

**CONSTRAINTS FACED BY SMALL SCALE ENTERPRISES IN
ACCESSING FORMAL FINANCING**

(A CASE STUDY OF MACHAKOS TOWN, KENYA)

BY

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DEDICATION

To my beloved wife Dorine Karendi, My Son Mark Mwendwa, My daughter Trinity Kendi, My Dad Benson Kithuku, My mum Mary Kioko and my siblings Bernard Kimanthi, Rosalia Mutanu, Fred Kaloki and Robert Maingi ,for their continued support which has seen me this far.

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May God bless you all!

ABSTRACT

Small-scale enterprises (SSE's) are important in raising the economic efficiency of individuals hence of a country since they are the breeding grounds for entrepreneurship, innovations and inventions. This in return creates employment thus yields income which in turn reduces poverty level of a country. In Kenya the SSE's have not grown to a notable impact often citing lack of credit.

The Kenyan financial system is a dual structure. It is characterized by existence of formal and informal financial markets. The formal sector is the supplier of credit and it makes up in part for lack of formal financing. This raises the issue of what determines whether the formal financial institutions would advance credit to SSE's. The main objective of the study was to investigate the constraints faced by SSE's in accessing formal credit and the awareness of financing from the formal sources. The study also identified the sources of finance used by the SSE's in Machakos town and how the different sources vary with the size of the enterprise.

The study is intended to be of help to individual entrepreneurs, banks, micro-finance organizations, the government and other researchers.

Stratified random sampling was used where a sample of 100 was drawn from the population. The different sectors of the SSE's in Machakos town that is trade and service were used as stratum. Data was gathered using questionnaires and analyzed with the help of statistical package for social sciences (SPSS). Descriptive statistics such as percentages and cross tabulations were used. Based on the survey findings data, descriptive statistics were provided as well as conditions of the findings and recommendations. Survey results revealed that institutional credit to SSE's has not been substantially used despite strong interest for credit. Interest rates, collateral requirement, cumbersome documentation and time involved were identified as factors constraining access to formal credit.

Recommendations made include the enactment of interest regulatory bill and credit institutions to provide more information as well as make regulations more flexible by allowing use of collateral substitutes for securing loans.

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LIST OF ABBREVIATIONS

| | | |
|---------|---|----------------------------------------------------|
| AFC | - | Agricultural Financial Corporation |
| DFI | - | Development Financial Institution |
| DTO | - | District Trade Office |
| DDC | - | District Development committee |
| GOK | - | Government of Kenya |
| HFCK | - | Housing Finance Corporation of Kenya |
| ILO | - | International Labor Organization |
| K-ECLOF | - | Kenya Ecumenical Church Loan Fund |
| KEPP | - | Kenya Enterprise Promotion Programme |
| KIE | - | Kenya Industrial Estates |
| K-REP | - | Kenya Rural Enterprises Program |
| KWFT | - | Kenya Women Finance Trust |
| MFI | - | Micro Finance Institution |
| PRIDE | - | Promotion of Rural Development initiative |
| SACCO | - | Savings and Credit Co-operative Society |
| SDA | - | Social Development Agency |
| USAID | - | United States Agency for International Development |

DEFINITION OF TERMS

Small Scale Enterprises (SSE)

Small scale enterprises refers to those independent business units employing 1 - 9 persons and those undertaken in open market places, market stalls, shopping centers, temporary structures and street parameters.

Start-up Stage

This is the stage where the entrepreneur has a business idea, some ability motivation and resource and with a clear intent to attempt to start a business. He is faced with the task of identifying the necessary physical and financial resources and how to acquire them. At this period, the business needs money for rent, supplies, inventory, equipment, wages, licenses and fees.

Growth/survival stage

The second or growth stage is the period when the business needs additional financing for business expansion or survival. Funds will be needed for hiring of full-time sales personnel, building new premises, purchasing more materials, increasing working capital, adapting market strategies to fight off competition, purchase of extra machinery, paying off legal claims, promotional strategies, improving the delivery process, adapting information technology among others.

