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Influence of Business Risks on Credit Access by Small Business Producer Groups in Trans Nzoia County, Kenya

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Abstract: This study general objective was to examine the influence of business risks in accessing of credit by small business producer group in Trans Nzoia County. The study specifically aimed at investigating the effect of business risk identification on access of credit by small business groups in Trans Zoia County, to investigate if business risk influences access of credit and to establish the effect of business risk monitoring on access of credit by small business groups in Trans Zoia County, Kenya The research used cross sectional design while data were collected through in-depth personal interviews administered through open-ended interview guides (Appendix I) to 54 chairpersons from 54 SBPGs and content analysis used to analyze data collected from the interviews. The study found that credit access is largely influenced by business risk and specifically the following risks; financial, strategy, operations, compliance and reputations. The study concludes that it is of general realization that SBPGs face business risk challenges in accessing the credit to develop their businesses. The research recommended the government, MFIs and social investors to come in to support the small businesses through trainings and capacity building.

Keywords: Access of credit, business risk, and small business producer groups

INTRODUCTION

Background of the Study

Access and utilization of credit is one of the major factors that contribute to the development of many small business producer groups in many economies of the world. As discussed by Tracy and Tracy [1], capital is very crucial and vital in running and sustaining the business. Therefore, these small business producer groups funds their businesses through their personal savings, contributions and subscription fees, grants from well-wishers and nongovernmental organizations. However, Small business producer groups face many challenges in their quest to increased investments. The government has set aside development funds through women and youth, enterprise development funds to provide for easy enterprise start-ups and sustainability. However, as Hongbo Duan, Xiaojie & Hongbo [2] puts it in their write up that Micro Small & Medium Enterprises depends on government owned institutions for financing. This limits their source of finance due to the bureaucracy and unfriendly procedures of accessing the credit.

Credit Access and the development of economy

Small business producer groups are among the integral part of our economy in the developing countries Kenya included. This can be seen in terms of taxes, provision of quality goods, employment and ensuring there is food security in the country. It is contributing in the Kenya's national GDP and in 2012 ; It was at the rate of 25% according to Kenya economic survey 2012. The government through the Economic survey of Kenya 2005 [3] acknowledges the fact that small business producer groups are essential for economic growth and in fact being in the forefront in eradicating poverty and unemployment by offering jobs to 50-70% of the employable population. Private sectors and both local and international donors have in the past and even currently been teaming up with other major stakeholders in the sector to see that small business producer groups are being well catered for in terms of financial provisions, expertise and capacity building for their developments.

Credit Access and business risks

Much as government efforts contribute to more development of the small business producer groups, there are those internal and external challenges that are acting as constraints to credit access by the small business producer groups. Some are but not limited to the business risks associated in the day-to-day operations of the small business producer group's operations. Risk is when things do not work the way they had been planned. It is a situation where business performs contrary to our expectations; not as it had been anticipated e.g. loss making, change of government regulations and increased cost of capital. They are broadly, categorized in to two i.e. systematic, which refers to those risks that can be, diversified and unsystematic referring to those risks that cannot be diversified. The major business risks include strategic risks, compliance risk, financial risk, operation risk and reputation risk. These risks are some of the key factors hindering the small business producer groups in accessing credit for their businesses. This study therefore seeks to investigate the influence of business risks in credit access by small business producer groups in Trans Zoia County, Kenya.

Statement of the problem

This study will investigate the influence of business risks in credit access by small business producer groups in Trans Zoia County, Kenya. There has been a credit bias towards the small business producer groups in Kenya and especially in Trans Zoia County. There has been a general rush of financial institutions of late to offer loans to the small and medium enterprises including small business producer groups. This is a good effort but very few business producer groups' benefits. In fact, more large enterprises are the ones benefitting from the credit extensions. The small business producer groups suffer from various factors, which hinder them from accessing the credit from these institutions. Some of the factors include collateral, lack of information, age, level of education and high rates of interests charged by the credit lenders. This has forced the small business producer groups to informal sectors for credits access for example the shylocks, rotating savings and credit associations (ROSCAS) and the *chamas*. Most small business producer groups are seen by creditors are untactful hence have no strong strategies for their business.

The small business producer groups are as their names suggests, small hence they have no financial masculinity and thus they might be highly geared. This makes the credit lenders to sideline them. Other technical factors are the reputation of the small business producer groups in the end and if its operations are sustained in terms of human resource and personnel. Credit lenders also see compliance as a major hindrance in extending their credits to small business producers. They have fears that the small business producer groups may at some point be incompliance of the statutory or government new regulations that might be too tough for them. According to Mohamed [4], the government and other stakeholders should come up with institutions which are specific to cater for credit to small scale enterprise, he further suggested of group formation and strengthening of the existing ones to enable the easy access of credit. In the same accord, Ekwere [5] noted that an intensive cooperative and credit education should be imparted to those using credit before being entrusted in it while Walid et al., [6] recommended that there is an urgent need for greater flexibility in lending procedure of financial institution to reduce the time lag involved in credit sourcing

Purpose of the study

The purpose of the study was to examine the influence of business risks in accessing of credit by small business producer group. The study sort to find out how those specific risks i.e. strategic, compliance, financial, operation and reputation influenced the access of credit by small business producer groups in Trans Zoia County, Kenya.

Objectives of the study

The broad objective of the study was to investigate the influence of business risks on credit access by small business producer groups in Trans Zoia County, Kenya. The following specific objectives guided the main objective:

i. To investigate the effect of business risk identification on access of credit by small business groups in Trans Zoia County, Kenya
ii. To investigate if business risk influences access of credit by small business groups in Trans Zoia County, Kenya
iii. To establish the effect of business risk monitoring on access of credit by small business groups in Trans Zoia County, Kenya

Research questions

i. What are the risk factors that influence the access of credit by small business producer groups in your producer group?
ii. How do you identify business risks in you producer groups?
iii. How do you choose your source of credit when faced with these risks?
iv. What is the role of credit facilities towards the performance of your producer group?

Value of the study

Ogunfowora et al. [7] argued that as much as credit is needed for farming, it was also important for the day to day household consumption and specifically when farming is not on production. According to Asqual [8], credit has been identified as an impediment in development of farming at all scale levels. The findings of this study will inform the lending institutions on credit allocation and management in the face of risk. It will also make the producer groups to appreciate the fact that the lending institutions subject their assessment more on risk to qualify their credit extensions. The government will also benefit in that, it will work hand in hand with the relevant stakeholders to avail credits to farmers while ensuring that the risks are minimized e.g. those risks directly initiated by their governing policies. The study will provide useful basis upon which further studies on role and impact of credit on producer business groups will be conducted.

Scope and limitation of the study

The study aimed at identifying influence of business risks on access of credit by small business producer groups in Trans Nzoia County. This was due to the limited availability of resources and time to undertake the study on a wider scale. The study only focused on the small business producer groups registered by the local authorities and limited itself to a sample of 54 individual farmers within the specific business producer groups.

