FINANCIAL STRATEGIES AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KERUGOYA TOWN, KIRINYAGA COUNTY, KENYA

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ABSTRACT

Small and Micro Enterprises (SMEs) in non-industrial nations and Kenya specifically face various difficulties in their way to development and extension. Despite the numerous new companies and government exertion to improve the administrative and institutional structure in Kenya, most SMEs do not advance into medium enterprises. So, this survey intended to determine the influence of financial strategies on growth of SMEs in Kerugoya Town, Kirinyaga County, Kenya. The objectives of the survey were; to determine the effect of investment practices, accounting information systems, financial reporting and funding on the growth of SMEs in in Kerugoya Town, Kirinyaga County, Kenya. This survey was guided by Mental Budget Theory, Grameen model and Hierarchical Order Theory. The research used a causal research design and mainly show the current state of affairs. The study targeted 150 SMEs operating in Kerugoya town, Kirinyaga County and registered with the Kirinyaga County Government in 2019. Stratified random sampling was utilized to choose 109 SMEs. Questionnaires were utilized to obtain data. To ensure reliability and validity, this questionnaire was piloted to seven participants who were not within the area of the research. Determine the reliability of the study; Cronbach's alpha was calculated and an alpha more than 0.7 was obtained, which demonstrated that the tool is reliable. The gathered data were analyzed by the aid of 23rd edition of the Social Science Statistical Package (SPSS). The data analyzed were displayed through frequency tables, pie charts, and bar charts. The survey findings show that investment practices, financial reporting, accounting information systems and funding significance impacted the growth of SMEs in Kerugoya Town since the P-value is less than 0.05. The survey recommended that finance organizations ought to take on more forceful administrative preparing techniques that have sectorial way to deal with prod development. These methodologies could remember esteem chain expansion for item and administration lines and plan more market entrance systems.

INTRODUCTION

Small and medium enterprises (SMEs) are critical in the economic growth of nations everywhere on the world. SMEs give the market modestly economical things and wide scope of items and administrations as well as making the vast majority of the positions in every single world economy (Tawane & Muathe, 2019). Notwithstanding, business' monetary climate is a principle factor for the association's prosperity, particularly independent companies constrained by monetary restriction to be exceptionally effective in distributing their scant assets to guarantee endurance and produce benefits (Chelanga, Rono & Boit,

2017). The turn of events and development of SMEs is dictated by the viability and capacities of the undertakings' assets which incorporates the owners difficult work, capital and ability which is acquired, arranged and changed over into items and administrations through the assignments of the venture, practices and frameworks (Uluyol, 2013).

The financial strategy is a plan to improve and update the financial organization to achieve the objectives or decisions of the performance of the company. The money-related approach is often a way to achieve and maintain business strength and position the association as a first-class affiliate (Lübbecke, Fettke and Loos, 2016). Etemesi (2017) shows that financial strategy includes three interrelated decisions: risk taking, sponsorship, and working capital decisions. Risky decision making is related to income distribution, in order to complete the hypothetical opening of transmitting value to the association, and consider the importance, opportunities and risks of risky benefits (Kihia, 2017).

The SMEs make a critical commitment to the economy, yet give little consideration to their advancement. The term SMEs includes a wide scope of bits of knowledge and measures, which fluctuate from one country to another and furthermore from the wellspring of the promulgation of SMEs. A portion of the guidelines usually utilized are the quantity of delegates, total net assets, arrangement, and hazard level (Sarwoko and Frisdiantara, 2016). The development of SMEs is dictated by the adequacy and capacities of the enterprise' assets which incorporates the owners difficult work, capital and skill which is gotten, arranged and changed over into items and administrations through the assignments of the venture, practices and frameworks. Sadly, a large portion of the SMEs have an extremely short life expectancy (Amaradiwakara and Gunatilake, 2017).

Although SMEs have made positive commitments to Kenya's financial development and progress, the rate of disappointment is high. As per KNBS (2019), the SME sector created 786,690 new employments in the 2017-2018 fiscal year, an expanded of 5.7% over the preceding year. Regardless of its importance, previous measurements have shown that three-fifths of organizations performed poorly during the short initial period of activity (Kenya National Bureau of Statistics, 2019). In Kirinyaga County, due to infrastructure difficulties such as severe bad debts, insufficient funds, and energy interference, SMEs have little tolerance (National Baseline Survey, 2016). In addition, political fragility, prices, suppliers, low interest rates and prohibitive guidelines have created difficulties for SMEs. Inferable from their significance to the Kenyan economy, there is need to examine to discover the influence of monetary methodologies on development of SMEs.