Entrepreneur

Refers to a person who is able to identify business opportunities, mobilize the necessary resources and initiates a business actively hoping it will be successful.

Formal financing

Refers to credit advanced by formally established financial institutions like commercial banks, Development Financial Institutions (DFIs), Building Societies, Insurance companies.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Small-scale enterprises have captured the attention of scholars, organizations and governments worldwide. In developing countries they have been the focus of development support programs, especially because of their employment creation potential. In Kenya, these form of business enterprises have been considered important because of benefits such as; creation of job opportunities, generation of revenue for the government, enabling self sustenance of the individuals and helping in the growth of trade and supply of goods and services at reasonable prices. (GOK, 1997)

The 1978 publication of a World Bank policy paper on employment in development of small enterprises catalyzed rapid growth within lending for small and medium enterprises. It was envisioned that the development of robust small business sectors offers the dual role of contributing to national growth and increasing the national income. The economic argument in favor of special intervention on behalf of small enterprise shows that they do not have access to financial and technical services available to larger firms due to market imperfections that in effect discriminate against them. The practical argument was that building strong small-scale sectors would result in creation of jobs at low cost, promotion of decentralized industrial growth and the development of an Entrepreneurial base, which is important for a business take off.

Since the mid 1970's the World Bank has supported lending through the banking system to small and medium scale enterprises. The first World Bank loan for small enterprise development was approved in Bangladesh in 1973. In 1975, Africa was targeted and a

Cameroon was the first to be selected in 1980s and 1990s. Since then, The World Bank has been actively involved in promotion of small scale enterprises in the continent. It currently has a private sector development department. (Hallberg, 1999)

1.1.1 Credit as a Constraint to Financing

There is apparent contradiction between the high propensity of small and medium sized enterprises to identify finance as a primary constraint and the view of banks that small scale lending remains low for lack of effective demand for credit, (Aryeetey, 1997).

There is an overwhelming importance of equity finances in the start-up of these units, more so the smaller the enterprise. Many small entrepreneurs begin with very small amounts of capital and steadily build up their enterprises with only an occasional injection of external finance. The high degree of competition and the rapid growth of employment and assets in the firms make it difficult to conclude that entry and growth of micro enterprises depends crucially on loans. Many small enterprises do manage to finance rapid growth from their own resources and from non-bank sources (GOK, 1999).

1.1.2 Demand for Financing

The lack of access to credit does curtail the exploitation of highly profitable opportunities. Growth in the small-scale sector would be accelerated if external financing were more readily available. High rates of application for loans and the willingness to pay above market rates of interest indicate that there is strong demand for credit. (Aryeetey E. et al, 1994).

Despite some efforts to extend loans under the World Bank-financed credit schemes, banks have done little to improve their information base and appraisal capacity for small scale enterprises. They instead tend to underestimate demand for credit because they have not developed techniques for overcoming high transaction costs and risks.

1.1-3 Supply for Financing

Since independence, growth of both formal and informal financial institutions in Kenya has been evident. There have emerged new institutions aimed at supporting the small-

scale enterprises. For example, the now vibrant Micro-finance sector with over 50 Micro-finance institutions. The major ones include, Kenya Rural Enterprises Program (K-REP), Promotion of Rural Development Initiatives (PRIDE), Kenya Women Finance Trust (KWFT), Faulu Kenya, Kenya Ecumenical Church Loan Fund (K-ECLOF), Plan International, Kenya Entrepreneurs Promotion Program (KEPP), among others. These organizations are suited to serve the small-scale sector.

Other bodies supporting the sector include, Kenya Industrial Estate (KIE), the Joint Loan Board Scheme (JIBS) and the Industrial and Commercial Development Corporation (ICDC). These institutions provide short-term credit to small and medium sized enterprises.

Informal financial sector refers to those activities which take place outside ambit of institutional finance. A variety of individuals or entities may be involved in this sector, moneylenders and traditional financial entities such as Rotating Savings and Credit Association (ROSCAS).

