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EFFECTS OF ACCESS TO BANKING SERVICES ON FINANCIAL PERFORMANCE OF GROCERY VENDORS AT KAPSABET MUNICIPALITY MARKET IN NANDI COUNTY, KENYA

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Abstract: **According to the laws and regulations of the Nandi District Government, SMEs are prioritized. However, the lack of sufficient working capital, relevant technological capabilities and global market access prevents these SMEs from realizing their full potential. The purpose of this research was to find out how the financial performance of grocery sellers at the Kapsabet Municipality Market in Nandi County, Kenya, was affected by their ability to access banking services. A descriptive research design was used for this investigation. The study focused on 1000 grocery vendors at the Kapsabet Municipality Market in Nandi County, Kenya. As of December 2019, the Nandi County Government had registered 1000 vendors as grocery providers. These vendors included 231 clothes, 182 beverage, 238 service, and 226 curio sellers. There were 286 respondents in the sample. The respondents were divided into two groups using the stratified sampling method: wholesale dealers and retail traders. Respondents were selected by basic random selection from these groups. 335 persons made up the sample. Questionnaires were used to collect data for the study. A questionnaire with 33 respondents who were excluded from the final data collection system was evaluated in order to determine the validity and reliability of the questionnaire item. Descriptive statistics like descriptive and standard deviations were used to assess and portray quantitative data in the form of tables, charts, and bar graphs. The study employed inferential statistics, including multiple regression analysis and correlation analysis, to ascertain the interaction between the variables. A strong and favorable correlation was observed between the financial performance of grocery merchants at Kapsabet Municipality Market and their access to banking services. According to the study's findings, consumers who have access to banking services may easily make payments at retail establishments or withdraw cash. They can also readily apply for loans to increase their company's financial capacity, which they then pay back at a fair interest rate. Therefore, the study recommends that the county government foster an environment that is favorable to the establishment of banks and other financial institutions, as well as educating grocery stores about the value of using bank services. These actions will help to mitigate access issues and lower transaction costs and agency problems. Possess laws that are favorable to small-business leasing, factoring, equity, banking, and credit guarantee programs.**

Keywords: **Access to banking services, Financial Performance.**

1. INTRODUCTION

Small and medium-sized businesses' (SMEs) productivity and efficiency are greatly impacted by their financial performance. It is unclear how SMEs performed in terms of financial performance metrics in the twenty-first century, despite the fact that performance indicators have changed over time (Betchoo, 2019). It is common knowledge that small and medium-sized enterprises (SMEs) lack sufficient capital, employees, management expertise, and training (Bourne, Mills, Wilcox, Neely, & Platts, 2020). This feature may complicate their organizations' use of financial performance measurements. SMEs may find it useful to examine and analyze the implementation of economic aims by assessing their financial performance in order to create successful development strategies.

According to Li, Niskanen and Niskanen (2018), small and medium-sized enterprises (SMEs), which make up 99.8% of all businesses, are said to be the cornerstone of the European economy. With more than two-thirds of the workforce and more than half of the EU's added value, they played an important role in the EU's exit from the financial and economic crisis. However, obstacles and challenges prevent European SMEs from achieving their full potential in terms of growth and employment (Saez-Martinez, Dáz-Garcia and Gonzalez-Moreno, 2016). For example, they cannot enter new markets because of their small size and lack of capital and human capital, which hinders their ability to compete and grow globally. This is why it is important that the EU strategy includes important measures supporting SMEs.

The financial services sector in Africa is growing rapidly. Many companies are taking advantage of these advances to introduce new products, services and services to improve the African economy and promote them in the future based on credit (or money-light) in the future (Bhan, 2016). Ignacio (2018) states that banks around the world have invested in mobile and online financial services to provide financial services while reducing operational costs. This development creates opportunities for investment in African countries, because many Africans still do not have access to traditional banking and financial services.