Statement of the problem

Although SMEs play an important role in increasing the strength of the private sector and promoting national currency reforms. The Kenya Economic Survey Report (2016) shows that in 2015, the SME sector funded 79.8% of Kenya's new jobs. In 2016, SMEs gave up more than 80% of the jobs in the country, most of which were in this field, funding around 60% of the country's GDP (GoK, 2016).

In spite of the importance of SMEs to the economy of Kenya, the report of the second meeting in 2005 showed that three-fifths of partnerships had stalled in the first three years of the event (Otieno, 2019). The disappointment of SME companies led to the loss of careers, leading to expansion of weakness, low economic liquidity and slower monetary development. In general, SMEs face more significant difficulties around the world, especially in non-industrial countries like Kenya (Ngure, 2020). The SME zone provides 67% of the business and 61% of the revenue for the assembly zone in Kenya. In Kerugoya, SMEs take on around 80% of the work and contribute around 40% to the county government budget. These models show that SME are an important part of the economy and are the foundation for promoting financial transformation (Kiriniaga County Government, 2019).

A study by Ngure (2020) found that starting and working in a private company brings opportunities for success, as does disappointment. This is due to its small scale. A simple administration failure is probable to cause a small effort to disappear, so there is no chance to win from your previous mistakes due to insufficient preparation, unwise funding and management. They have no choice but to do it. It is known as the main driver of disappointment in small businesses. Over time, it is clear that SMEs have undertaken the core part of financial progress at the speed required by newly established SMEs; as per the KNBS (2019), three-fifths of SMEs fail inside the initial not many long stretches of activity.

A survey by Protegerou (2017) investigated the human resources of the new company; Blasco and Pertold-Gebicka (2016) considered its non-compliance with business strategies to improve the operating conditions of the representatives. These reviews failed to extract the relevant subsidies for internal SMEs to choose; the costs incurred by SMEs to ensure the execution of daily work and accept innovation to improve their operational capabilities. Therefore, although SMEs are the main contributors to the Kenyan economy, it is clear that SMEs still face difficulties. A review by Gungor and Ondeş (2017) of 30 SMEs in Turkey revealed that the lack of information on currency management and the diversity of accounts receivable in working capital management is one of the most famous currency problems faced by SMEs. The significant impact of this is research was to reveal the general lack of financial knowledge in financial management practices. Therefore, this survey sought to explore the impact of financial strategies on growth of SMEs in Kerugoya Town, Kirinyaga County, Kenya.

Research Objectives

The specific objectives included;

i. To determine the effect of investment practices on the growth of SMEs in Kerugoya Town, Kirinyaga County, Kenya.
ii. To examine the effect of accounting information systems on the growth of SMEs in Kerugoya Town, Kirinyaga County, Kenya.
iii. To find out the effect of financial reporting on the growth of SMEs in Kerugoya Town, Kirinyaga County, Kenya.

iv.   To determine effect of funding on the growth of SMEs in in Kerugoya Town, Kirinyaga County, Kenya.

Significance of the study

This survey would be of significance to numerous stakeholders such as SME owners or managers, SME financiers, government policy makers, and future scholars by indicating how each stakeholder may benefit from the study. The results of the research will show the influence of financial strategies on growth of SMEs and mitigation strategies that SME owners can employ in their enterprises to enhance their financial management and general performance of SME. Moreover, the examination might be of significance to the agent and counsels of SME proprietors like relatives, banks and other financial organizations. They may utilize this examination to assemble data on the monetary administration challenges that SME proprietors face and consequently be in a situation to make strategies that may work with the simple entry to monetary data and account access to these proprietors.

The results will be useful to key decision and policy makers through the provision of in-depth understanding of the challenges faced by SME owners as well as the available opportunities to improve their status. The recommendation from the study would be used by the government to solve problems related to providing access to finance for SMEs and also facilitate their development of policies and regulations which may curb the challenges experienced by SME owners. Furthermore, other researchers and academics will benefit from this research because it will open up new areas for future research. The research will form a basis that can assist future who desire to carry out a study in the field of financial strategy and SME development in the future.

LITERATURE REVIEW

Theoretical review

Mental Budgeting Theory

The theory was created by Thaler (1985) which was a hypothetical improvement of mental accounting and a technique to understand and characterize the measures of intellectual activity used by SMEs to evaluate monetary behavior (Hoque and Ulku, 2017). Hoque and Ulku verified that the psychological budget theory is a social account idea, aimed at improving the dynamics and currency management methods of SME owners. Mental budgets evaluate the strategies used by entrepreneurs in the execution and order of their accounts and assets (Hoque and Ulku, 2017). The mental assessment of the budget describes how small and medium business owners can avoid bookkeeping and accounting psychological tendencies by allocating resources to various things within their companies (Hoque and Ulku, 2017).