1.2 Statement of Research Problem

The small-scale enterprise (SSE) sector in Kenya is important for employment generation, wealth creation and welfare improvement. It is a repository for persons either unable to find jobs in the modern sector or retrenched from formal employment. A 1999 national baseline survey of these enterprises revealed that there were 1.3 million of such enterprises employing 2.4 million Kenyans, equivalent to 15% of total employment and contributing 18% of the national gross domestic product (CBS, ICEG and K-REP. 1999).

Studies depict the sector as very dynamic with rapid investment rates and enterprise growth. In spite of this, lack of credit is the severest problem faced by SSE's. The inadequate access to credit means that the potential role of the SSE sector in reducing poverty and Kenya's socio-economic transformation will be difficult to realize. Studies in the Kenyan manufacturing sector have shown that enterprises with poor access to credit tend to be less productive and are unable to operate efficiently (Lundvall, K., et al. 1998)

SSE's are generally under-capitalized due to operational difficulties in accessing credit from formal financial institutions. Only a small proportion is able to successfully apply for and use credit. Even assuming that a large proportion of those who do not borrow do so out of choice; that choice is an outcome of self-selection due to low success probabilities of getting formal credit . More than one third of the enterprises die young due to inadequate working capital.

Though, own funds, family resources and informal financial resources like loan from friends form the most important sources of initial and additional capital, considering the very low incomes and savings rate in the country, SSE's fall back on these sources out of desperation. (Kimuyu, 1999a).

Hans and Ozay (1994) noted that when the formal credit sources are inadequate or unavailable, small entrepreneurs are then assumed to venture into other segments of the credit market. Most people engage in informal activities outside the reach of regulations and of supporting institutions such as banks. For indigenous private enterprises to realize full potential, they need to be better integrated in to the formal economy and to have greater access to finance.

Although small enterprises lack of access to finance is a primary constraint, formal institutions have generally remained reluctant to enlarge their lending to smaller enterprises citing the risks and costs involved. According to Kivanamur (2000), neither formal financial institutions nor informal money lenders have adequately met the credit needs of evolving small enterprises, partly because of imperfect information and partly because of a myriad of other factors relating to procedural requirements such as record keeping and collateral volume, cost of capital, and government reserve requirements (Minimum Asset Liquidity Ratio).

The need for working capital is real, which is further exacerbated by low access to formal financial sources identified to be a major constraint by small scale entrepreneurs but these are often construed rightly or wrongly by researchers to be a mere smokescreen for other ttiore pressing problems such as lack of managerial training and market saturation. This

research particularly aims at investigating the constraints faced by small scale enterprises when accessing formal finance.

1.3 Objectives of the Study

The study mainly investigated constraints faced by small scale enterprises when accessing formal finance, the study was limited to small scale enterprises in Machakos town.

Specifically the study intended to;

- i. Identify and analyze the constraints faced by small scale enterprises when accessing formal finance
- ii. Assess the awareness of the SSE's on financing from the formal institutions.

1.4 Importance of the Study

It is hoped that the results of this study will be of help to individual entrepreneurs, potential investors, banks and micro- finance organizations, the government and other researchers.

The owners of small- scale enterprises will be able to analyze other available alternative sources of financing their ventures apart from those they already know. They may also be able to identify some solutions to problems they encounter while financing their enterprises. This will enhance their sustainability and growth.

Potential investors or parties interested in entering the market will assess the risks involved in financing and problems faced. This will enable them to make a good choice.

Banks will be able to use this information to set appropriate interest rates so as to attract the small- scale entrepreneurs. They can thus opt to lower their lending terms.

Micro- finance organizations can use this information to build structural basis to tap this form of investors. This could be through granting cheaper loans, removal of collateral basis of lending and provision of training schemes to the small enterprises.

The government of Kenya can use this information to design its fiscal policies regarding taxation and licensing. It can provide concessional tax rates so as to boost the growth of these enterprises.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Financial Sector Overview.

