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Influence of Access to Entrepreneurial Finance and Performance of Coffee Smallholders' Micro and Small Agribusinesses in Murang'a County, Kenya

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Abstract

Researchers remain uncertain on the contribution of the access to entrepreneurial finance on the integral performance regarding micro and small agribusinesses in Kenya. It's also not well documented as to how access to entrepreneurial finance affects coffee smallholder's alternative agribusinesses performance. The purpose was to determine influence of access to entrepreneurial finance on performance of micro and small agribusinesses of coffee smallholders in Murang'a County. The target population of this study was 146,105 comprising of the coffee smallholders within eight sub counties of Murang'a County. Sampling with probability proportionate to size was used to get a sample size of 384 respondents drawn from the eight Sub Counties of the County. For analysis, a regression model was generated to establish the relationship between access to entrepreneurial finance and performance of micro and small agribusinesses. The study established the access to entrepreneurial finance had a positive and significant determination on performance of micro and small agribusiness owned by coffee smallholder agribusinesses in Kenya. The study concluded that that since majority of the coffee smallholder agribusinesses in Kenya do not access entrepreneurial finance they have opted for own savings as a mean of financing their micro and small agribusiness enterprises. The study recommends that owners of the micro and small agribusinesses in Kenya should be trained by stakeholders such as local

NGO, county governments and national governments and financial institutions on the importance of seeking external funds to finance their agribusinesses.

Keywords: *Smallholder Agribusinesses, Access to Entrepreneurial Finance*

1.0. Introduction

Micro and Small Enterprises (MSEs) are the backbone of many economies and play a significant role in the socio-economic development of both industrialized and developing countries. Micro and Small Enterprises have been further widely acknowledged as the springboard for sustainable economic development through entrepreneurship. Entrepreneurship is believed to contribute to economic development because entrepreneurs create new businesses, and new businesses create jobs. They also provide people with a variety of products and services, intensify competition, and increase productivity through technological change and positively impact individual lives and well-being of society on multiple levels (Ong'olo & Awino, 2013).

Approximately 1.5 billion people are engaged in smallholder agriculture across the world. They include 75% of the world's poorest people whose food, income, and livelihood prospects depend on agriculture. They mainly live in rural communities. According to Christiaensen, Demery and Kuhl (2011), a 1% increase in agricultural per capita GDP reduced the poverty gap five times more than a 1% increase in GDP per capita in other sectors, mainly among the poorest people. Despite their important role as food producers and rural stewards, the commercial prospects for millions of poor smallholders remain challenging. Several global agencies have also renewed their investments in agriculture due to the realization that enterprise continues to be the best hope of improving the livelihood prospects for millions of rural families (Ferris, Robbins, Best, Seville, Buxton, Shriver & Wei, 2014).

The agribusiness sector in Kenya is dualist in nature, with a small proportion of large scale firms and a large proportion of micro, small and medium sized farms. Agribusiness already generates 60 percent of Kenya's export earnings through horticulture, industrial crops, and livestock and fishery products (GOK, 2012). Despite this, FAO (2010) puts forth that Kenya has been slow in developing and implementing policies and despite some progress in the last evaluation of business climates performed by the World Bank, it still ranks 72nd worldwide, in that respect. Kenya Agricultural Sector Development Strategy 2010-2020 affirms that Kenya has attempted to improve the enabling environment for agribusiness by expanding and upgrading the infrastructural facilities.

In Kenya, coffee was the leading foreign exchange earner in the first three decades after independence. Today, there are around 700,000 coffee smallholder agribusinesses in Kenya who farm about 75% of the coffee area (ICC, 2015). However, Bichanga and Kariuki (2013) and Karanja and Nyoro (2002) citing in Gitu and Filson (2012) noted that following liberalization, many of the producers found themselves abandoned in a system that they didn't understand. The removal of state involvement from agricultural cooperatives as a prerequisite to liberalization has been suspected as a key culprit. Liberalization has caused

some problems in the sector, birthing the propagation of tribalism, nepotism, and corruption - identified as key nuisances in the coffee sub-sector's quest for success. Poverty levels rose in major coffee producing counties as a result of declining farm incomes. Many of the farmers subsequently uprooted their coffee trees, (80 percent of the land being devoted to coffee), to grow other crops. Some started intercropping other crops with coffee, which affected overall quality (FAO, 2011)