Antonides and Ranyard (2017) noted that it is well known that mental budgeting helps improve resource inspection of SME owners, while maintaining costs while maintaining a dignified life. Thaler's mental budgeting theory is a useful approach imaginable for examining and understanding the procedures small transfer entrepreneurs go through to improve efficiency and productivity, ultimately affecting management ability. Psychological budgeting requires SME owners to maintain a small voice and control over the viable management of monetary activities. Mental budgeting requires that SME owners, supervisors and managers at all levels understand the compensation and costs to achieve sustainability. In addition, Thaler points out four key constructs that complement the controlled part of the dynamics of the mental budget theory: greedy change, classification of income and misfortunes, simultaneous acquisition and saving, and retention and labeling of compensations and resources.

Grameen Model

The model depends on the social advantages derived from the common belief in the mutual commitment plan, the status of the consortium, the previous evaluation and the next access to credit of a single client. Each of these components is directly dependent on the individual part of maintaining their credit repayment responsibilities (Todaro and Smith, 2011). The Grameen model is a cyclical method over a continuous period of 1 to 1.5 years. Mimic the interaction and increase the size of the lead in each group. The importance of this model for this survey comes from social security. Similarly, like the Grameen model, Kenyan SMEs also work in 4-7 person meetings, support significant peer pressure, and screen newcomers to ensure contract is honored. and authorized.

Pecking Order Theory

This theory was original proposed by Donaldson in 1961 and later developed by Myers and Majluf in 1984. The Pecking order theory of capital design points out that organizations have priority financing choices. The clearest inclination is to utilize inward financing (held pay and downgrading impacts) prior to falling back on an outside save. Inside stores won't cause lightness costs, nor do they need extra openness to prohibitive cash information that may prompt stricter market control and loss of upper hand. If the company must use external reserves, it tends to use the accompanying financing source request: debt, convertible protection, preferred stock, and common stock (Martinez, Scherger & Guercio, 2019). This requirement reflects the enlightenment of currency regulators on maintaining control of the company (because only the underlying stocks have a "voice" in management), reducing office expenses, and staying away from the seemingly inevitable negative reactions of the market another value issue (Frank, Goyal, and Shen, 2020).

Pecking order theory implies two main assumptions about money bosses. The first is wrong data, or the manager of the organization learns about the organization's current interests and the possibility of future development opportunities from external financial supporters. There is a great need to maintain the exclusivity of these data. The use of internal assets prevents

the boss from disclosing about the organization's speculative opportunities and the potential benefits gained by investing resources in it. The subsequent assumption is that the person in charge will act in the best interest of the organization's existing investors. The pecking order theory is of great importance in clarifying changes in infrastructure. A conversation about the impact of organizational responsibilities, monetary issues, and costs on capital design options. The Pecking order theory helps money managers who are SMB owners understand what executive inspiration and market perception also mean for these options. Furthermore, extending the hierarchy assumption to the basic capital design dialog provides greater freedom for the occurrence of the basic intuition. This theory is significant to this research since it established the SME duty rate and the currency revision. This will help determine the development of SMEs.

Empirical Review

Investment Practices and the Growth of SMEs

Due to the lack of access to the open market to obtain financing, the capital planning of small companies may be more important than large companies (Sen, Ozturk, and Vayvay, 2016). Decisions are especially important because the company loses most of its flexibility due to locked projects, and because capital budgeting decisions determine the company's strategic direction. Ndanyenbah and Zakaria (2019) pointed out that most SME owner managers rely heavily on what they believe to be wise intuition to assess the feasibility of investment opportunities. The value maximization technique using discounted cash flow (DCF) is generally not used.

Farhatali (2017) studied on the influence of vital monetary administration on medium and small enterprise presentation in Nairobi Central District. The examination utilized distinct exploration plan. The focused on populace was 534 SMEs enlisted in Nairobi County Government in 2016. Yamane recipe was utilized to choose 85 SMEs. The investigation discoveries set up that SME entrepreneurs in Nairobi had not put resources into long haul ventures and speculation openings since they need funds (admittance to cash-flow) to apply innovation use in their organizations and didn't face challenges since they needed sufficient accounts to help the business if there should be an occurrence of disappointment.