Kenya has a diversified financial system, comprising a central bank, over 40 commercial banks, 72 Near-Bank Financial Institutions (NBFIS), 38 building societies, 69 hire purchase companies, 11 Development Financial Institutions (DFIs), 36 insurance companies, 80 insurance brokers, the Nairobi Stock Exchange (GOK 1999). Despite the range of financial institutions, financialisation of savings in Kenya is low. The share of domestic savings held as financial asset is estimated at about 30 percent, which is the same as in the mid-1970. The structure of Kenya's financial market is characterized by a few strong and dominant institutions in each sub sector (Commercial Banking, NBFIS, Insurance, Building Societies etc) and is surrounded by many small and financial unstable firms.

Many of these weak institutions were formed in the late 1970's and the early 1980s. They were established mainly because of low entry barriers and the high liquidity in the economy arising out of the 1976-8 coffee boom. (Mwarania 1999).

According to the same report, the new institutions increased competition through using new and innovative approaches in attracting deposits and lending and they were largely successful in this. For example, their share of deposits rose from 17 percent in 1978 to 32 percent in 1987 (GOK 1998), but their achievements were not without costs. On average, the new institutions were poorly managed, invested in riskier assets, mismatched assets/liability maturity structures and operated with lower margins than the traditional institutions. When the government institutions had a credit squeeze in 1985-6, the fragile natures of these institutions were exposed. Four indigenous financial groups collapsed and this led to panic withdrawals. By 1987, illiquidity and insolvency was endemic within the Non Bank Financial institution's sub-sector.

The Government's responses to the crisis were to strengthen the regulatory framework. According to GOK (1999) report some of the essential reforms introduced were:

- a) A deposit protection fund to cover deposit up to (100,000/=)
- b) An increase in the minimum paid up capital from Kshs 2 million and Kshs 10 million to Kshs 10 and Kshs 150 million for locally and foreign incorporated banks respectively.
- c) Mandatory provision for bad and doubtful debts to be made.
- d) Restriction of the shareholding of an individual to no more than 25 percent of equity capital.
- e) Making it mandatory for every loan to be adequately covered by collateral and where collateral is inadequate giving direction to the institution to be personally liable for any bad debts arising from the loan.

The above regulations have the potential of reducing the lending to small enterprises or making any such lending more expensive than it would have been. For example, the introduction of a deposit protection fund means that the costs of the institutions have to rise. Thus, despite its perceived importance in generating employment, these sectors in Kenya have very inadequate access to credit. Most of the financing comes from own savings or informal credit markets controlled by NGOs and community welfare groups.

2.2 Importance of Small Scale Enterprise in the Economic Growth

Small scale enterprise activities have become an important player in the Kenyan economy in the recent past. They generate more direct jobs per dollar of investment than the large enterprises. They serve as a training ground for developing technological capabilities. They promote local inter-sectoral linkages and contribute to the dynamism and competitiveness of the economy (GOK, 1994).

Musage (1992) in his study on the financing of informal sector activities observed that the third world countries in general are faced with potentially explosive situation with regard to the increasing rate of unemployment. This development is taking place against an economic background that is characterized by negative economic growth and on high population growth rate.

GOK(1992) emphasized the role of small-scale enterprises in their employment creation. It terms small-scale enterprises as very dynamic in creating market demand through using simple tools to create unique products. Their manufacturing techniques and use of available resources is striking. The Kenya Government through the session paper recognizes small-scale enterprises as a training ground for the nation's entrepreneurs at a low cost.

Fox et, al; (1994) noted that, in Europe, the prospects and reality of recession and the need to stimulate economic growth caused government to device ways of increasing productivity and at the same time overcoming problems of unemployment through establishment of small-scale enterprises .

McCormick (1991) looked into the role of urban small scale manufacturing enterprise in economic development. This was an effort to look into the possibility of helping Kenya to be an industrialized nation. The study investigated the role the manufacturing sub sector plays in employment creation and as a source of output. The study highlighted a unique dilemma; Profitable firms usually employ one or two workers and are more flexible than unprofitable ones. The study attributed this to risk reduction by the informal business. However the study did not investigate the performance of the informal business in terms of their level of profitability. This is important since they are a source of employment income for many people.