LITERATURE REVIEW

Introduction

This chapter provides literature on risks associated with access of agricultural credit and its utilization by small business producer groups towards achieving improved living standards through ease of credit access.

The credit rationing theory and access to credit

The theory refers to the situation where lenders limit the supply of additional credit to borrowers who needs funds, even if the borrowers are willing to pay higher interest rates. It is an example of market imperfection, or market failure, as the price mechanism fails to bring about equilibrium in the market. Stiglitz and Weiss [9] created this theory, and it provides a formula for analyzing market inefficiencies. It states that, cause of financial market malfunctioning in developing countries is information asymmetry. Banks that advance loans to economic agents are not only interested in the interest they receive on loans, but also the risks of such loans.

Loan market may be characterized by credit rationing in that the banking cost in terms of bank charges may influence how risky can a pool of loans be by adverse selection which entails sorting out the potential borrowers and moral hazard problem which involves affecting the actions of borrowers. Banks can identify the good borrowers from those who are likely to default thus risky borrowers. By this, they use pricing as a mode of screening them (borrowers) since the expected return is entirely depend on probability of loan repayment by the borrowers. Given the efficient financial markets hypothesis, those borrowers who are applying for loans regardless of the high interests rates above what the lender is offering , may in the long run default and these are the individuals the banks categorize them as risky. Whereas those individuals who are termed as low-cost borrowers who expects negative results may not want to apply for the loans since they know they cannot pay them back. In this 21st century, information can be found easily thus banks could precisely predict all actions by borrowers though they cannot control them. The terms of loan contract are designed thus in a manner that induces borrowers to take actions in the interest of banks, and that attracts low risk borrowers. For both reasons, the expected returns of banks increase less rapidly than the interest rate and beyond a certain point, actually declines.

Credit access is still major problem faced by small-scale enterprises. According to Parker *et al*. [10], credit constraints involve the raw materials and the working capital. Aryeetey *et al*. [11] found that 38% of the small and medium enterprises surveyed in Ghana mention credit as a constraint; in the case of Malawi, it accounted for 17.5% of the total sample [12]. This is because these small enterprises have no strong presence in the capital markets due to their high-risk perception thus cannot acquire long-term and debt equity.

The majority of smallholder producers have difficulties in obtaining credit for production inputs. With the collapse of many agricultural development banks and the closure of many export crop marketing boards, which in the past supplied farmers with inputs on credit, difficulties have increased rather than decreased.

Operational risks

This entails the effects because of how an entrepreneur operates the business. If the entrepreneur develops a comprehensive work plan from the start up, growth and even in maturity of the enterprise, then risk occurrence can be reduced and chances of obtaining more capital should increase. The entrepreneur should see to it that he has a good production plan right from sourcing the raw materials to production and finished goods. Staff or human resource should also be well recruited and in place to ensure optimum efficiency. The technology in place should also be effective. All this mounts different level of risk if they are not used properly or as they should be.

Financial risk

According to Barbosa and Moraes [13] the availability of debt to SMEs is highly affected by macroeconomic variables in that, Bad macro-economic conditions for example recession in the economy makes It hard for firms beneficially utilize the debts and hence will face challenges in paying them back. Small business producer groups should thrive to ensure their cash flow is always positive and not negative, avoid too much debt for the enterprise while ensuring that risks resulting from lack of enough capital and poor pricing are being reduced.

Reputation risk

Some small business producer groups are unethical when it comes to making contracts and adhering to them. This can cause a negative perception by customers and the lenders in the long run and affect the business. According to Hannafey [14], new SMEs face significant resource pressure. Thus, liability of newness may lead new SMEs towards more individualist ethical postures. Investors risk perception may be influenced by the extent to which they perceive that they can trust the entrepreneur or entrepreneurial team. The Organization for Economic Co-operation and Development (2006) shows that market imperfections such as those caused by inefficient legal systems can constrain the ability of firms to access external finance. Firms in countries with more efficient legal systems should therefore obtain more external financing than firms in countries with less efficient legal systems. Lepoutre and Heene [15] points out that small firms experience more difficulties than their larger counterparts when engaging in ethically responsible behavior.

Strategic risk

Through work experience, people develop information and skills that facilitate the formulation of entrepreneurial strategy, acquisition of resources and organizing them. According to Lam, J. [16], he noted that lenders always faces risk when it comes to extending their credits and likewise the borrowers should strive to prove that they are going to at least payback the credit extended to them as par the terms of the lender. The lenders furthermore use the credit worth assessment of the borrower, and the collaterals among other assessments so as to minimize their risk exposure. The collateral is a borrower's pledge of specific property to a lender as an assurance so as to secure the loan. It's a commitment to pay back the loan. Berger and Udell [18] stated that smaller firms faces high risk of collapsing than larger firms due to their high risks and cost of finance and thus collaterals is always asked as a condition for credit access by the lenders. According to Schiffer and Weder [19] they found an inverse relationship between the size of the business and the extent of risk exposure to the lender. Industry experience is also important in reducing risks and uncertainty. Thus, industry experience is expected to be associated with entrepreneurial orientation.

Levine R [20] noted that younger borrowers are risk takers and they can make risk assumptions in order access more credit to develop and expand their business. However the same individuals are disadvantaged due to their in experiences and fewer options for sourcing the finances. The same researchers found out that women are risk averse and are less likely to success in comparison with their male counterparts. It therefore implies that women entrepreneurs avoids business risks and tend to devote more of their profits to the security of their households.

Conclusion

Credit plays a bigger role in supporting SMEs and especially in a busy county like Trans Zoia where her economy is mostly agriculture. Credit is needed right from planting to farming enterprises done by farmers. However, the business risks associated with the same is equally challenging. As much as the national government through the county government has tried putting some affordable financing mechanism and structures to reduce the risks, a lot still need to be done by all the relevant stakeholders since the problem is still an impediment.

According to Abubakar [21], empirical evidence of the study carried out among the women entrepreneurship in Nigeria indicates that relationship between the variables is positive and strongly correlated. The need for expansion and risk attitude (risk taking or risk aversion) this study therefore sorts to investigate the influence of business risks on credit access by small business producer groups in Trans Zoia County, Kenya.

RESEARCH METHODOLOGY

The Study Area

The study has conducted in Trans Nzoia County, a county in Kenya's Rift Valley province. It is located between the Nzoia River and Mount Elgon with its centre at the town of Kitale which is the capital and largest town of the county, and 380 km North West of Nairobi.

It has a population of approximately 818,757 people according to national census, 2009. The county is largely Agricultural with both large scale and small scale wheat, maize and dairy farming. The county is fondly referred to as the basket of Kenya for its role in food production in the country.

Research methodology

Research methodology is the technique used to collect data and information for the purpose of analysis according to Bryman [22]. This chapter gives a description of the methods used for data collection in the study: target population, the research design, sampling technique, data collection instruments, data collecting procedures and data analysis.