Murang'a County has had its share of challenges. From its hey days as the cash cow of Kenya due to its lucrative tea and coffee industry, the county has dimmed over the years as the prices of these products suffered due to neglect and international competitions. The county features as the 7th county nationally with the least number of people of living below the poverty line. The poor are not able to access the basic necessities of life such as food, shelter and education. The food poor constitute 36.3 per cent of the population with the vulnerable groups that is hardest hit by poverty being women, the unemployed youth, widows and orphans, neglected retired old people, the street children and those living in the marginal areas of the county (KNBS & SID, 2013).

Gitu and Filson (2013) uphold that, it's the undergrowth of the leading coffee and tea crops at Murang'a County that saw the emergence of other crops and value chains in a desperate measure by farmers to make ends meet. For instance, Bichanga and Kariuki (2013) attests that Benson Kimani, is one of the farmers who decided to try out new crops while still holding on to the traditional coffee. His farm in Kagumo village in Kandara Sub County, has now become a training ground where farmers flock to learn a thing or two about agriculture

Within three decades, coffee production and exports in Kenya has declined substantially especially in the smallholder co-operative sub-sector, and which accounts for over 60% of Kenya's total coffee production. The lowered earnings have seen about 70% of smallholder coffee entrepreneurs in Murang'a County, turn away from their agricultural mainstay into innovative agribusiness enterprises in desperate measures to earn income and uplift their living standard (Kweheria, 2014; Kamau, 2015; Gebre & Mwaura, 2017). Rurigi (2007; Ithinji *et al*; 2015), Food Agricultural Organisation (2011) and Karanja and Nyoro (2002) in Gitau (2012) posit that despite the coffee smallholders' engagement to other rural based agribusinesses they have not risen from realms of poverty.

1.1 Statement of the Problem

The contribution of coffee into the economic wellbeing of the country is instrumental, considering it touches the lives of about one-eighth of the population and its dwindling impact propelling the coffee smallholders to embark on alternative agricultural ventures cannot therefore be wished away (Bichanga & Mwangi, 2013). Micro and Small Enterprises in the agribusiness sector have been recognized worldwide for their role in stimulating economic growth, creating jobs, alleviating poverty and uplifting living standards (Kiveu & Ofafa, 2013).

The collapse of this coffee economy, especially in Central Kenya led to the lowered earnings that have seen about 70% of smallholder coffee entrepreneurs, turn away from their

agricultural mainstay into alternative micro and small agribusiness enterprises in desperate measures to earn income and uplift their living standard (Gebre & Mwaura, 2017). Rurigi (2007; Ithinji *et al.*; 2015) posit that despite the coffee smallholders' engagement to other rural based agribusinesses they have not risen from realms of poverty.

For the agribusiness smallholder farmers, access to entrepreneurial finance is an important resource for the growth and performance of the enterprise. However, one of the most prominently cited constraints to entrepreneurship is the lack of adequate finance (UNCTAD, 2009). The World Bank (2013) informal enterprise surveys reveal that lack of access to entrepreneurial finance is perceived to be the most pressing obstacle that small firms in developing countries face. The *Global Competitiveness Report* (2016) indicates that in 2015, access to finance was the most pressing concern for MSEs.

Several studies (Mbataru, 2011; Essien & Arene, 2014; Osmani & Hossain, 2015; Naikuru *et al.*, 2016) have been carried out universally on diversification in agribusiness making it integral part of smallholder farms as a strategy to enhance farm incomes. Nevertheless, researchers remain uncertain on the contribution of the access to entrepreneurial finance on the integral performance regarding micro and small agribusinesses in Kenya (ILO, 2015; Ithinji *et al.*, 2015). It's also not well documented as to how access to entrepreneurial finance affects coffee smallholder's alternative agribusinesses performance. This study attempted to abridge this knowledge gap.

1.2 Objectives of the study

The general objective of the study was to establish how access to entrepreneurial finance determines the performance of micro and small agribusinesses of the coffee smallholders in Kenya.

1.3 Research Hypothesis

H_{a1}: Access to entrepreneurial finance positively determines performance of micro and small agribusinesses of the coffee smallholders in Kenya.