According to Oketch, Mutua and Dondo (1991), the informal sector assistance programs especially credit schemes are meant to add to the existing informal sector credit. According to the study, the impact of credit and other assistance programmes are reflected in changes in the scale of operation, composition and volume of traded or "manufactured goods. It is also reflected in the change of customer compositions, market

share or geographical coverage of operations or products. Increases in output lead to decrease in costs so that the firms enjoy economies of scale by specializing in the efficient production of these goods or services that are cheap and through this, the credit beneficiaries expand their operations.

2.3 Factors that Contribute to the Growth and Performance of Small Scale Enterprises

Owuor (1990) investigated the factors that contribute to the growth of small scale enterprises and those that affect the performance in the small urban centers in the manufacturing sub sector. The study also set out to establish how government policies and programmes, NGO programmes and the general economic changes affect the performance of small scale enterprises when the main sources of income are retail trade and agriculture.

The study sampled carpenters, metal fabricators, shoemakers, tailors and tinsmiths who formed the basis of the study. The study found out that government policy for the rural was found to encourage investors to start businesses in local areas. There was also constant supply of labour from the growing population and entrepreneurial skills. There was also the implementation of structural adjustment programs (SAPS) that enabled people to engage in trade and subdivision of agricultural land enhancement. The growth of SSE's lack of institutional credit facilities, management skills and competition from formal element and multinational companies also affected the performance of the enterprise.

The study also obtained results that were unlike the conditions of some studies concerning availability of raw materials and skills; they were not significant since credit/capital availability enabled entrepreneurs to access them. The study did not however investigate the growth that could have resulted from credit availability. It only raised the issue of credit as one of the constraints

2.4 Capital Inadequacy as the Cause of Failure for Small Scale Enterprises

Muchai (1999) in his survey on the causes of failure of small enterprises cited lack of capital and related financial problems as one of the main causes. He found out that among the smallholder dairy farmers in Kikuyu and Limuru, financial problems were abundant. Most of the enterprises surveyed asserted that if finance was more adequate their businesses could perform much well. According to the survey, 42.5% of the 100 need financial assistance but lacked any form of collateral while a further 15% cited other problems by banks and financial institutions like low paying periods and bad experience with a past loan.

According to a survey carried by Kiiru et;al (1998) for ILO, 120 respondents were asked about financial problems that were being created by financial institutions towards the informal sector and the results showed that 35% is due to collateral requirements,33% unavailability of credit and 32% due to negative perception by lending institutions.Thus it can be seen that lack of collateral, funds availability and negative perceptions are some of the financial problems experienced.

Ondiege (1993) examined capital investment and performance of informal sector enterprises in Kenya and noted that improving access to capital or credit to micro-enterprises can improve the overall development of the economy.

Ngethe and Wahome (1989) found that entrepreneurs are not aware of their need for technical assistance and the benefits that they may derive from it. They may therefore not seek professional advice in their business and as a result the business may not grow.

This lack of education was found to be the major challenge in Nyeri, Meru, Uasin-Gishu, and Siaya districts.

A study undertaken by Kiiru, Mirero, and Masaviru (1988) for Kenya Rural Enterprises Program (K-Rep) confirms that a major constraint within the SSE sector is financing. They go on further to elaborate why financing is a problem and they state that this is a result of lending problems, which occur in three levels. First, at the level of informal sector borrower who lacks experience with credit institutions. Secondly, with financial

organizations which are not predisposed to lending to informal sector enterprises. And thirdly, at the level of existing regulations, which limit the total funds available for any lending. They further noted that given the lack of institutional credit, informal sector enterprises are dependent on savings from the enterprises to finance expansion. Since much of small-scale business activity is only marginally profitable, the financial capacity for expansion is extremely limited.

Harper (1977) in his study concluded that the shortage of capital is believed by most businessmen in all parts of the world to be the major constraint. After assessment of the loan programs in Kenya and other countries, he suggests that the capital constraint is not as critical as it has been believed to be. Therefore the shortage of capital is in some cases an illusion since closer investigation reveals that substantial sums lie in unused assets. A large number of small enterprises however, saw success in employing the little capital which is at their disposal in most profitable ways..