Over the past ten years, the sector has seen tremendous change, with branchless banking becoming increasingly popular and having an impact on Kenya's financial environment (Rosen, 2016). This change has also been significantly influenced by Kenya's technological advances over the past ten years that have enabled financial institutions to offer services like mobile banking and other alternative financial technologies. Customers can now obtain banking services on their phones thanks to the usage of mobile phone innovation in branchless financial procedures, according to Boniface and Ambrose (2018). Because mobile innovation can provide secure interactions between banks and their clients through local retail locations, branchless financial approaches have relied on it to allow users to access banking services on their phones.

Hyz (2017) argues that the barrier preventing small companies from taking advantage of financing options is their limited access to financial administrations. Most access problems are created by legitimate foundations, usually through loan agreements, especially within official financial organizations. According to Beck, Demirguckunt and Martinezperia (2016), small businesses and low-income and rural households are more likely to have poor access to financial services, which negatively affects their financial performance.

The metric a company uses to assess how much money it has made using its resources is financial performance. Gear ratio indicators, profitability indicators and liquidity indicators are commonly used to evaluate financial performance (Alfred, 2017). Agbada and Osuji (2013) state that return on assets (ROA) is a key intermediary metric that is often used to evaluate a bank's financial performance. It shows how the management is capable and efficient in making money from the bank's investments and its financial situation. The author claims that ROA is influenced by both the bank's political actions and uncontrollable factors such as the state of the economy and government restrictions.

The Republic of Kenya consists of 47 counties, including Nandi County. Situated within the Great Rift Valley's southern rift is where it is. With dependable county and national roads connecting it to the other counties, Kapsabet Town, the county seat, is ideally situated to take advantage of the diverse markets offered by its neighboring counties. The County is home to 7,813 registered grocery dealers. Of these, 2.8 percent are classified as major firms, and the remaining 88 percent are classified as micro/small businesses. Thirty wards contain all categories of enterprises, with the exception of eight wards that lack significant enterprises. Just grocery vendors make up 97.2 percent of the County's business categories. In its 2021 county fiscal plan paper, the Nandi County Treasury reported a 44.9% decline in the performance of foodstuffs in the county during the previous three fiscal years that required assistance (Nandi County Ministry of Trade, 2022).

STATEMENT OF THE PROBLEM

The Nandi County Fiscal Strategy reports a decline in grocery store revenue. Grocery sales generated local revenue in the following three years: 2018–2019, 2019–2020, 10,657,655, and 2021–2022, which was 8,587,938.Notably, for the last three fiscal years, Nandi County's grocery performance has declined by 44.9%, requiring assistance. Nandi County Fiscal Strategy Paper, 2021, is the source. Grocery traders have the upper hand due to legislation and regulations imposed by the Nandi County administration. However, due to the lack of sufficient working capital, suitable technological capabilities and access to the global market, these suppliers are unable to fully exploit their potential. Over the past decade, there has been a significant shift in the way consumers interact with businesses when shopping for groceries, driven by the rise of online shopping and the goal of reaching disaffected millennials (Knol & Stroeken 2015). Owners and managers of supermarket vendors are eager to increase sales and earnings, according to Miller and Besser (2017). While all retailers have goals for customer service and sales, a grocery shop may find it challenging to meet these objectives due to a variety of retail management concerns, according to Macharia (2018).

2. LITERATURE REVIEW

Theoretical Literature Review

Diamond put forth the Financial Intermediation Theory in 1984. The idea clarifies how banks serve as go-betweens for savers and borrowers. As financial intermediaries, banks facilitate the access, utilization, and diversification of funds. Research indicates that the degree of stability is influenced by the degree of inclusion. Financial intermediation theory, according to Ndebbio (2004), emphasizes the role of business banks in bridging any gaps between clients who are on the lookout and those who are in excess of their means. Diamond (1984) asserts that commercial banks use workable methods to filter borrower behavior in order to carry out focused monitoring. Through the reduction of monitoring expenses, banks might attain a competitive edge inside the market.

In 1983, Diamond and Dybvig investigated how banks helped convert illiquid assets into liquid liabilities. Because of this, comparable depositors and investors are risk averse, making it difficult to predict future possibilities. By providing intermediation, banks help investors avoid long-term, illiquid investments with significant payoffs to future customers. Through intermediation, banks can create and provide specific financial products that meet the needs of a wide range of customers. This happens when banks decide they can offer financial goods in exchange for higher returns that fully offset all costs. Moreover, market imperfections are the reason banks exist as financial intermediaries. In a perfect market, where there are no exchange or data costs, banks would therefore cease to exist.

