

## **Abstract**

Small and medium enterprises (SME's) play a critical role in an economy. The objective of the study was to establish financial factors that affect access to credit among SMEs in Machakos town sub-county. Specifically, the study sort to find out the influence of collateral requirements, the effect of cost of credit on access to credit and the effect of financial information asymmetry among SME's on access to credit in Machakos Town Sub-county, Kenya. It also sort to establish the effect of business risk on access to credit among SMEs in Machakos Town SubCounty. The study was guided by relevant theories i.e. Credit rationing theory, Information asymmetry theory, pecking order theory and trade-off theory. The study employed descriptive study design. Stratified sampling technique was applied. Data was gathered using questionnaires with the help of a research assistant. The questionnaires were administered using the drop and pick method. The data was analysed by use of SPSS. The study found out that cost of credit such as process and insurances fees are key determinant to access to credit among small and medium enterprises in Kenya. The study also found out that business risk affect access to credit thus financial institutions would not want to finance such businesses with high risks. The study found out that it is difficult to avail all financial information required about the businesses in order to access to credit. The study concluded that the cost of credit is a key determinant to access to credit while business risk make Kenya financial institutions shy away from lending to small and medium enterprises in Kenya. The study also concluded that financial information asymmetry between lenders and borrowers of credit affects access to credit by access to credit small and medium enterprises in Kenya.