Accounting Information Systems and the Growth of SMEs

An examination in Saudi by Trabulsi (2018) on effect of bookkeeping data frameworks on hierarchical execution. The examination received enlightening exploration plan where survey was applied to assemble data from 140 supervisor of SMEs. The examination utilized Smart fractional least squares to decide the relationship. The examination revelations show that accounting information structures basically influences progressive execution all things considered and on the whole of its estimations including cost decline, improving quality and convincing dynamic. AIS could give the board their necessities of important data that are ideal, pertinent, undeniable, and precise to empower them to settle on better choice.

In Zimbabwe, an investigation by Nyathi, Nyoni and Bonga (2018) on job of bookkeeping data in the accomplishment of SMEs in Zimbabwe. The investigation set up that SMEs face a colossal test in receiving or carrying out accounting information systems in their organizations. Most SMEs can't make the most of this chance. Accounting information systems require an enormous speculation, which most SMEs don't admittance to or are not able to submit a huge extent of their funding to. SMEs have helpless admittance to innovation basically on account of denied admittance to different wellsprings of money and capital (Esmeray, 2016). Putra (2019) further note that higher loan fees, absence of worthy security and a short reimbursement period offered by different monetary organizations make it very hard for SMEs to take advantage of the advantages of accounting information systems.

Financial Reporting and the Growth of SMEs

According to Musah, Gakpetor and Pomaa (2018) accounting alone without getting ready reports is likely not to be key in supporting dynamic except if legitimate reports are ready and examined to connect a significance in order to help leaders. An examination by Armitage, Webb and Glynn (2016) on the usage of fiscal report investigation by little producers in Quebec, Canada. The examination tracked down that little makers in shoe and plastic businesses officially attempted the investigations dependent on budget summaries and the discoveries uncovered that assembling association's administrative choices were generally founded on the monetary reports arranged. Legitimate bookkeeping is a helpful framework for settling on strong monetary choices and a key to SME's prosperity. Notwithstanding, the abuse, inauspicious, helpless record keeping, and error of bookkeeping data additionally makes SMEs mistakenly evaluate their monetary circumstance, and settle on poor monetary choices (Muia, 2018).

An investigation by Qasim and Al Barghouthi (2017) on corporate web monetary announcing practices of organizations working in arising economies in United Arab Emirates. The discoveries uncovered that the essential worry in SME monetary detailing by and large identifies with planning and utilization of broadly useful monetary reports like the explanation of monetary position, pay articulation, and the income proclamation.

Funding and Growth of SMEs

Human capital is a necessary condition for progress, so improving its quality and practicality are basic factors for expanding financial development and reducing poverty (Thompson Agyapong, Mmieh and Mordi, 2018). Indeed, even where microfinance organizations have come in to resolve the issue of admittance to credit, their center has to a great extent been destitution decrease, instead of MSME improvement and development. Their credit sizes have accordingly would in general be too little to even think about supporting development (Stevenson & St-Onge 2005).

Regarding the matter of supporting and putting resources into advancement, notwithstanding the difficulties previously mentioned, MSMEs are famished for account to help development in any event, when they have developed business and extension plans deserving of speculation, hence considered risks in light of the fact that their inventive business thoughts

have not been "attempted and tried". The MSMEs thusly end up in an endless loop of giving what is as of now on the lookout and not ready to develop and extend to understand their maximum capacity as they need both financing and business support administrations to wander into neglected business thoughts (Omondi and Jagongo, 2018). Sources of money and different types of help are required for existing MSMEs as well as for those growing business people who will assemble the MSMEs of today and form them into the biggest organizations of tomorrow. These growing business visionaries will succeed, not by imitating the plans of action of the past, however by developing new ways, items and administrations to arrive at an inexorably requesting market (Kiraka, 2016).

Conceptual framework as shown below discussed independent and dependent variables and their measurements.

