Mandipaka (2015), low level of education is a major impediment to access of financial products and services. On the other hand, the study shows that persons with low level of education can also be run micro enterprises.

Length of Business Operation

The respondents indicated the number of years they have been in business as follows:

Table 6: Respondent's Length of Business operation

No. of Years	Frequency	Percentage (%)
3 – 5	49	62
6 - 10	17	21.51
11 - 15	13	16.45
16 & Above	0	0
Total	79	100

The study revealed that most of the small enterprises have been in operation between 3-5 years 49 (62%), followed by 6-10 years 17 (21.51%) and 11-15 years 13 (16.45%). None of the respondent had operated beyond 15 years. This study supports the findings of United State bureau of Labor Statistics (USBLS) (2020), that highlighted that approximately 20% of new businesses fail during the first two years after opening, 45% during the first five years and 65% during the first 10 years. It is only 25% of businesses that make it to 15 years. The 2016 national micro, small and medium establishment survey done by Kenya Bureau of Statistics also reported that 46% of enterprises fail within the first year, 15% in the second year, 10% in the third year, 5% in the fourth year, 4% in the fifth year, 11% in sixth to tenth year, 4% in eleven to fifteenth year and only 5% survive over fifteen years.

Preferred Financial Institution

The respondents were asked to indicate their preferred financial institution and they responded as shown in Table 4.5.

Table 7: Respondent's Preferred Financial Institution

Financial Institution	Frequency	Percentage
Bank	13	16.45
Sacco	27	34.17
Micro Finance Institution	39	49.37
	79	100

The study revealed that the majority of micro enterprises owners prefer Micro Finance Institution (MFI) 39 (49.37%), followed by SACCOs 27 (34.17%) then bank at 13 (16.45%) as their financial service provider. Reasons given varied on the preference with those in Micro Finance Institution and SACCOS mostly citing low interest rates, variety of loans and issue of dividends. Those in banks cited Stability of the institution as their reason. According to Brown, Guin & Kirschenmann (2013) microfinance banks promote financial inclusion even in emerging markets which are well served by ordinary retail banks.

Loan Borrowing

The respondents were asked to indicate whether they have ever borrowed a business loan. The response was as shown in Table 4.6.

Table 8: Response on Loan Borrowing

Response	Frequency	Percentage
Yes	68	86
No	11	14
	79	100

The study revealed that 68 (86%) of the respondents have ever acquired a business loan at one time or another while 11 (14%) stated that they have never acquired loan. Some of the reasons given for acquiring loan includes: to boost the stock, as a start-up capital, to restock, to meet operational needs, to expand business, to build credit history, to invest for more profit and to increase business opportunities. This information shows that accessibility of financial products and services especially credit access is crucial for the growth of micro enterprise in Meru county.

Interest Rate for Loan Borrowed

The respondents were asked to indicate how the interest rate were for the loan borrowed. They responded as follows:

Table 9: Response on Interest Rate for Loan Borrowed

Rating	Frequency	Percentage
High	33	42
Medium	24	30
Low	22	28
	79	100

The study revealed that majority of the respondents 33 (42%) stated that the interest rates for the loan borrowed was high, 24 (30%) indicated that they were moderate while 22 (28%) noted that the interest rates were low.

Descriptive Statistics

The study requested the respondents to indicate their level of agreement with various statements related to accessibility of financial products and services by use of Likert scale where 1=Strongly Disagree; 2=Disagree; 3= Agree; 4= Strongly Agree. The results are summarized in Table 4.8.

Table 10: Frequency and Percentage - Accessibility of Financial Products and Services

Statement	**SD**		**D**		**A**		**SA**	
	F	%	F	%	F	%	F	%
The location of the financial institution affects accessibility of financial products and services.	0	0	6	7.6	41	51.9	32	40.5
Other than interest rates, processing fees lace fees, appraisal fees, application fees among others makes loan more expensive.	0	0	0	0	23	29.1	56	70.9
Several barriers for example minimum balance needed when opening an account, documents required, ledger fees charges to maintain the account and high interest rates discourage me from	0	0	0	0	26	32.9	53	67.1

having an account in a financial institution.								
To obtain a loan, you need to have a collateral	3	3.8	23	29.1	53	67.1	0	0

The results indicated that 41 (51.9 %) of the respondents agreed and 32 (40.5 %) of them strongly agreed while 6 (7.6 %) disagreed with the assertion that the location of the financial institution affects accessibility of financial products and services. This implies that majority of micro enterprises in Meru county owners felt that accessibility to financial services is tagged on the location of the financial service providers.