2.0. Literature Review

2.1. Theoretical Review

2.2.1. Pecking Order Theory

Pecking order theory was proposed by Myers (1984) and concerns the extent to which extant theories of financing appear to explain the financial structure of business concerns. According to the pecking order theory, firms prioritize their source of financing from internal to external sources but the former are always insufficient for small firms to undertake the required level of investment (Udoh, 2005). Pettit and Singer (1985) argue, business firms of all sizes select their financial structure in view of the cost, nature, and availability of financial alternatives. In addition, the authors posit that the level of debt and equity in a smaller firm is more than likely a function of the characteristics of the firm and its managers.

The theory's application to MSEs implies that external equity finance issues may be inappropriate. In relation to the owner-manager's control over operations and assets, if the POT holds, then internal equity finance will be preferred, because this form of finance does not surrender control. When external financing is required, obtaining debt rather than equity

finance is favoured, because this places fewer restrictions on the owner-manager. Norton's (1991) support for this application of the POT to MSEs is evident in his assertion that contrary to financial theory, factors dealing with bankruptcy costs, agency costs, and information asymmetries play little, if any, major role in affecting capital structure policy. Rather, the financial officers seem to follow a 'pecking order' in financing their firm's needs.

2.2. Empirical Review

Securing sufficient funding is an important resource for every business, especially for start-ups and for growing firms. However, one of the most prominently cited constraints to entrepreneurship is the lack of adequate finance (UNCTAD, 2009). The World Bank (2013) informal enterprise surveys reveal that lack of access to finance is perceived to be the most pressing obstacle that small firms in developing countries face. The *Global Competitiveness Report* (2016) indicates that in 2015, access to finance was the fourth most pressing concern for MSEs in advanced economies (up from the seventh ranked problematic factor for doing business in 2007). In developing economies as a group, it was the number one concern in 2015 (up from third in 2007).

Essien and Arene (2014) revealed that the factors that significantly influence informal credit access by small scale agro-based enterprises are Gender, Age and Social Capital, while factors that influence formal credit access are Education, Age, Enterprise size and Collateral. Bunyasi, Bwisa and Namusonge (2014) recommends that the government should support the legal and regulatory framework that strengthens the financial infrastructure, develop financial information infrastructure for financial accessibility of SMEs in Kenya, improve financial literacy of the entrepreneurs and individuals to take advantage of the available financial services and at the same time build capacity of the financial institutions to enhance SMEs access to finances. Similarly, Njangiru, Maingi and Muathe (2014) study found that due to problems of high risk and high cost of borrowing, uncertainty of repayment capacity on the rural borrower has been reported high due to irregular income streams. The study further revealed statistically significant results, for borrowers' characteristics effect to loan repayment and sustainability.

In Nigeria, Essien and Arene (2014) analyzed access to credit markets and the performance of small scale agro-based enterprises in the Niger Delta region of Nigeria. The results of the study revealed that the factors that significantly influence informal credit access by small scale agro-based enterprises are Gender, Age and Social Capital, while factors that influence formal credit access are Education, Age, Enterprise size and Collateral. Majority of enterprises accessed informal credit but the few that accessed formal credit performed better. The study recommended that Government should ensure easy access to formal finance by small agro-based enterprises in the region as they are the engine of economic development.

Further, Bunyasi, Bwisa and Namusonge (2014) on their study on the effect of access to entrepreneurial finance on the growth of Small and Medium Enterprises in Kenya found out that access to entrepreneurial finance had a positive influence on the growth of SMEs. The study recommends that the government should support the legal and regulatory framework that strengthens the financial infrastructure, develop financial information infrastructure for

financial accessibility of SMEs in Kenya, improve financial literacy of the entrepreneurs and individuals to take advantage of the available financial services and at the same time build capacity of the financial institutions to enhance SMEs access to finances.

Similarly, Njangiru, Maingi and Muathe (2014) carried a study on loan repayment and sustainability issues of government micro-credit initiatives in Murang’a County. The study found that due to problems of high risk and high cost of borrowing, uncertainty of repayment capacity on the rural borrower has been reported high due to irregular income streams. The study recommended that systems should be developed to ensure consistent incomes and expenditure to reduce/remove uncertainty.