Independent Variables

Financial Strategies

Investment Practices

- Payback method
- Profitability Index.
- Discounted cash flow model

Dependent Variable

Growth of SMEs

Accounting Information Systems

- Computerized Accounting Systems
- Double entry systems
- Ledger

- Revenue growth
- Return on Asset
- Return on Equity

Financial Reporting

- Income Statement
- Cash-Flow Statement
- Statement of Financial Position

Funding

- Accessibility to loans
- Availability of funds
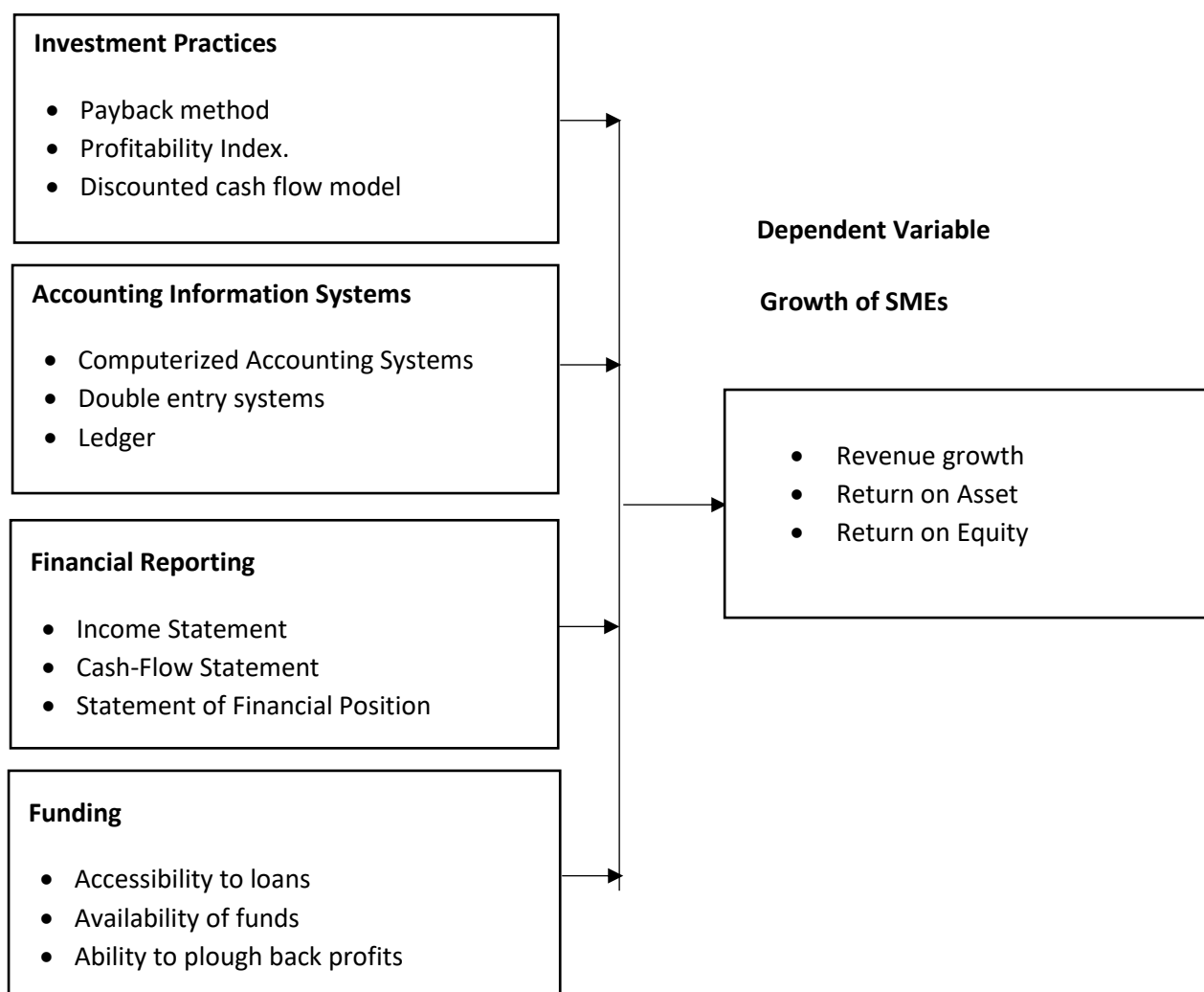- Ability to plough back profits

Figure 1 Conceptual Framework

Source: Researcher (2021)

RESEARCH METHODOLOGY

Research design

The study used a causal research design. As per Cuneen and Tobar (2017) causal research design enhance in determining the causality, variation in the variable presumed to influence the difference in another variable.

Target Population

The study targets 150 SMEs operating in Keroguya Town, Kirinyaga County and registered in Kirinyaga County Government as at 2019. Managers at these firms were targeted. This is due to the fact that they are directly involved with the financial strategies at their respective organizations and thus the most conversant with the study's topic.

Sampling techniques and sample size

Simple stratified sampling technique was utilized to select the respondents. During gathering of information, the designated population for the study were the managers of the SMEs which were picked discretionarily from each layer to give information on what financial systems mean for the improvement of SMEs in Kerugoya Town. Yamane's formula presented below was used to determine sample size.

$n = N/(1+N(e^2)$

Where; n = the ideal example size

e = likelihood of error (i.e., the ideal accuracy, e.g., 0.05 for 95% certainty level).