Empirical Literature Review

Bare (2017) conducted a study that looked at the financial performance of small and micro-enterprises in Garissa County, Kenya, as well as the availability of banking services. In Kenya's Garissa County, 1500 registered SMEs made up the study's target population. Both an explanatory and a descriptive research design were employed. The owners and managers of SMEs made up the study's respondents. Closed-ended questions from questionnaires were utilized in the study to gather quantitative data. The results of the study showed a positive relationship between banking services and the financial performance of SMEs.

Murigi (2014) examined how the financial performance of small and micro enterprises in Mukuru slums was affected by their access to banking services. The research design used in the study was descriptive. Secondary data and financial statement questionnaires were used to collect research data. According to the study, the financial performance of SMEs in Mukuru slum is positively and significantly affected by financial access. Additionally, 43% of SMEs in Mukuru slum obtain financing from informal sources, 34% from official sources and 23% from semi-formal sources.

A study on the effect of banking services on the profitability of the top 100 SMEs in Kenya was conducted by Ng'ethe (2014). Questionnaires were the main instrument used in the study's descriptive cross-sectional study design to collect data. To address the research question, a questionnaire was created and distributed to managers of companies. The findings of the study showed that while the amount of loans extended to SMEs had no effect on the profitability of the top 100 SMEs in Kenya, the SME's asset value, debt-to-equity ratio, monthly average savings and SME training did.

A 2016 study by Ali, Ahmad, and Bahrudin evaluated the financial performance of SMEs using Islamic financing programs. In this research, the financial performance of Malaysian Small and Medium Enterprises (SMEs) in the service sector was evaluated from 2013 to 2017. Despite some of the firms performing poorly, the results show that the businesses were profitable and efficient. These results suggested that instead of debt financing, equity financing should be the primary form of Islamic financing since equity financing has the potential to increase income and reduce the issue of non-performing loans.

3. RESEARCH METHODOLOGY

The study focused on 1000 grocery vendors at the Kapsabet Municipality Market in Nandi County, Kenya. As of December 2019, the Nandi County Government had registered 1000 vendors as grocery providers. These vendors included 231 clothes, 182 beverage, 238 service, and 226 curio sellers. There were 286 responders in the sample. The respondents were divided into two groups using the stratified sampling method: wholesale dealers and retail traders. Respondents were selected by simple random selection from these groups. 335 persons made up the sample. Questionnaires were used to collect data for the study. A questionnaire with 33 respondents who were excluded from the final data collection system was evaluated in order to determine the validity and reliability of the questionnaire item. Descriptive statistics like descriptive and standard deviations were used to assess and portray quantitative data in the form of tables, charts, and bar graphs. The study employed inferential statistics, such as multiple regression analysis and correlation analysis, to ascertain the interaction between variables.

4. FINDINGS

The descriptive statistics results of access to banking services are presented in Table 1.

Table 1: Access to Banking Services

	Mean	Standard Deviation
A secure location to deposit and withdraw cash	4.63	0.37
Grocery businesses can apply for low-interest loans by putting up collateral.	4.58	0.42
Grocery store owners have deposited the necessary amount into their accounts.	4.01	0.99
Grocery store proprietors possess the necessary collateral to view financial documents from any location at any time.	4.25	0.75
Provide convenience by enabling SME owners to conveniently pay via online bill pay.	3.78	1.22
Aggregate score	**4.08**	**0.92**

With an overall mean score of 4.08 and a standard deviation of 0.92, Table 1's results demonstrate that respondents were in agreement that grocery vendors at Kapsabet Municipality Market's financial performance is impacted by their access to banking services. This result is consistent with a study by Murigi (2014) that examined the relationship between financial access and the financial performance of small and micro businesses in the Mukuru slums. Financial access was found to have a positive and significant influence on SMEs' financial performance in the Mukuru slums. In addition, 43% of SMEs in the Mukuru slums utilize informal funding, 34% use formal financing, and 23% use semiformal financing.