2.3. Conceptual Framework

The conceptual framework is based on the OECD/Eurostat model for entrepreneurship (2012) that classifies determinants of entrepreneurship in a country, framed across six domain areas namely entrepreneurial finance, market conditions, R& D and technology, entrepreneurial capabilities, entrepreneurial culture and regulatory framework (EU, 2012). In this study, the focus is on the relationship between access to entrepreneurial finance and performance of Micro and Small Agribusinesses.

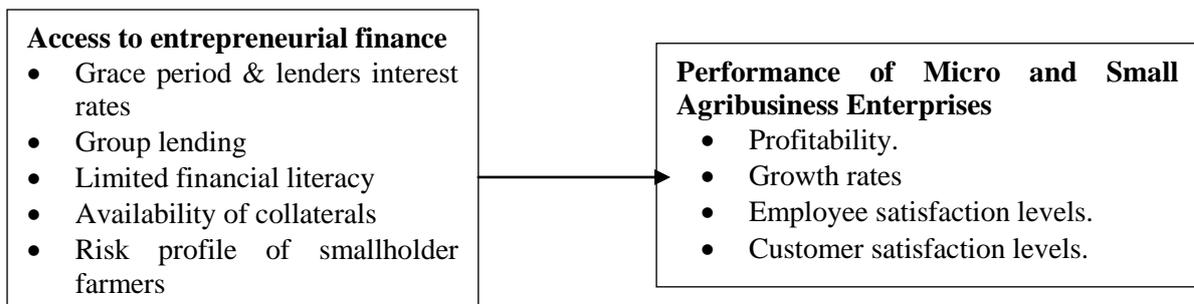


Figure 1: Conceptual Framework

3.0. Research Methodology

The study adopted an exploratory approach using a descriptive survey design that was used both qualitative and quantitative research approaches. The population of the study was the total number coffee smallholders in Kenya estimating to about 700,000 (FAO, 2011). The target population for this study was coffee smallholders farmers spread out within the eight sub counties of Murang’a County. The current data available from the department of cooperatives Murang’a County reveal that there are a total of 146,105 coffee smallholders. Cluster sampling was used to sample the eight sub-counties in Murang’a County, namely Mathioya, Kangema, Kahuro, Kiharu, Maragwa, Kandara, Gatanga & Kigumo.

Cluster design is applicable where the primary sampling units are based on geographical area sampling. A simple random sampling method was used to identify the respondents from each of the eight Sub Counties. To derive the sample size, Fisher’s formula was suitable for this study since the target population will be more than 10,000 which yielded a sample size of 384. The study adopted two main methods of collecting data as primary and secondary data. A standardized questionnaire was the principal research instrument of data collection in which primary data was collected. The study adopted a regression analysis to further determine the strength of the relationship between the independent and dependent variables, as well as determine the combined determination of all the independent variables on the dependent variable (Cooper & Schindler, 2011).Regression Model Used was as follows;

$$Y = \alpha + \beta_1 X_1 + \epsilon_0 \dots \dots \dots (1)$$

Y= Performance of MSAEs

α =Constant

β_{ij} = regression coefficients

X_1 = Access to Entrepreneurial Finance

4.0. Results and Discussion

4.1. Bi-variate Linear Relationship between Study Variables

Before running regression analysis, researcher tested correlational matrix to establish whether association existed between access to entrepreneurial finance and performance of agribusiness as shown in Table 1.

Table 1: Linear relationships of variables

		Access to Entrepreneurial Finance	Agribusiness performance
Access to Entrepreneurial Finance	Pearson Correlation	1	.140**
	Sig. (2-tailed)		.008
	N	364	363
Agribusiness performance	Pearson Correlation	.140**	1
	Sig. (2-tailed)	.008	
	N	364	364

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

The study results revealed that access to entrepreneurial finance had a weak positive association with agribusinesses performance of coffee smallholder agribusinesses as shown by $r=0.140$ and $p=0.008$. The correlations were significant at the level of significance of 0.05. The results implied that increasing access to entrepreneurial finance would lead to increase in agribusinesses performance of MSEs. The study finding concurs with Essien and Arene (2014) who analyzed access to entrepreneurial finance markets and the performance of small scale agro-based enterprises in the Niger Delta region of Nigeria and reported that majority of enterprises accessed informal credit but the few that accessed formal credit performed better.

