

Abstract

The purpose of this study was to determine the moderating role of entrepreneurial orientation (EO) on the relationship between relationship lending and financial performance of manufacturing SMEs in Kenya. Relationship lending has gained a lot of interest worldwide as it is seen as an avenue to help bridge the information gap between SMEs and the banks thus ultimately helping SMEs access credit. Further, although credit is important to SMEs, entrepreneurial orientation (EO) is key as it determines the success or failure of SMEs. There is little research that has been done to determine if EO moderates the relationship between relationship lending and SME performance in Kenya. The study used a cross-sectional survey research design with the population being the 620 manufacturing SMEs involved in relationship lending arrangements with commercial banks in Kenya. Stratified random sampling was used to pick a sample of 160 from which the proprietors / CEOs of the respective companies filled the questionnaires. The main data collection instrument was a semi structured questionnaire. The hypotheses in this study were tested using structural equation modeling and hierarchical moderated multiple regression (MMR). The study found evidence that EO moderates the relationship between relationship lending and financial performance of manufacturing SMEs in Kenya. Further the study determined that relationship lending positively impacts on financial performance of SMEs. It also found