Target population

This is the wider part of a group to which the results from the study was generalized [23]. According to Mills, C. W [24], it is the element having the characteristics studied. The study was in Trans Nzoia County; where the target population was, 54 farmers who were registered in small business producer groups.

Research Design

Research design is the framework adopted to collect and analyze data to derive information from it according to Bryman [22]. It is the overall plan followed throughout the study. The research is going to take a cross sectional design. The study adopted cross sectional design since data was from the sample in a brief span of time. This was in line with Bryman [22] who stated that cross sectional data involved collection of data on several elements in a sample at a particular point in time. This is because was the cheapest and easiest research process, yielding results in a short period. The population of the county was heterogeneous; hence, this technique gave each individual from diverse background representation and hence leading to accurate generalization of results.

Data Collection Instrument

In the study, data collection instrument used was a questionnaire designed for registered farmers in the small business producer groups. A questionnaire is a research instrument consisting of questions and other prompts for the purpose of data collection from the respondents according to Bowles S, *et al.* [25]. To realize the study objectives, data collection was on business risk factors, how the respondents identified the risks, how they kept track of the risks and how they felt risks affect their choice of credit**.**

Sample size

The procedure used to arrive at the sample size was as follows, it was based on precision rate and confidence level as recommended by Smith,(2013).

$$n = \frac{Z^2 - StdDev \ * (1 - StdDev \ )}{(m \arg \ inoferror \ )^2}$$

where n is desired sample size, Z^2 is the standard variant at the required confidence level and StdDev is the standard of deviation. The confidence level that will used is 95%, p value of 0.5 and acceptable margin error of 0.05. Z score is 1.96 while N is 818,757. Therefore, according to the procedure, the sample design is;

$$n = \frac{3.8416 \ * 0.25}{0.0025}$$

$$n = \frac{3.8416*0.07}{0.0049}$$

n=54 registered farmers in small business producer groups

DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

Introduction

This chapter presents the analysis and findings of the study as set out in the research objectives. The results are presented in tables, percentages, pie charts and graphs on influence of business risks on credit access by small business producer groups in Trans Nzoia County, Kenya.The data was gathered from interview guide as the research instrument.

Bio data

Respondents rate

There were fifty-four interview guides administered, 50 of them filled and analyzed. This shows that there was 92% response rate, which was adequate for analysis and reporting

Respondents gender

The study aimed at evaluating the respondent's gender and among the respondents, the male were the majority at 67% while 38% were female. This findings show that the study considered both genders as indicated in both table 1 and graph 1 below:

Table 1: Respondents gender

Gender	Frequency	Percentage
Male	31	62
Female	19	38
Total	50	100

Source: Survey Data (2016)

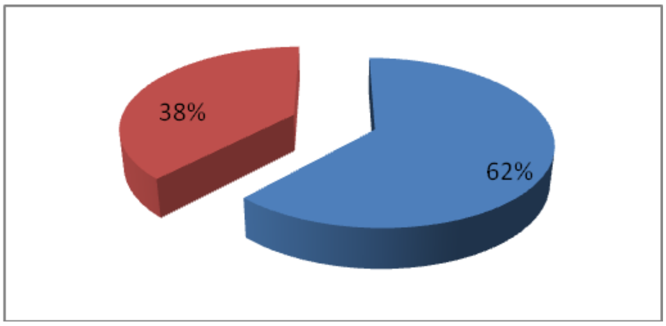

Fig-1: Respondent's gender

Source: Survey Data (2014)

Age of the respondents

On evaluating the respondents age, 29% who were the majority were between the ages of 30 to 35 years. The same rates of 29% were between the ages of 40 to 50 years while 14% were between the ages of 21 to 25 years same as for 26 to 30 years as well as 36 to 40 years respectively. This is further explained in the table 2 below and more graphical explanation in the below graph fig 2.

Table 2: Respondents age

Age	Frequency	Percentage
21-25 years	6	12
26 – 30 years	16	32
31 -35 years	7	14
36 – 40 years	6	12
41- 50 years	11	22
Above 51 years	4	8
Total	50	100

Source: Survey Data (2016)

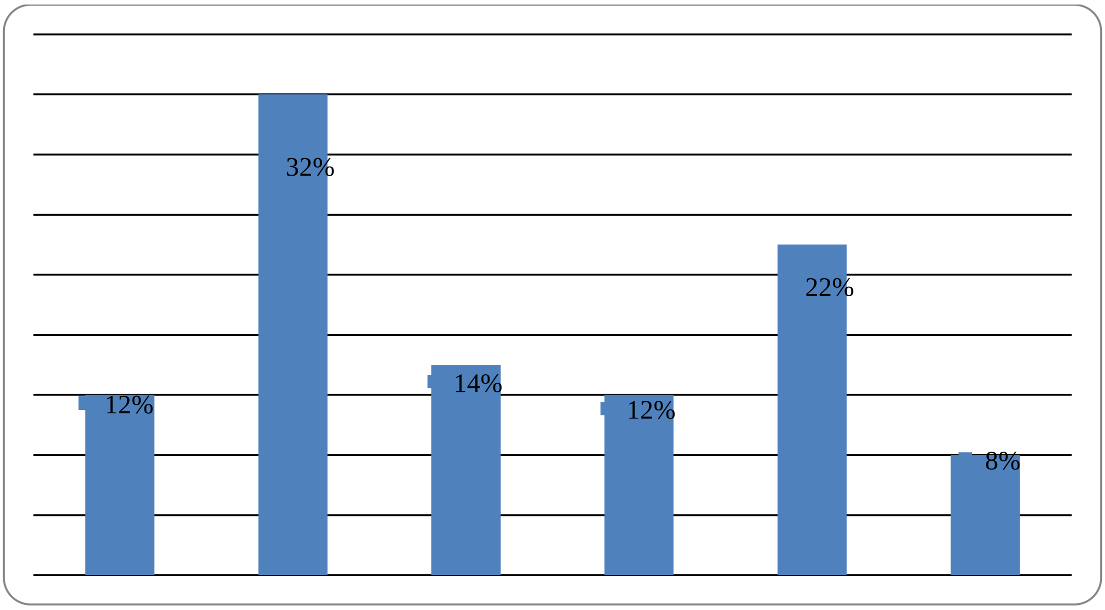

Fig-2: Respondents age
Source: Survey Data (2016)

Level of education

The study aimed at ascertaining the respondent's education level. The majority who were at 42% had college certificates, 26% were university graduates while 20% had secondary school certificates and those with primary school certificates were at 12% as illustrated in the table 3 below and graph figure 3 presentations.