4.2 Diagnostic Tests

4.2.1. Multicollinearity

This study carried out a test for multicollinearity by computing the variance inflation factors (VIF) and its reciprocal, tolerance. Variance inflation factors value greater than 10 are a sign of multicollinearity or tolerance value less than 1 indicates presence of multicollinearity among the explanatory variable. The findings revealed that access to entrepreneurial finance had a VIF of 1.356 as shown in Table 2. The results indicated that the VIF value of the variable was within the threshold of 10. This indicated that there was no significant threat of multicollinearity and therefore, the study could include the variable in linear regression analysis because the independent variable had no strong linear relationship.

Table 2: Multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
Access to entrepreneurial finance a Dependent Variable: Agribusiness performance	0.738	1.356

4.2.2. Factor Analysis

Factor analysis was carried out before analysis of the results to describe variability among the observed and check for any correlated variables with the aim of reducing data that was found redundant. Factor analysis was tested in all the variables in the study.

4.2.3. Factor Analysis on Access to Entrepreneurial Finance

The study conducted an analysis, to determine the factor loading of the independent variable and dependent variable. The main purpose of conducting factor analysis was to summarize the information contained in a number of original variables into a smaller number of factors without losing much information. Hair *et.al.*, (2010) highlighted that Factor Analysis is necessary in research to test for construct validity and highlight variability among observed variables and to also check for any correlated variables in order to reduce redundancy in data. The factor analysis found out that none of the variables used to measure access to entrepreneurial finance was removed because all of them had factor loadings greater than 0.4 as shown in Table 3. These factor loadings exceeded the criterion of 0.4 adopted by this study (Rahim & Magner, 1995). The results are shown in Table 3.

Table 3: Factor analysis of access to entrepreneurial finance

Factors of Access to Entrepreneurial Finance	Factor Loadings
Collaterals (title deeds, log books) have been available enabling access to finance	0.462
Grace periods given by lenders have enabled me access finance	0.748
Finance access through group lending works for my agribusiness	0.698
Lenders interest rates encourage access to finance	0.752
The type of the agribusiness I practice attract access of finance from lenders	0.713

Extraction Method: Principal Component Analysis.

4.2.4. Homoscedastic Test

The presence of heteroscedasticity was tested using Levene’s test of homogeneity of variances. If the test is not significant (calculated probability value $\geq .05$), the two variances are not significantly different and thus approximately equal (Gastwirth, Gel & Miao, 2009). The null hypothesis was that the error term was homoscedastic and the alternative hypothesis was that the error term was heteroscedastic. If the null hypothesis was rejected then it implied that there was presence of heteroscedasticity. The study results revealed that the levene statistics of the variables was small with the p-values greater than 0.05, the null hypothesis that the error term was homoscedastic was not rejected which satisfies the assumption of regression analysis as presented in Table 4.

Table 4: Test of Homogeneity of Variances

Test of Homogeneity of Variances	Levene Statistic	Sig.
Access to entrepreneurial finance	0.015	0.997
Agribusiness performance	0.738	0.530

4.2.5. Normality test using Kolmogorov-Smirnov test

The study used Kolmogorov- Simonov normality test. In Kolmogorov- Simonov test, if the tests of normality will yield a figure of less than 0.05 it will mean that the data is not normally distributed. The results obtained established that Kolmogorov-Smirnov statistic for access to entrepreneurial finance was less than critical value of 1.96 with a p-value of less than 0.05 which was the level of significance of 0.05. Thus, the study concluded that the data for all the variables was normally distributed and therefore fit for linear regression analysis.

Table 6: Kolmogorov-Smirnov Test of Normality

		Access to entrepreneurial finance	Agribusiness performance
N		364	363
Normal Parameters ^{a,b}	Mean	2.6505	4.0176
	Std. Deviation	0.86325	0.45762
Most Extreme Differences	Absolute	0.211	0.232
	Positive	0.211	0.232
	Negative	-0.098	-0.182
Kolmogorov-Smirnov Z		0.031	0.413
Asymp. Sig. (2-tailed)		0.121	0.109

The results obtained indicate that Kolmogorov-Smirnov statistic for the variables was less than critical value of 1.96 with a p value of less than 0.05 which was the level of significance of 0.05, thus the study concluded that the data for all the variables was normally distributed and therefore fit for linear regression analysis. These findings led to the conclusion that data for all the variables were normally distributed hence adequate for further analysis to establish the effect of independent variables on dependent variable.