N=the measure of the population size

$n = 150/(1+150(0.05^2)$

n= 109

This presents a sample size of 109 participants.

Data Collection Instrument

Researcher utilized semi-structured questionnaire to collect data. Questionnaires are practical, simple to examine, natural to the vast majority, lessens inclination and are considered less nosy. The questionnaire has close-ended and open-ended inquiries.

Data Analysis and Presentation

The information accumulated was generally quantitative. Information was precisely coded subject to responses to various inquiries. The Social Science Statistical Package (SPSS) was

used to analyzed quantitative data. The analyzed data were presented in tables, frequencies and figures. The introduction of data was introduced as outlines and tables. A multiple regression model was utilized to comprehend the association between the financial strategy and the growth of SMEs. Pearson correlation and ANOVA was utilized to demonstrate the relationship between independent and dependent variables.

The multiple regression equation is;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where;

Y= Growth of SMEs

β_0 - intercept coefficient

X_1 – Investment Practices

X_2– Accounting Information Systems

X_3– Financial Reporting

X_4– Funding

β_1, β_2, β_3 andβ_4 = regression coefficients

ε_i – error term (extraneous variables)

RESULTS

Investment Practices and Growth of SMEs

The discoveries were displayed in Table 1.

Table 1: Investment Practices and Growth of SMEs

Parameters	Mean	SDEV
My business investment is long term assets	1.41	1.585
My business investment is short term assets	3.35	0.859
My business seeks professional advice before investing	3.83	0.745
There is evaluation of investments after a certain period	3.54	0.647
Good investment plan enhances good returns	3.64	0.774

Source: Author (2021)

The discoveries displayed in Table 1 established that numerous participants disagreed that there their business investment is long term assets (mean = 1.41; standard deviation = 1.585). The findings also revealed that numerous participants agreed that my business investment is short term assets, my business seeks professional advice before investing, there is evaluation of investments after a certain period and good investment plan enhances good returns as supported by a mean of 3.35, 3.83, 3.54 and 3.64 respectively. Capital planning can be particularly important for a smaller company than its larger counterparts due to the lack of access to public markets for investment. Therefore, assets are vital for the growth of SMEs. SMEs must first acquire economic management skills that help decision-making in short

periods of time. In addition, Gitman (2015) recognizes parts of current deal plans for independent businesses that consist of income and money float deals. The regulation of benefits includes the evaluation of benefits and costs, while the regulation of income includes the anticipation of income. Therefore, it cannot be denied that dedicated money education apps can help entrepreneurs create and refine their tedious corporate money encoding procedures, work to understand the monetary and money-related scene relevant to their business. business, expose issues and guide change and traders to order Understand and control the dangers of notable financial instruments.

Accounting Information Systems and Growth of SMEs.

The discoveries were displayed in Table 2.

Table 2: Accounting Information Systems

Statement	Mean	SDEV
Cash management influences my business' profitability and risk	3.24	0.712
My business use computer assisted software in recording transactions	2.89	0.623
Inventory management influences my business' profitability and risk	3.41	0.759
The accounting information help in preparing budget	3.18	0.703
My business operates without monitoring the employment and utilization of my inventory	1.55	1.124

Source: Field Data (2021)

Table 2 display responses on accounting information systems; from the results numerous participants agreed that cash management influences my business' profitability and risk, my enterprise utilize computer aided software in tracking transactions, the accounting information help in preparing budget, and inventory management influences my business' profitability and risk as supported by a mean of 3.24, 2.89, 3.18 and 3.41. Moreover, numerous participants disagreed that they operate enterprise without monitoring the employment and utilization of my inventory (mean = 1.55; standard deviation = 1.124). An accounting information device aims to collect, record, store and process facts to make records. This is confirmed by the results of a study by Tunji, Salome, Ifeanyi and Abiodum (2019), which found that SMEs often use external auditors as expert advisory services to prepare their finances, but sometimes owners or managers already retained they don't have the right. They also do not recognize the information and determine it from the records and, furthermore, they no longer know the usefulness of the accounting and monetary information obligations for control and decision-making purposes or they no longer comply with them. Because of this, SMEs cannot perform accounting functions internally. A bookkeeping registrar provides an instrument for the proper recording of exchanges, especially the exchange rate, capacity and reprocessing of data identified with financial flows and positions in a given time frame (Fagbemi, 2016).

Financial Reporting and Growth of SMEs

The discoveries were displayed in Table 3.