Table 3 : Level of education

Education	Frequency	Percentage
Primary	6	12
Secondary	10	20
College	21	42
University	13	26
Total		100

Source: Survey Data (2016)

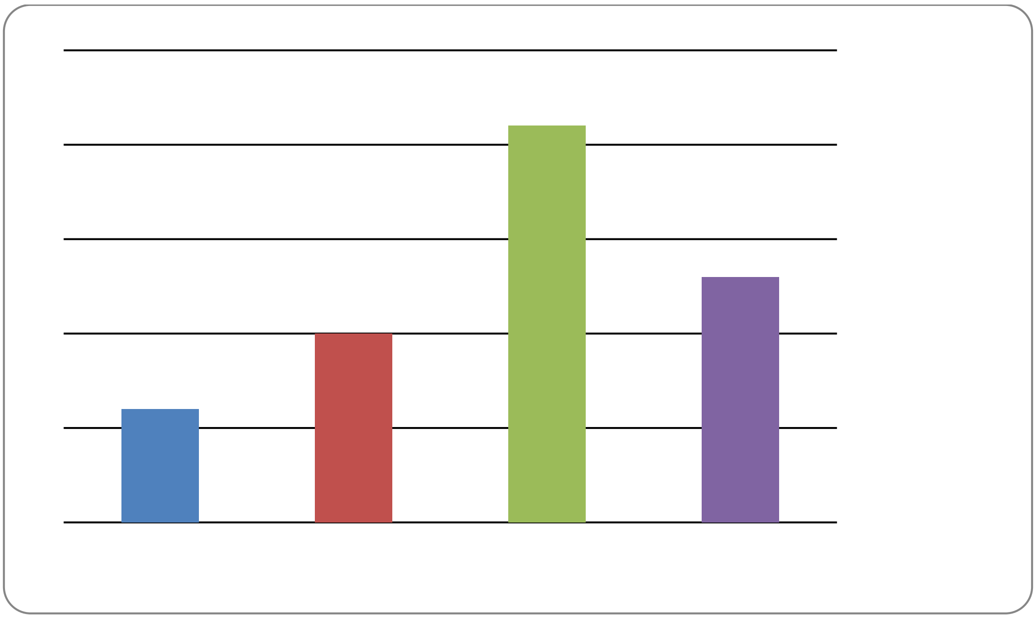

Fig-3 : Level of education
Source: Survey Data (2016)

Business risk encounter

This section was evaluating if the respondents are encountering risks in their daily business operations the pie chart and table 4 below shows that, 98% who were the majority said that they had and are encountering risk against 2% who said they dint.

Table 4 : Business risk encounter by respondents

Response	Frequency	Percentage
Yes	49	98
No	1	2
Total	50	100

Source: Survey Data (2016)

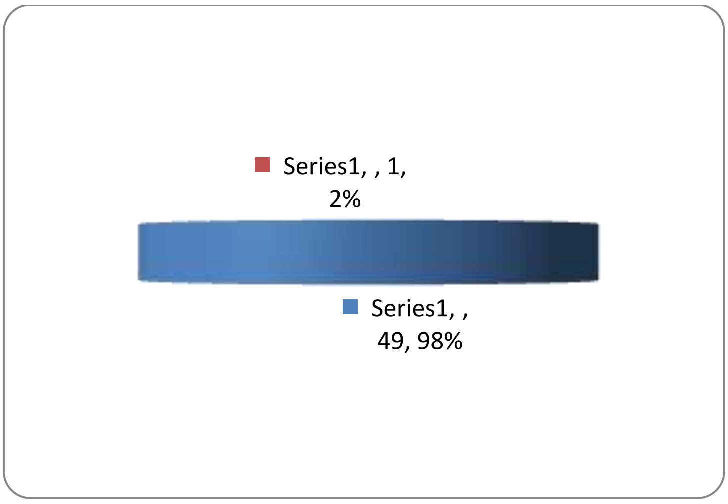

Fig-4 : Business risk encounter by respondents
Source: Survey Data (2016)

Types of risk encountered by the respondents

The interviewees were further asked on which type of risks are encountered by small business producer groups in Trans Nzoia County. The responses are seen in the table 5 and graph figure 5 below.

Table 5 : Types of risk encountered by the respondents

Risk	Frequency	Percentage
Financial	32	64
Strategy	11	22
Operations	18	36.7
Compliance	6	12.2
Reputations	1	12

Source: Survey Data (2016)

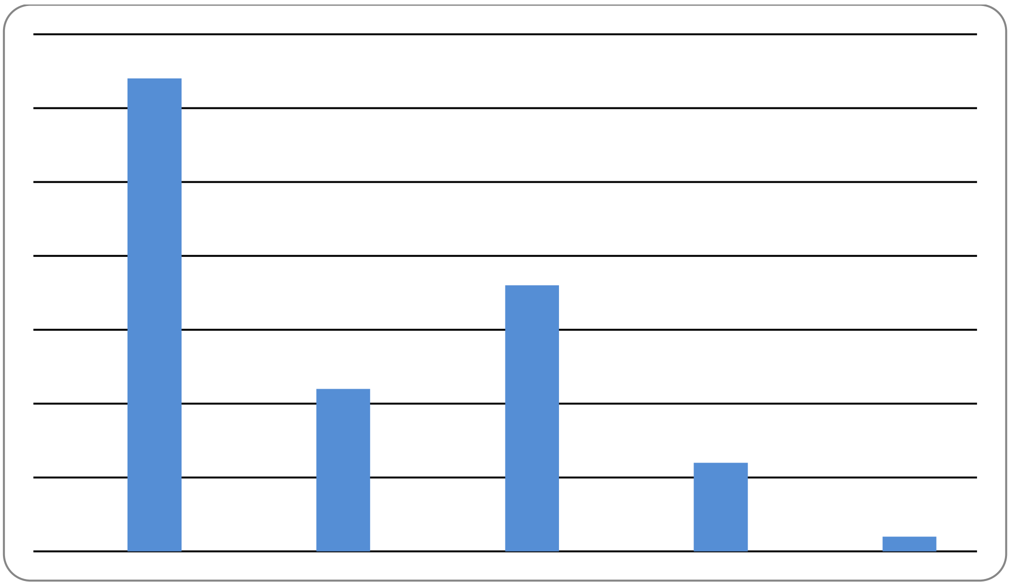

Fig-5 : Types of risk encountered by the respondents
Source: survey data (2016)

The interviewees were asked to show through "yes" and "no" on whether they encountered the risks mentioned. According to the responses given, 64% of the interviewees indicated "yes" and that the type of risk they encountered was financial risk. The 22% indicated "yes" on strategy risk, 36.7% indicated on operations risk while compliance risk and reputations risks indicated "yes" at 12.2% and 12%.

How the respondents identified risk in their business

Since the main subject of the study is on the business risk and the research has included the question of whether they encounter risk and which type, then it's more prudent if the interviewees would be asked to state on how they are informed or how they come to know and identify the said risks. As seen in the below table 6 and graph figure 6, the respondents identified the risk through the customers and friends, followed by through self experience and service providers like banks at 52%,while those on trainings were 32% followed by the least stated of 10% on those who claimed they indentified the risk through the employees. This is further illustrated in table 6 and graph fig 6 below.

