

## **ABSTRACT**

Small and Medium Enterprises (SMEs) significantly contribute to both the social and economic development of people largely through their roles in job and innovation creation, and revenue generation. Majority of SMEs are undercapitalized due to inaccessibility of credit facilities. This adversely influence their capacity to invest in productive ventures and realize their corporate goals. determinants that influence small and medium enterprises access to credit is not well known. Thus, the current study sought to establish the determinants that influence small and medium enterprises access to credit in Meru County. The study specifically sought to find out how capacity to pay, collateral availability, availability of information and business risks influence access to credit by SMEs in Meru County. The study was guided by the theory of information asymmetry and the pecking order theory. The study was based on the descriptive survey design. The study targeted 204,810 SMEs in Meru County of which 384 SME owners were sampled using stratified sampling. Quantitative data was analyzed using both inferential and descriptive statistics. Qualitative data was analyzed thematically. The study established that SMES which are capable of paying are likely to access credit from financial institutions in Meru County as opposed to those that are incapable or repaying credit. It was also found out that majority of SMEs in Meru county are able to access credit from SACCOS but not from MFIS and Banks without necessarily having to provide collateral since guarantors' savings act as security for the loans. The study further indicated that SMEs which have positive information listed about them by CRB are likely access credit from financial service providers as opposed to those which are negatively listed especially for banking institutions and MFIs as opposed to SACCOS. Finally the study found out that SMEs which have minimal business risks are more likely access to credit from financial service providers than those which venture in risky enterprises. It was envisaged that the findings of this scholarly investigation would have been of great value to entrepreneurs running Small and Medium Enterprises (SMEs) on identifying those firm determinants adversely influencing their access to credit. It is also hoped that the current research study's findings would have helped them in formulating appropriate policies of addressing the adverse effects emanating from these SMEs' determinants and address policy gaps.