Table 3: Effect of financial reporting on growth of SMEs

Statement	Mean	SDEV
The business normally uses income statements, and the cash-flow statements in my business	3.56	0.816
My business compare financial trend with competitors	3.69	0.951
Qualified accountant is employed for effective financial reporting	3.47	0.735
My business engages the services of external auditors	3.36	0.687
Financial reporting is essential in making business decision	3.63	0.874

Source: Field Data (2021)

Table 3 demonstrate the survey results on effect of financial reporting on growth of SMEs, majority agreed that their business normally uses income statements, and the cash-flow statements in my business (mean = 3.98), my business compare financial trend with competitors (mean = 3.69), qualified accountant is employed for effective financial reporting (mean = 3.47), My business engages the services of external auditors (mean =3.36), and financial reporting is essential in making business decision (mean =3.63). This suggests that proper economic information could be very helpful in sound financial selection and a key to SME success. However, abuse, terrible premature filing and inaccurate accounting also cause SMEs to inaccurately investigate their financial situation and make negative financial decisions. The simplification of monetary records for micro-enterprises begins with their area of activity (extra regular in local or regional terms) and the limited scope of their economic sources, which is why they face complex financial reports. The directive encourages member states to create a good climate for the monetary act. The research findings were supported by the results of a survey by Qasim and Al Barghuthi (2017) who found that the main concern in SME financial reporting is often training and the use of fashionable functions in financial audits, including the statement of economic function, the income statement and the statement that the money drift affects. Small business audits have proven to be a major concern for experienced accountants due to insufficient internal controls. Legal requirements aside, small and medium-sized companies rarely think seriously about how to keep sound accounting, but the inadequacy and ineffectiveness of accounting methods has been responsible for the premature collapse of some of them (Mukaila & Adeyemi, 2011).

Funding and Growth of SMEs

The discoveries were displayed in Table 4.

Table 4: Effect of funding on Growth of SMEs

Statement	Mean	SDEV
Bank credits are effectively open and accessible for use to fire up a business	3.69	0.784
Access to financing is significant for development of SMEs.	3.57	0.642
Restricted access to finance is the major reason for the failure of SMEs	3.13	0.543
Financial institutions are hesitant to give long term credit to SMEs	3.23	0.586
Decrease on the expense of money, that is financing costs, application charges, credit protection superior, lawful expenses and so on has made it simple for SMES to get to financing	3.04	0.522

Source: Author (2021)

From table 4, it was realized that funding influences the growth of SMEs. The findings show that numerous participants agreed that bank credits are effectively open and accessible for use to fire up a business (mean = 3.69), access to financing is significant for development of SMEs. (mean = 3.57), restricted access to finance is the major reason for the failure of SMEs (mean =3.13), financial institutions are hesitant to give long term credit to SMEs (mean = 3.23) and decrease on the expense of money, that is financing costs, application charges, credit protection superior, lawful expenses and so on has made it simple for SMES to get to financing (mean = 3.04). Funding is essential to help SMEs create and grow their organizations, expand new items, and spend money for new workers or new offices. The results are in line with the consequences of Njama (2013), who identified that the lack of admission to credit scores is a significant barrier to the development of the SME sector. The challenges and problems that prohibit SMEs from obtaining monetary governance include the lack of unmistakable security coupled with the inadequate legitimate and administrative system that neglects imaginative methods to enable SMEs to move forward. Restricted access to formal finance due to the negative and inadequate possibility of providing monetary assistance to SMEs continues to be an obstacle in the turn of events and the development of the situation. Formal companies view SMEs as dangerous and unattractive from a financial point of view. The results are backed up by the findings of Khan (2015), who showed that a limited right of access to corporate finance stifles entrepreneurship and negatively affects growth, as it hinders the development that results from the timely use of assets.

Growth of SMEs

In this case, the research sought to determine the level of SMEs growth. The results were demonstrated in Table 5.

Table 5: Growth of SMEs

Statement	Mean	SDEV
There is increase in assets	1.65	1.618
There is expansion of new branches	1.48	1.591
There is increase in profitability (revenue growth)	1.61	1.597
There is adoption of new technology in provision of services	1.53	1.601
There is employment of more workers	1.36	1.487

Source: Author (2021)

Table 5, demonstrate the research results on growth of SMEs, numerous participants disagreed that there is increase in assets (mean = 1.65), there is expansion of new branches (mean = 1.48), there is increase in profitability (revenue growth) (mean = 1.61), there is adoption of new technology in provision of services (mean =1.53) and there is employment of more workers (mean=1.36). This indicates that SMEs have been largely impacted by the Covid-19. The monetary impact of the pandemic was quickly apparent, with small and medium-sized enterprises (SMEs) at the forefront. As workers and customers stay within supply chains and test supply chains through layoffs, the small meetings that account for 70% of positions in trading countries and about half of the monetary interests have been seen. under pressure.