Table 6: How the respondents identified risk in their business

Response	Frequency	Percentage
Through employees	**5**	**10**
Through customers and friends	**32**	**64**
Through experience/self	**26**	**52**
Through trainings	**16**	**32**
Through service providers like banks	**26**	**52**

Source: Survey Data (2016)

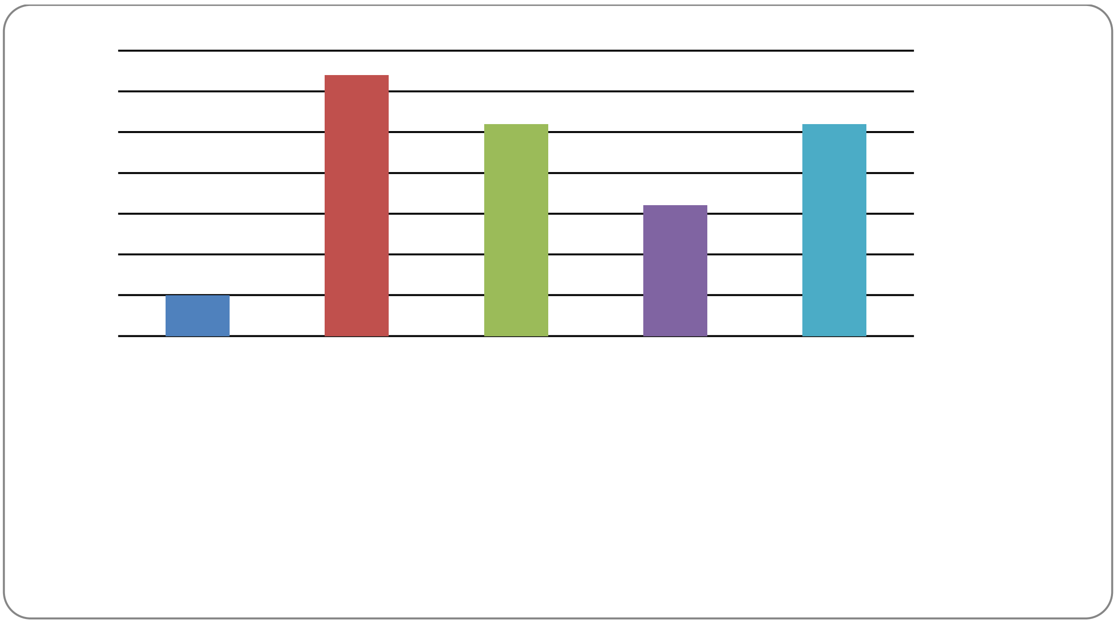

Fig-6 : How the respondents identified risk in their business
Source: Survey Data (2016)

How the following risks affected the respondents access to loan for their business

The paper also sought to find out to what extent does the various predetermined risks affects the respondents access to loan for their business. All the five business risks where captured individually in terms of the results but one table i.e. table 7 projected the overall outcomes as seen below. On responses, too much debt was found to be highly affecting the respondent's access to loan in that, if a respondent had too much debt, then the chances of accessing the credit somewhere else will be difficult. Change of laws and staffing where rated the least after lack of business plan and lack of technology hence did not affect the access of credit. Further explanations can be seen in the table 7 below and fig, 7.1, 7.2, 7.3, 7.4 and 7.5.

Table 7: How risks affected the respondent's access to loan for their business

Frequencies					
	very much	moderately	does not affect	others	Total
Too much debt	18	7	5	20	50
Lack of technology	8	23	5	14	50
Lack of business plan	7	17	4	22	50
Change of relevant laws	6	18	6	20	50
Staffing	6	8	10	26	50

Source: Survey Data (2016)

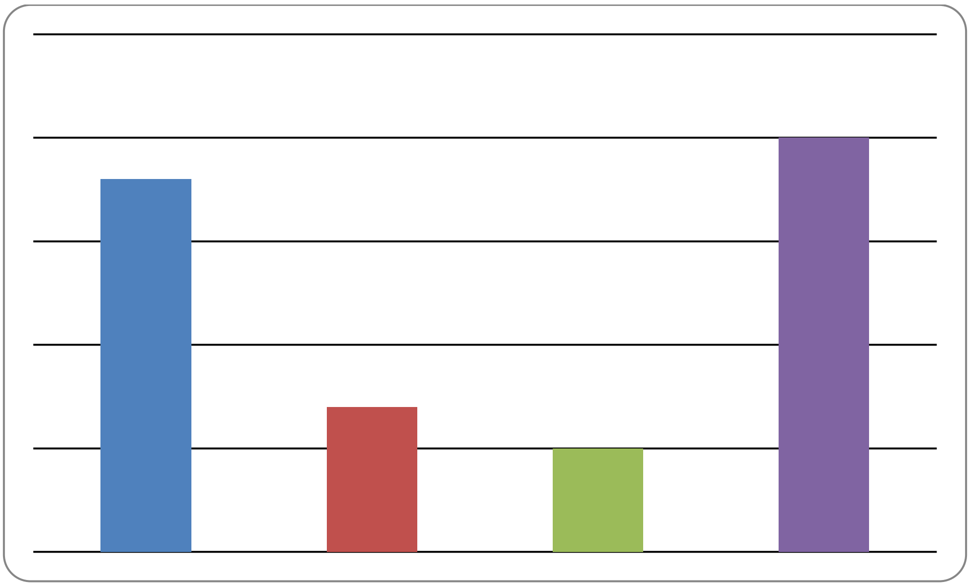

Fig-7: Too much debt
Source: Survey Data (2016)

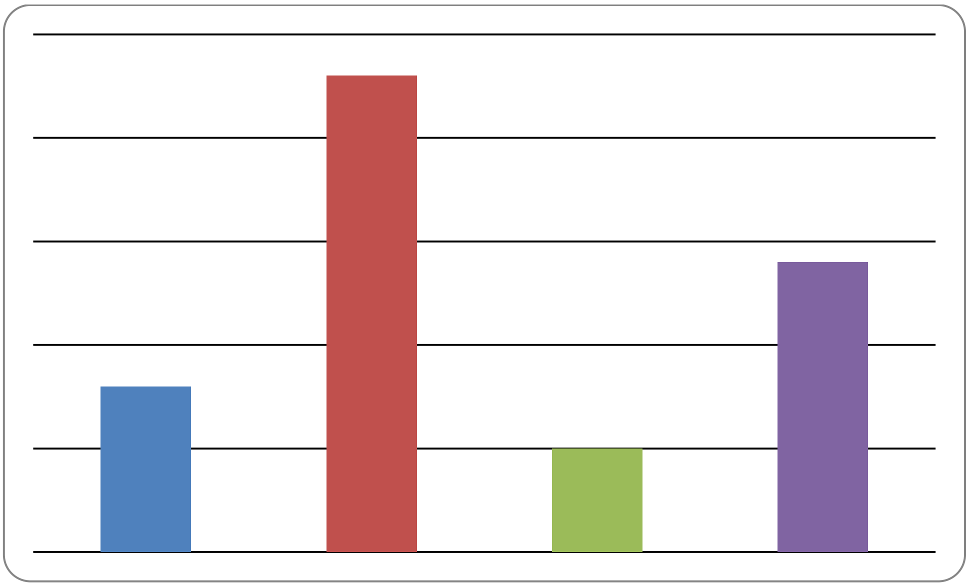

Fig-7 : Lack of technology
Source: Survey Data (2016)