These findings are supported by Ghasemin and Zahediasi (2012), who argued that the variables are supposed to be roughly normally distributed especially if the results are to be generalized beyond the sample. The study further used normality plot to test the whether the performance of coffee smallholder agribusinesses followed a normal distribution. The finding presented showed that agribusinesses performance of coffee smallholder agribusinesses was normally distributed. Hence this data was adequate for further analysis and generalization of the results to the entire population (see figure 4.18).

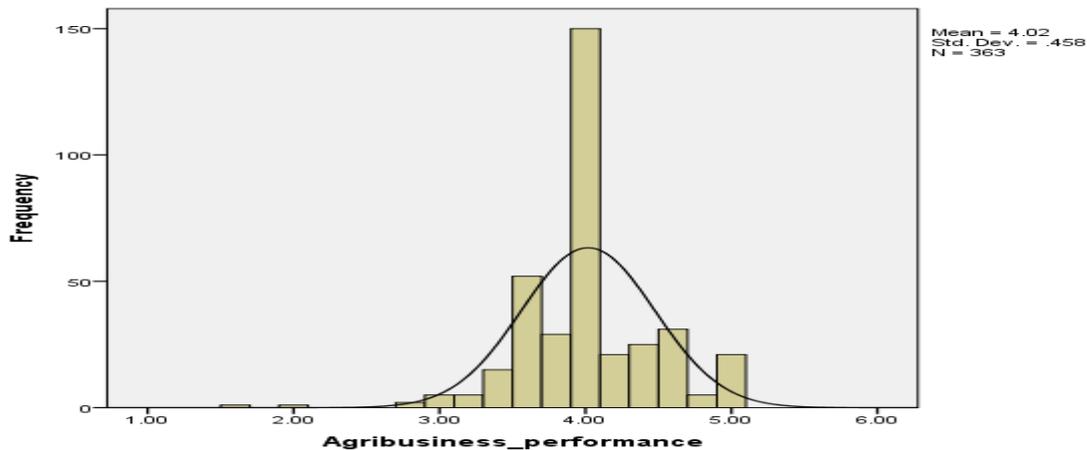


Figure 4.18 Normality Plot for Dependent Variable

4.3. Influence of Access to Entrepreneurial Finance on the Performance of Micro and Small Agribusinesses

The study conducted univariate regression analysis to test the relationship between access to entrepreneurial finance and micro and small agribusiness performance when other factors are held constant.

4.3.1. H_{a1}: Access to entrepreneurial finance positively determines performance of micro and small agribusinesses of the coffee smallholders in Kenya

a) Entrepreneurial Finance on the Performance of Micro and Small Agribusinesses Model Summary

The findings of the model summary indicated that, other factors held constant access to entrepreneurial finance accounted for only 2% (R-squared=0.020) of the variation in performance of micro and small agribusinesses owned by coffee smallholders in Murang’a County. The findings demonstrated that there are other factors such as market conditions, research and development, and technology, entrepreneurial capabilities and entrepreneurial culture that accounted larger variation in performance of micro and small agribusinesses owned by coffee smallholder agribusinesses in Murang’a County. These results are shown in Table 8.

Table 8: Model summary of Entrepreneurial Finance and Performance of Micro and Small Agribusinesses

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.140 ^a	.020	.017	.45374

a. Predictors: (Constant), Access to Entrepreneurial Finance

b) Entrepreneurial Finance on the Performance of Micro and Small Agribusinesses ANOVA

The findings of ANOVA showed $F=7.212$, $p=0.008$ which indicated that the model used to link access to entrepreneurial finance and performance of micro and small agribusinesses owned by coffee smallholders in Murang’a County had a goodness of fit. Therefore access to entrepreneurial finance significantly predicted performance of micro and small agribusinesses owned by coffee smallholders in Murang’a County. The results are shown in Table 9.