Regression Analysis

The researcher conducted multiple regression analysis to examine the effect financial strategies and growth of small and medium enterprises in Kerugoya Town, Kirinyaga County, Kenya. The findings are indicated in subsequent sections;

Table 5: Modal Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.924	0.854	0.856	0.102

Source: Field Data (2021)

Table 5 indicates the model summary. From the findings, R was 0.924, adjusted R square was 0.856 and R squared was 0.854. An R square of 0.854 implies that 85.4% of growth of SMEs in Kerugoya Town are explained by the independent variables of the study. However, there are other factors that affect growth of SMEs that are not included in the model which account

for 14.6%. An R of 0.924 on the other hand signifies strong positive correlation between the variables of the study.

Table 6: ANOVA

Model	SS	df	MS	F	Significance
Regression	154.45	4	625.4	2.52	0.001
Residual	42.03	88	0.521		
Total	196.48	92			

Source: Field Data (2021)

From the ANOVA Table 6, the study was done at 5% significance level which is 0.05. The study provided a P-Value of 0.001 which is lower than the significance level of 0.05, therefore statistically significant. This implies that financial strategies significant influence growth of SMEs in Kerugoya Town. The overall regression model was significant and therefore a reliable indicator of the study findings. Also, $F_{Calculated}$ was 2.52 and $F_{Critical}$ was 2.20, thus $F_{Calculated} > F_{Critical}$ an indication that the overall regression model was significant for the study.

Table 7: Regression Coefficients

Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta		
(Constant)	6.452	0.104		1.452	.001
Investment practices	0.426	0.0132	0.151	1.415	.002
Accounting information system	0.415	0.0124	0.132	1.647	.003
Financial reporting	0.485	0.0117	0.165	1.244	.001
Funding	0.526	0.0112	0.126	1.315	.001

Source: Field Data (2021)

The researcher carried out a multiple regression analysis in order to determine the relationship between financial strategies and growth of SMEs in Kerugoya Town, Kenya. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) becomes:

$Y = 5.142 + 0.445 X_1 + 0.457 X_2 + 0.442 X_3 + 0.401 X_4$

Where Y = growth of SMEs

X_1 = Investment practices

X_2 = Accounting information system

X_3 = Financial reporting

X_4 = Funding

From the Table 7 show that investment practices had a positive significant coefficient (β=0.426, P-value = 0.002) which mean that investment practices contribute positive to the growth of SMES. Accounting information system had a positive significant coefficient (β=0.415, P-value = 0.003) which mean that accounting information system contributes positive to the growth of SMEs. Financial reporting had a positive significant coefficient (β=0.485, P-value = 0.001) which mean that financial reporting contributes positive to the growth of SMEs. Funding had a positive significant coefficient (β=0.526, P-value = 0.001) which mean that funding contributes positive to the growth of SMEs. Access to entrepreneurial finance therefore is a good predictor of growth in SMEs. This is in line with a study by Becchetti and Trovato, (2016) in which the findings showed that firms with a higher availability of external finance grow faster, especially in firms with less than 50 employees.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

According to the survey results, it can be remarked that the effect of financial techniques on SME growth is real and significant, as determined by this observation. This means that effective economic techniques improve the solvency of SMEs, advertising and distribution networks improve technical understanding and control information / skills, which in turn drives the growth of these firms.

SMEs need monetary resources to initiate and finance growth, the loss of which can slow growth. The accomplishment of SMEs relies upon the capacity to utilize reserves properly to drive the blast. Subsequently, admittance to business finance decidedly affects the exhibition and development of SMEs. Increased access to credit leads to a boom in the price range and financial control skills of SMEs. Loans for SMEs looking to increase their inventories, financing and human resources in terms of numbers and remuneration.

Recommendations

Small and medium entrepreneurs should incorporate business accounting and business software programs into their financial control strategy. Business accounting and control would enable aspiring small business owners to improve visibility into financial performance, preserve business intelligence and corporate transactions, enhance the ability to create reviews, and analyze overall financial performance characteristics and metrics.

SMEs must employ unique financial techniques depending on whether they seek excessive profitability or high growth. It is plausible that even if profitability is the main issue, midsize companies may also have to grow unexpectedly, for example, to penetrate a market, increase their market share, or acquire an initial public offering.

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