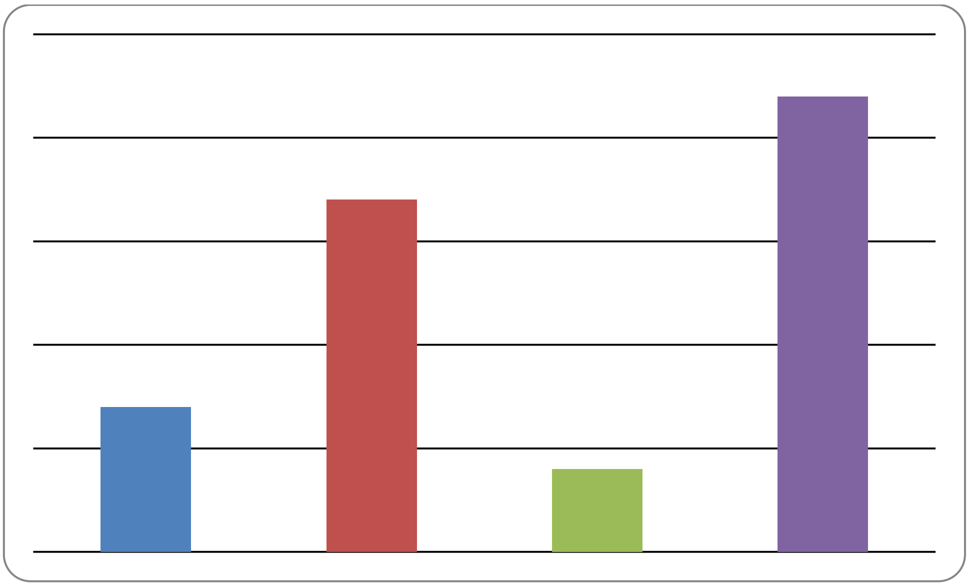

Fig-8: Lack of business plan
Source: Survey Data (2016)

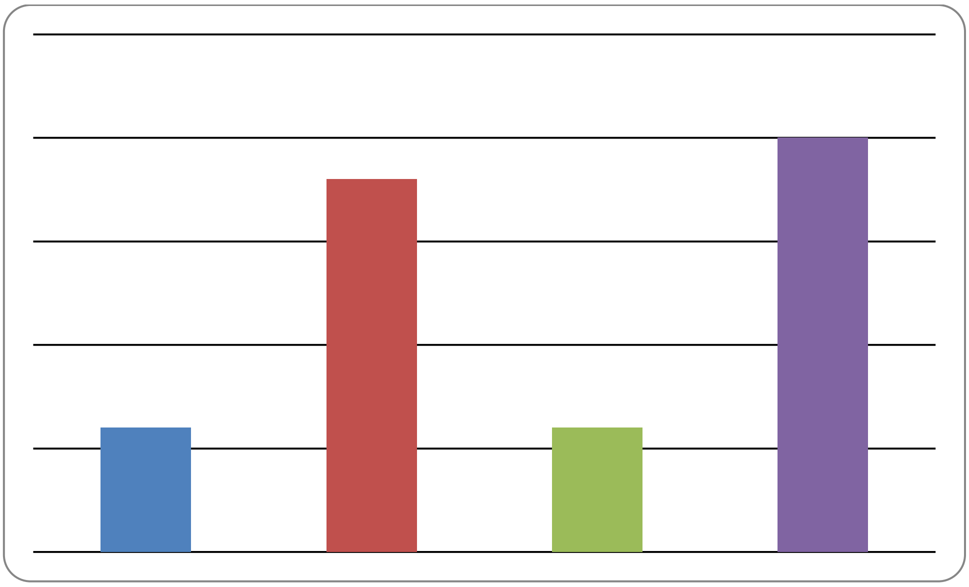

Fig-9: Change of relevant laws
Source: Survey Data (2016)

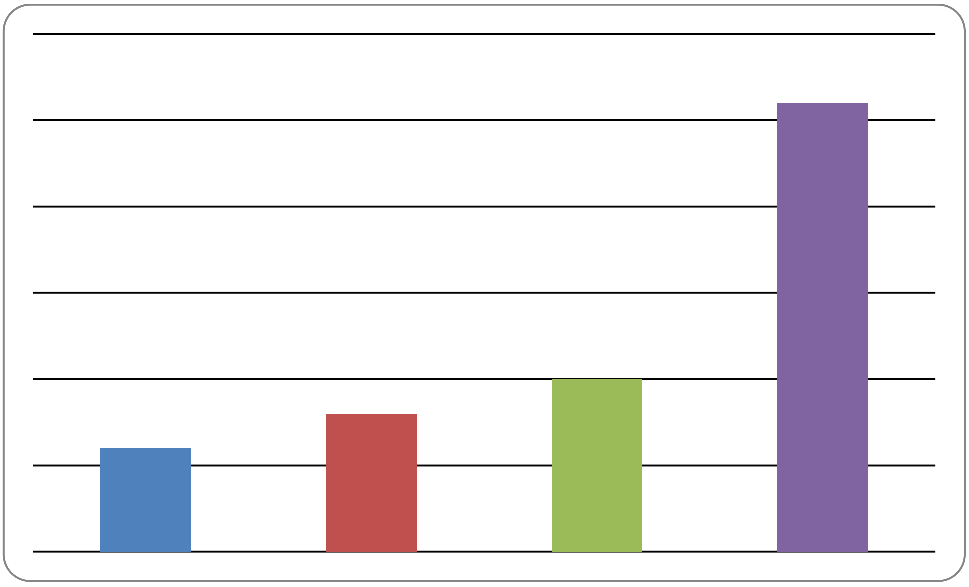

Fig-10: Staffing
Source: Survey Data (2016)

How respondents tracking record of the above risks affected their business.

The above chapter 4.3.3 results showed how the mentioned risks affects the access of the loan, the researcher went ahead to find out how the respondents business are affected in presence of record keeping as a factor in their daily business. The results are seen in table 8 below and the subsequent figure 8. The bigger percentage, at 48% of the responses said that it increases their chances of accessing credit, followed by 26% who said it increases sales and 18% who stated that it increases production while those who felt that it made no difference were at 2%. Others who had irrelevant answers were at 6%.