The results also indicated that 56 (70.9 %) of the respondents strongly agreed and 23 (29.1 %) of the respondents agreed with the statement that other than interest rates, processing fees, lace fees, appraisal fees, application fees among others makes loan more expensive. This implies that loan application, evaluation, interest rates and approval fees make accessibility to loans unattainable because it makes loans expensive.

The study further established that 53 (67.1 %) of the respondents strongly agreed and 26 (32.9 %) agreed with the assertion that several barriers for example minimum balance needed when opening an account, documents required, ledger fees charges to maintain the account and high interest rates discourage them from having an account in a financial institution. This implies that majority of the respondents are discouraged to hold accounts in financial institutions by the high cost of running accounts. This augments Samuel and Mbugua (2019) study finding that access to financial resources and access to start-up capital affects the overall performance of SMEs.

The study further indicated that 53 (67.1 %) of the respondents agreed while 23 (29.1 %) of the respondents disagreed and 3 (3.8 %) of them strongly disagreed with the statement that to obtain a loan, you need to have a collateral. This implies that collateral requirement is one of the hindering factor for the micro enterprise owners to access credit from financial institutions in Meru County. This supports Ochanda (2014) study finding which indicated that high cost of finance and lack of collateral was a barrier to new SMEs.

Most of the respondents noted Others challenges delay in loan processing, fixed month repayment schedule, lack of guarantors and complicated loan form as other challenges they experience when obtaining credit from financial institutions. Most of the respondent's approximate distance from their enterprises to the preferred financial institution was half a kilometer to one kilometer. This means that most of the small enterprises are located near their financial providers.

Table 11: Descriptive Statistics for Accessibility of Financial Products and Services

Statement Description	N	Min	Max	Mean	Std Dev.
The location of the financial institution affects accessibility of financial products and services	79	1	3	1.89	0.961
Other than interest rates, processing fees lace fees, appraisal fees, application fees among others makes loan more expensive	79	1	3	2.42	0.914
Several barriers for example minimum balance needed when opening an account, documents required, ledger fees charges to maintain the account and high interest rates discourage me from having an account in a financial institution	79	1	3	2.34	0.946
To obtain a loan, you need to have a collateral	79	1	4	1.41	0.689

The study revealed that majority of the respond agreed that the location of the financial institution affects accessibility of financial products and services (mean = 1.89). The respondents strongly agreed (mean = 2.42) that loan is made more expensive by other charges other than interest rate for example: lace fees, appraisal fees and application fees among others. The respondents also strongly agreed (mean = 2.34) that several barriers for example: minimum balance needed when opening an account, documents required, ledger fees charges to maintain the account and high interest rates discourages them from having an account in a financial institution. In addition, they also agreed (mean 1.41) that collateral was required to obtain a loan.

Growth

The study requested the respondents to indicate their level of agreement with various statements related to how financial inclusion has enabled their enterprise growth by use of Likert scale where 1=Strongly Disagree; 2=Disagree; 3= Agree; 4= Strongly Agree as shown in Table 4.14.

Table 12: Frequency and Percentage - Growth of Enterprise

Statement	SD		D		A		SA	
	F	%	F	%	F	%	F	%
Accessibility of financial products and services has enabled my enterprise to increase stock and sales turnover over a period of time.	0	0	11	13.9	41	51.9	27	34.2
Accessibility of financial products and services has enabled my enterprise to increase number of employees over time.	0	0	17	21.5	62	78.5	0	0
Accessibility of financial products and services has enabled my enterprise to increase level of savings over time.	0	0	0	0	63	79.7	16	20.3
Accessibility of financial products and services has enabled my business to increase assets base over the years.	0	0	0	0	79	100	0	0

The study revealed that 41 (51.9%) and 27 (34.2%) of the respondents agreed and strongly agreed respectively with the statement that accessibility of financial products and services has enabled their business to increase stock and sales turnover over a period of time.