The respondents strongly agreed with the following statements: grocery store operators can obtain loans with modest interest rates by providing collateral (M=4.58, SD=0.42), and banking services offer a secure place to deposit and withdraw money (M=4.63, SD= 0.37). The results of a Mumin (2018) study that examined variables influencing SME's access to financing from Commercial Banks in Kenya corroborate this finding. According to a Nairobi County case study, women are typically prevented from seeking for bank loans, and the age of the owner or manager affects access to financing. The research also showed that a SME's educational attainment has an impact on their ability to obtain finance.

The respondents concurred that grocery store owners have the necessary collateral to access financial records at any time and from any location (M=4.25, SD=0.75), that grocery store owners have the necessary amount of money deposited in their accounts (M=4.01, SD=0.99), and that grocery store owners provide convenience by making it simple for SME owners to pay their bills online (M=3.78, SD=1.22). This result is consistent with a study conducted in 2016 by Ali, Ahmad, and Bahrudin that evaluated the financial performance of SMEs using Islamic financing schemes and These results showed that equity financing could replace debt-to-equity financing in Islamic finance since equity financing might increase revenue and reduce the issue of non-performing loans.

5. RESULTS OF INFERENTIAL STATISTICS

The following is a presentation of the inferential statistics results, which were based on regression analysis and correlation analysis;

Correlation Analysis

Table 2: Correlation Analysis

	Access to banking service	Financial performance
Access to banking services	1	
	257	
Financial performance	.740**	1
	0.01	
	257	257

With a Pearson's r value of 0.740, Table 2's findings demonstrate a substantial correlation between financial performance and availability to banking services. This is consistent with a 2017 study by Bare that found that the financial performance of small and microenterprises in Garissa County, Kenya, was positively and significantly impacted by the introduction of banking services.

Regression Analysis

Table 3: Model Summary

Model	R	R^2	R^2Adjusted	Std.Er
1	.736[a]	.725	.709	.684

The adjusted R^2, or coefficient of multiple determinations, is the fraction of the variation of the dependent variable that may be independently or jointly explained by the independent variables. The financial performance of grocery sellers at Kapsabet Municipality Market in Nandi County, Kenya, may be described by a factor of 0.709, or 70.9%, based on the adjusted R2 result. This factor is linked to the availability of banking services. This suggests that unresearched variables account for 22.8% of financial performance.

Table 4: Coefficients

		Unstandardized Coefficient		Standardized Coefficient		
Model		B.	Sd. Err	Beta	T	Sig.
1	(Constant)	0.539	.490		1.100	.000
	Access to banking services	0.729	.046	4.256	15.849	.001

The results showed a positive and significant correlation between the financial performance of food vendors in Kapsabet Municipal Market in Nandi County and their access to banking services (β=0.729, P-value =0.01 <0.05, T-statistic =15.849, >1.96). The study found that access to banking services had a positive and significant impact on the financial performance of food vendors in Kapsabet Municipal Market in Nandi County, Kenya, challenging the assumption that access to banking services will not have an impact on the financial performance of food vendors.

6. CONCLUSIONS

The results of the study demonstrate that clients who are able to access banking services can conveniently withdraw funds or make payments through retail outlets. Furthermore, borrowers are able to obtain loans to improve the financial strength of their businesses, which are repaid at reasonable interest rates. Collateral reduces the creditor's risk, as it ensures that the borrower is able to meet their financial obligations. In the event of a borrower's default, the lender is entitled to take possession of the collateral and resell it, with the proceeds serving to settle the outstanding loan balance.

7. RECOMMENDATIONS

The study found that the financial performance of the grocers at Nandi County's Kapsabet Municipal Market was positively and significantly impacted by their access to banking services. Therefore, the study recommends that the county government foster an environment that is favorable to the establishment of banks and other financial institutions, as well as educating grocery stores about the value of using bank services. These measures will reduce access barriers and reduce transaction costs and agency issues. Enforce legislation that supports small-business leasing programs, factoring programs, equity programs, banking programs, and credit guarantees.

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