Table 8: How respondents tracking record of the above risks affected their business

Effect	Frequency	Percent
Increases chances of accessing credit	24	48%
Increases sales	13	26%
Increases production	9	18%
Makes no difference	1	2%
Others	3	6%
Total	50	100%

Source: Survey Data (2016

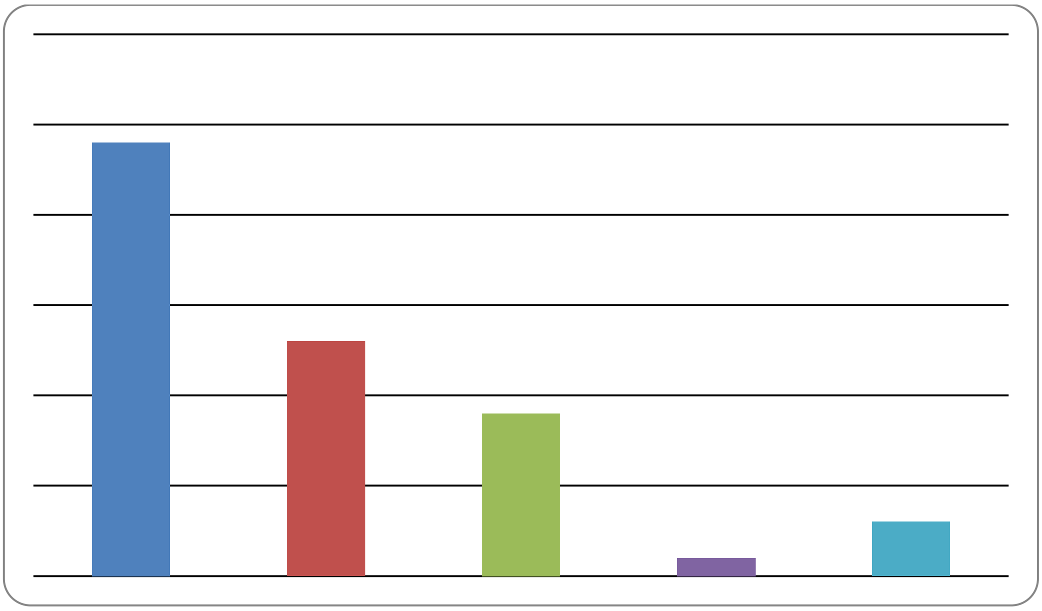

Fig-11: How respondents tracking record of the above risks affected their business
Source: Survey Data (2016)

Respondents and cooperative society

The study went further to profile the respondents on the basis of belonging to the cooperative society and the results showed that the majority are registered members of a cooperative society while 30% are not. Others, who dint belong to any cooperative but in the process of joining one, were at 6%. Further illustration is seen in table 9 and figure 9 below.

Table 9: If respondents belong to a cooperative society

		Frequency	Percent
	Yes	32	64
	No	15	30
	Others	3	6
Total		50	100.0

Source: Survey Data (2016)

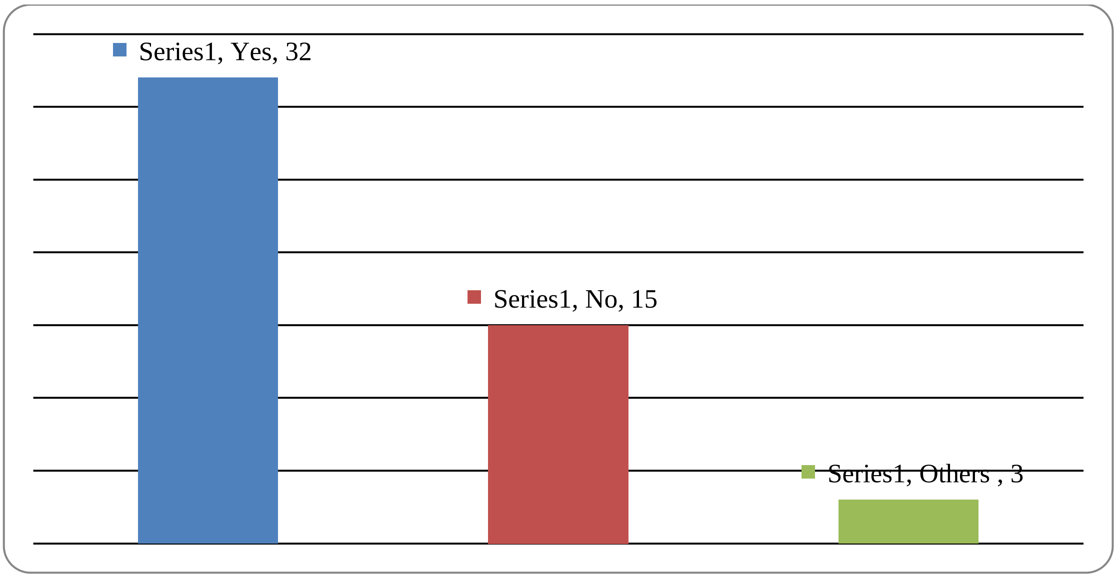

Fig-12: if respondents belong to a cooperative society
Source: Survey Data (2016)

Choice of credit in presence of risks

Interviewees were to give their feedback on how they manage to choose their source of credit when faced with the above-discussed risks. The majority at 38%said that they do so by first analyzing the returns against the risk, followed by 24% who said they do so by first assessing the risk alone while those who dint take any action were at 20%. Those who did both, assessing the risk and analyzing the returns against the risk were at 18%. Further illustrations of results are in table 10 and figure 10 below.

Table 10: How the respondents chose their source of credit amidst the above risks

Action	Frequency	Percent
By first assessing the risk	12	24%
By analyzing the returns against the risk	19	38%
Taking no action	10	20%
1 and 2	9	18%
Total	50	100%

Source: Survey Data (2016)