The study also revealed that 62 (78.5%) of the respondents agreed that accessibility of financial product and services as enabled them to increase the number of employees in their business. However, 17 (21.5%) disagreed with the statement.

Further, 63 (79.7%) and 16 (20.3%) of the respondents agreed and strongly agreed respectively that accessibility of financial products and services as enabled their enterprise to increase the level of the savings overtime. All the respondents 79 (100%) agreed that accessibility of financial products and services as enabled their enterprise to increase asset base over the years.

Table 13: Descriptive Statistics for Growth

Statement Description	N	Min	Max	Mean	Std Dev.
Accessibility of financial products and services has enabled my enterprise to increase stock and sales turnover over a period of time.	79	1	3	1.94	1.004
	79	1	2	1.09	0.286
Accessibility of financial products and services has enabled my enterprise to increase number of employees over time.	79	1	3	1.41	0.809
Accessibility of financial products and services has enabled my enterprise to increase level of savings over time.	79	1	1	1.00	0.000
Accessibility of financial products and services has enabled my business to increase assets base over the years.					

Majority of the respondents agreed and others strongly agreed that accessibility of financial products and services enabled their enterprises to increase stock and sales turnover over a period of time (mean 1.94), increase number of employees (mean 1.09), increase level of savings (mean 1.41). However, a few disagreed on the accessibility of financial products and services helping them over time to increase on the number of employees, stock and sales turnover. All the respondents stated that accessibility of financial products and services has enabled them to increase assets base of their enterprises over the years (mean 1.00).
Other factors that affects the growth of micro enterprises as indicated by the respondents includes: Government policies, level of education, future prospects, passion, hard work, motivation and desire to prosper in life.

Regression Analysis

A regression analysis was carried out to establish the contribution of independent variable (Average accessibility of financial products and services) on dependent variable (growth of micro enterprises) in Meru County. The model summary is shown in Table 4.16

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.244[a]	.060	.022	.19236

a. Predictors: Constant, Average accessibility of financial products and services.

Based on the R computed (0.244) there was a positive correlation between the independent variable (Average accessibility of financial products and services) and dependent variable (Growth of Micro Enterprise in Meru County). From the R square computed (0.060) the model: Growth of Micro Enterprise = Constant +Average accessibility of financial products and services + error, explains 6.0 % of the data. This implies that Average Accessibility of financial products and services only explains 6.0 % of the growth of micro enterprises in Meru County. This implies that there might be other factors which contribute to the growth of micro enterprises in Meru County other than those investigated in this study. The study computed ANOVA to ascertain whether the relationship was significant. The results are shown in Table 4.17.

Table 15: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.176	3	.059	1.584	.020[b]
	Residual	2.775	75	.037		
	Total	2.951	78			

a. Dependent Variable: Average growth
b. Predictors: Constant, Average Accessibility of financial products and services
The results showed that the model was significant (p-value = .000). The F- test for the model was significant since it had a p-value less than 0.05. In order to ascertain the influence of the independent variable, the coefficient was computed. The results are summarized in Table 4.18.

Table 16: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.203	.295		10.856	.000
	Average accessibility	.102	.079	.145	-1.287	.002

a. Dependent Variable: Average Growth

The results indicated that the influence of average accessibility of financial products and services (β= 0.102, p= 0.002) on growth of micro enterprises in Meru County was significant and its coefficient was positive indicating that accessibility to financial services is likely to spur growth of micro enterprises in Meru County. These findings are similar to that of Ochanda (2014) who found out that the major factor for the growth SMEs in Nairobi County is accessibility of financial products and services such as credit access. They are also similar to that of Samuel and Mbugua (2019) who concluded that access to financial resources and aces to startup capital affects the overall performance of women owned small and medium sized enterprises in Kenya. Further, the findings agree with those of Kusuma (2020) who found out that any effort of improving access to credit by financial institution to MSMEs, increases market share, number of workers, sales as well as profit of the MSMEs.Thus, the linear relationship between accessibility to financial services and growth of micro enterprises in Meru County would be as follows:

