

Abstract

Purpose: The SMEs play critical role in creating job opportunities and growth of the economy. Currently, the rate at which the new firms formed have stagnated and those with less than 5 years are closing down is very high. This has triggered research on the financial performance of the SMEs especially in areas with high levels of poverty since most studies concentrate on developed economies and urban centres. This study investigated the effect of access to finance on financial performance of processing SMEs in Kitui County.

Methodology: Descriptive research design was applied to conduct the study. The target population was the 25 processing SMEs in Kitui County where for each firm; the Chief Executive Officer, the finance manager and the Chief accountant were considered as respondents giving rise to a total of 75 respondents. An interview and Semi- structured questionnaires were used to collect primary data from the respondents. The data was inspected for completeness, accuracy, reliability and consistency then analysed using SPSS Version 20 Software. Descriptive statistics such as mean, and the standard deviation were computed to describe the data collected. Moreover, inferential statistics at 95% confidence level were used.

Results: The findings of the study indicated that financial performance positively correlated with the access to finance. The findings were supported by the literature reviewed by the study. With reference to the findings, various recommendations were made.

Unique Contribution to Theory, Practice and Policy: To start with, the study recommended financial institutions to create favourable policies to enable SMEs access loans easily. Secondly, the study recommended government to offer incentives and funding to SMEs at a lower cost to boost their financial performance. Finally, the study recommended more studies to identify other factors that influenced the financial performance of SMEs in Kenya.