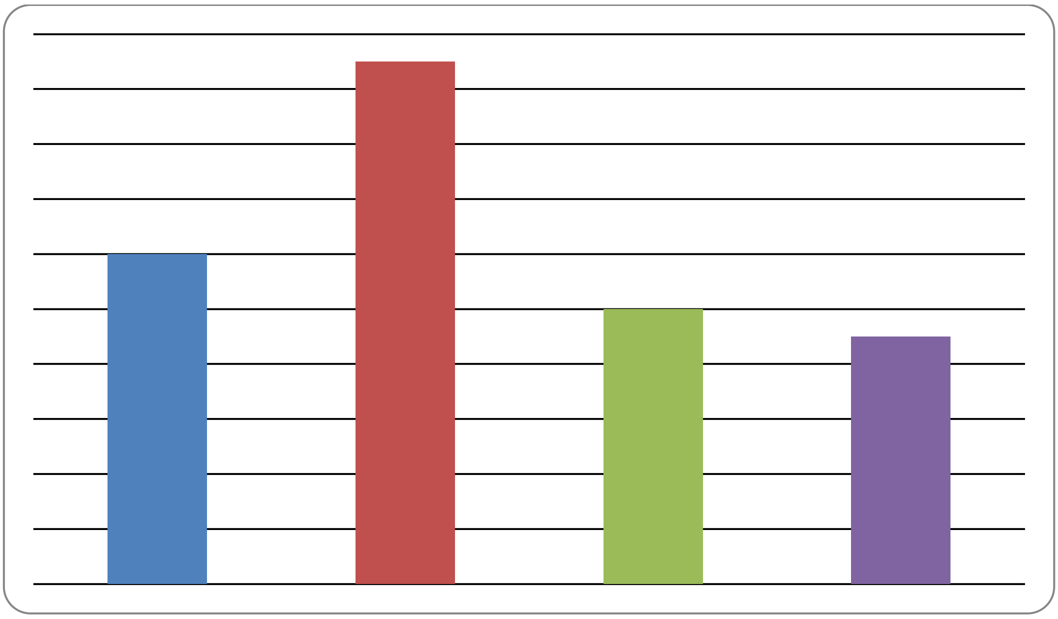

Fig-13: How the respondents chose their source of credit amidst the above risks
Source: Survey Data (2016)

DISCUSSION

The study found out that credit access is largely influenced by business risk and specifically the following risks; financial, strategy, operations, compliance and reputations. These study findings correlated with Daniel *et al* [26] found out that business risk management was an important factor in determining access to credit.

Similarly, Olowale *et al* [27] reported that there are certain factors in the business environment that constrain credit access to new SMEs. The study found out that most SBPGs encounter risks in their daily operations. This is common to many businesses that do the same regardless of the status. When it came how the SBPGs identified the risks, the findings showed that they did so through their customers and friends. The study further found that too much debt as a risk adversely affects the access to credit by SBPGs. This is in line with Taiwo *et al* [28] who reported that high interest rates are the major constraining factor that hinders the development of small businesses and limits the ability to repay loans. The SBPGs kept records and when the study sort to find out how it helps them, it came out that it helps them in increasing the chances of accessing credit from the lenders. This finding is supported by Omboi [29] who recommended that MSE operators need to, improve their accounting and record keeping systems for them to increase the chances of getting loans.

The study also found out that majority of the SBPGs belonged to a society to a cooperative society. This will enable them have a stronger bargaining power and diffuse the risk associated to the business as Abubakar [21] puts it that. The relationship between need for expansion risk takings are positively high. This finding is also in line with Abraham *et al* [32] who recommend that SSE owners should be encouraged to form groups which provide social capital that attracts MFI easily

Close examination and analysis also revealed that the SBPGs when faced with risks, they result to choosing their sources of credit carefully by analyzing the returns against the risk. The high risks, the higher the returns. This finding is a mirror image of John (2015) who reported that better risk management results to better bank performance. Choppari *et al* [33]. Credit Risk Management Policy of the bank dictates the Credit Risk Strategy.

Ogunfowora *et al.* [7] study stated the fact that credit is in need also in times of off-season for family consumption and not only for farming purposes. Through increased economic activities in the SMEs sector, there will be robust growth of wealth creations and this will in turn contribute to the development of the country's GDP. It will also lead to increased incomes in the pockets of the farmers and hence satisfied county. SMEs needs credit, but on the other hand, the SMEs faces major challenges of handling the business risk in accessing them. Both government and the private sector in collaboration with the financial institutions and other lenders should come together to educate the public and more so the SMEs in the counties on identifications and mitigation of business risk. The government can go ahead and give incentives to the lending institutions who purpose to undertake this training to encourage the rest to join the exercise.

SUMMARY

This chapter presents summary, conclusion and recommendations of the findings of the study. It also highlights the suggestions for further studies. The results revealed useful information with respect to the objectives. The specific objectives of this study were; to investigate the effect of business risk identification on access of credit by small business groups in Trans Zoia County, Kenya, to investigate if business risk influences access of credit by small business groups, and to establish the effect of business risk monitoring on access of credit by small business groups. From the interviews conducted it was found that Access of credit was influenced by business risks namely; too much debt, lack of business plan, staffing, lack of technology and change of relevant laws.

The study also found that choice of credit in presence of the above-mentioned risks was determined by; first analyzing the returns against the risk, assessing the risk and by doing both. The study further found that their (interviewees) record keeping and tracking of the business risks boosted the interviewee's chances of accessing credit. It also lead to increased sales and production. The study also revealed that most interviewees are aware of the business risks they are facing and further research found that the respondent are registered members of cooperative societies.

CONCLUSION

The study concludes that it is generally recognized that SBPGs face some challenges in terms of accessing the credit to develop their businesses to profitability. These problems diminish their ability into contributing to the economic development of the economy. As earlier seen; these problems can be tackled or mitigated to harness greater returns. Majority of businesses are bound to be faced by risks that in turn can prevent or slow down the possibility of acquiring a credit advance for the business. The same businesses are required to take care of the risk associated to make sure they are at minimum or zero. This can be successfully be done by established business which they have resources and knowhow of countering the risks successfully. The smaller businesses including the small business producer groups are disadvantaged in tackling the business risks due to their inadequacy of resources and mechanisms. That is why the research recommended the government and other social investors to come in to support the small businesses from this menace of business risk. Through this, the small businesses will gain access to credit at all times, trade profitably and contribute largely to the economic development of the country.

RECOMMENDATIONS

The study recommends that the demand and use of credit is increasingly been considered as an effective tool for raising the income levels of SMEs in rural areas. However, business risks influences the access of the same credit to SMEs. Against this background and from the results of the research, the following policy recommendations are made:

Training and capacity building especially in areas of business and credit risk mitigation by the government so as to caution the credit applicants especially the SMEs not to be trapped in the credit cycle. Credit institutions should also be extending trainings and seminars to SMEs applicants on how they can cut the business risks in their business. SBPGs should be encouraged to create social capital through their membership that will help them in accessing credit with ease. Apart from many trainings that are targeted to the applicants, the government should come up with a policy in the academic curriculum to educate the young generations in schools on how to profitably enterprise to prepare them for future undertakings.

The private sector and other relevant stakeholders should also come in to assist the social enterprises and business units to make them aware of business risks before they extend the financial support to them.

LIMITATIONS

There were limitations to this study to be considered when interpreting the study results. First, the study focused on small business producer groups in Trans Zoia County hence leaving out other players in the economy. Secondly, this study did not conclusively engage all factors business risk that influences the access of credit. Finally, there was limited time to the researcher as well as limited resources.

SUGGESTIONS FOR FURTHER RESEARCH

The research has covered the influence of business risks on credit access by small business producer groups in Trans Zoia County, Kenya. The findings of this study would act as a base for more research on the issue of financing challenges on operation and sustainability of small business producer groups. The study was not exhaustive and the researcher suggests the following: An investigation of operational factors hindering credit access by small business producer groups, a study to identify specific financial risks, SBPG best practices and the role of technology in preventing business risks associated to financial loans to small business producer groups.

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