$Y = 3.203 + 0.102X_1 + e$

Where

Y = Growth of micro enterprises in Meru County

X_1 = Accessibility to financial products and services

V. Summary of Major Findings

The objective of the study sought to establish the effect of accessibility of financial products and services on the growth of micro enterprises. It was found that majority of micro enterprises in Meru county owners felt that accessibility to financial services is tagged on the location of the financial service providers. The study also established that that loan application, evaluation, interest rates and approval fees make accessibility to loans unattainable because it makes loans expensive. It was further found that that majority of the respondents are discouraged to hold accounts in financial institutions by the high cost of running accounts. The study also noted that that collateral requirement is one of the hindering factor for the micro enterprise owners to access credit from financial institutions in Meru County. Regression analysis indicated that the influence of average accessibility on growth of micro enterprises in Meru County was significant and its coefficient was positive indicating that accessibility of financial products and services is likely to spur growth of micro enterprises in Meru County.

VI. Conclusions

The study objective sought to establish the effect of accessibility of financial products and service on the growth of micro enterprises in Meru county in order to answer the question on how accessibility of financial products and services influence the growth of micro enterprise in Meru county. The results of the study indicated that influence of average accessibility ($\beta = 0.102$, $p = 0.002$) on the growth of micro enterprises in Meru county was significant and its coefficient was positive with p value less than 0.005. This means that accessibility of financial products and services is likely to stimulate growth of micro enterprise in Meru County. Therefore, it was concluded that accessibility of financial products and services positively and significantly influences growth of micro enterprises in Meru County. The model summary explained 6.0 % of the growth of micro enterprises in Meru County. This implies that there might be other factors which contribute to the growth of micro enterprises in Meru County other than those investigated in this study.

VII. Recommendations

Recommendations from the Study

Based on the findings of this study, the financial institution should endeavor to make loan products more affordable to the micro enterprises by doing away with some cost involved when borrowing a loan such as processing fees, lace fees, appraisal fees, and application fees as they make the loan borrowed more expensive. They should also devise proper strategies of creating awareness of their products and services to micro enterprises in Meru County since a number of owners of these micro enterprises are not aware of the existence of some of the products and services offered especially service dimension packages like insurance, debit and credit cards.

Financial institutions should also bring about variety of financial products and services that are tailor made to the micro enterprises in Meru county and create awareness of the same especially variety of loan products to choose from since the majority indicated that this product was not offered. This in turn will increase usage of such products and services.

Further, financial institutions should have an efficient customer service desk that ensures prompt feedback to queries and provision of timely information. From time to time, they should also organize for financial literacy training that can assist micro enterprises owners in Meru county on how well they can utilize the loan borrowed through proper budgeting, investment and inherent risks among others.

Micro enterprises owners should also visit their financial service providers, enquire on the products and services they offer and take advantage of those that can help grow their enterprises. In addition, they should also budget for the funds well before borrowing and utilizing for effective use of the same and repay as scheduled to avoid making such loan products more expensive.

Recommendation for further studies

A longitudinal study should be carried out to ascertain the influence of responsiveness to customer needs on growth of micro enterprises in Kenya. Further, a research should be carried out on the various financial products and services offered by the financial service providers to grow micro enterprises in Meru county. In addition, longitudinal research should be carried out to ascertain the influence of responsiveness to customer needs on growth of micro enterprises in Kenya. Study should also be carried out on factors that affect the growth of micro enterprises in Meru County other than financial inclusion.

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Muriuki Evelyne Makena, et. al. "Effectiveness of Financial Inclusion on the Growth of Micro Enterprises in Meru County, Kenya." *IOSR Journal of Economics and Finance (IOSR-JEF),* 13(02), 2022, pp. 56-70.