Table 9: ANOVA of entrepreneurial finance on performance of agribusiness MSEs

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.485	1	1.485	7.212	.008 ^b
	Residual	74.322	361	.206		
	Total	75.807	362			

a. Dependent Variable: Agribusiness performance mean

b. Predictors: Constant, Access to Entrepreneurial Finance

c) Entrepreneurial finance and performance of agribusiness MSEs Regression Coefficients

The findings show the regression coefficient of access to entrepreneurial finance $\beta=0.074$, $p=0.008$ which shows that access to entrepreneurial finance had a positive and significant determines on performance of micro and small agribusinesses owned by coffee smallholder farmers in Murang’a County (see Table 4.8). Other factors held constant, the study failed to reject the research hypothesis that access to entrepreneurial finance determines performance of small and micro agribusinesses owned by coffee smallholder agribusinesses in Kenya. These results are shown in Table 10.

Table 10: Regression coefficients of entrepreneurial finance and performance of agribusiness MSEs

	B	Std. Error	Beta	t	Sig.
(Constant)	3.821	0.077		49.62	0.000
Access to Entrepreneurial Finance	0.074	0.028	0.14	2.685	0.008

a Dependent Variable: Agribusiness performance

d) Discussions of Findings of the Relationship between Access to Entrepreneurial finance and performance of Agribusiness MSEs

The results revealed that access to entrepreneurial finance had a weak positive association with MSAEs performance as shown by $r=0.140$ and $p=0.008$ (see Table 4.46). The correlations were significant at the level of significance of 0.05. The results implied that increasing access to entrepreneurial finance would lead to increase in agribusiness performance of coffee smallholder agribusinesses in Murang’a. The study finding concurs with Essien and Arene (2014) who analyzed access to entrepreneurial finance markets and the performance of small scale agro-based enterprises in the Niger Delta region of Nigeria

and reported that majority of enterprises accessed informal credit but the few that accessed formal credit performed better.

4.4 Hypotheses Testing

The testing was done based on the findings of multiple regression analysis and was tested at the level of significance of 0.05.

H_{A1}: Access to entrepreneurial finance positively determines performance of micro and small agribusinesses of the coffee smallholders in Kenya

The study sought to test the research hypothesis that access to entrepreneurial finance positively determines performance of micro and small agribusinesses of the coffee smallholders in Kenya. The regression analysis showed that access to entrepreneurial finance had a beta coefficient of 0.056 with a corresponding p-value of 0.057; meaning access to entrepreneurial finance had a positive but insignificant determination on performance of micro and small agribusinesses of the coffee smallholders in Kenya.

Based on these finding the study rejected H_{A1}: Access to entrepreneurial finance positively determines performance of micro and small agribusinesses of the coffee smallholders in Kenya. These findings agrees with Njangiru, Maingi and Muathe (2014) who found that due to problems of high risk and high cost of borrowing, uncertainty of repayment capacity on the rural borrower has been reported high due to irregular income streams. Further, the study of Mazanai and Fatoki (2012) support that access to finance is directly related to the performance of MSAEs. Thus, the lack of finance upset the full potentials of MSAEs as an economic driver.

5.0 Conclusions

Based on the findings, the study concluded that access to entrepreneurial finance had a positive but insignificant determination on performance of micro and small agribusinesses owned by coffee smallholders in Kenya. Further, the study concluded that access to entrepreneurial finance showed insignificant determination on performance of MSAEs since majority of the respondents had no access to such funds. The study observed that because of the many hindrances and challenges experienced in accessing credit from financial institutions among the coffee smallholders' agribusinesses, hence concluding that this is why majority have resorted to different means available for financing. However ensuring access to entrepreneurial finance by micro and small agribusinesses is likely to increase agribusinesses performance.

6.0 Recommendations

The study recommends that management of financial institutions should revise their policies in regard to collaterals demanded, loans grace periods and interest rates micro and small agribusinesses are charged. This will go a long way in ensuring access to entrepreneurial finance by micro and small agribusinesses not only in Murang'a County but Kenya at large. The study further recommends micro and small agribusinesses owners should join savings and credit cooperatives since it is easy to access loans from SACCOs compared to commercial banks.

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