Mwangi (1975) in his study, based in central province among retailers found out that lack of capital was repeatedly mentioned as a major problem although further analysis indicated the capital might not be the basic problem but its efficient use. He therefore advocates for individual extension of training services to these small-scale businesses.

Bo hannan (1968) asserted that cultural problems especially obligations of a traditional family system could impair Capital formation, inhibits economic development, retards initiative and also reduce savings. This is because small businesses are susceptible to unnecessary money withdrawing for example, money withdrawn to cater for educational needs and funeral expenses.

2.5 Characteristics of Informal Sector Entrepreneurs that Restrict their Access to Formal Credit

Kiiru et, al; (1988) identified the following characteristics of the informal sector entrepreneurs that restrict their access to credit.

- i) The informal sector is extremely heterogeneous and it is difficult for financing institutions to issue general guidelines to its lending officers regarding such loans.
- ii) Raising acceptable collateral and security is a major problem for the informal sector.
- iii) They are generally not able to prepare business plans that are suitable for a bank loans and if the financing institutions were to assist them, they would incur unrecoverable costs.
- iv) Informal sector entrepreneurs do not have a recognizable credit history and are perceived to be in the high-risk category.
- v) Most informal sector entrepreneurs lack experience in dealing with financial institutions. They are unaware of the variations in terms and conditions for repayment of loans and the implications for their business.
- vi) Most of them have no management training and this reduces their credibility with most banks.

Ochieng (1987) investigated the effects of financial capital (credit) in the growth of Nairobi's urban informal sector. The study objected that lack of access to credit was one of the major limitations of the informal sector and was therefore a major constraint to employment creation in the sector. The study looked at the volume of sales, investment levels in the informal business changes in innovative capacity of the entrepreneurs and changes in employment. The study found out that the injection of credit had a positive impact of growth of informal sector such that incomes increased with time, investment and cash flow also increased. There was also improvement in managerial skills. The type of entrepreneurship was found to influence the rate of growth, manufacturing trade and services. Sub-sectors grew at 0.2, 1.2 and 1.3 respectively.

The study observed that there was no major change in permanent employment levels which was attributed to the fact that firms hired additional workers mainly during peak

periods. The study however admitted important factors such as the relationship between the amount of credit and the level of profitability, accessibility to raw materials and the turnover. Furthermore, the study was done in Nairobi and in the pre-libelization period (before 1992). Being a city, Nairobi has a heterogeneous environment in terms of economic activities, it is prone to artificial inflation and thus data on economic activities especially trade may not reflect the true behavior of economic agents. The study cased a sample of 30 firms which (admitted as a limitation) was too small for generalization purposes.

2.6 Constraints Faced by Small Scale Enterprises

2.6.1 Interest Rates

Small- scale business ventures have been of great interest to researchers. Hiller and Librahimo (1993) used a fairly common set of assumptions providing an understanding why interest rates for small firms are higher than for large firms and why interest rates do not always reflect risk. They noted that banks always sought collateral and that was the reason why they did not appear to compete in providing finance for small-scale ventures. Hans and Ozay 1994 identifies attitude towards risk as a major constraint facing the growth of small-scale enterprises, which consequently resulted in business failure.

2.6.2 Lack of Capital as a Major Constraint

Studies of small and medium scale enterprise in Ghana found out that large proportion of enterprises identify inadequate access to finance as paramount concern. The study conducted by Aryeetey et. Al; (1994) for the World Bank gathered the following information on the nature of SSE demand for finance in relation to indicators of firm performance.

- (i) Small entrepreneurs are often distrustful of banks
- (ii) They are skeptical about their chances of getting credit in most institutions.
- (iii) They are reluctant to undergo the loan application process. They think it takes too long and is very vigorous.

They also analyzed data to shed light on financing the establishment and growth of small businesses. Questions sought were:

- How do small entrepreneurs accumulate the savings that they invest?
- What extent do they make use of banks and informal savings mechanisms?
- How actively do they seek formal finance and what terms are they seeking?

Steel and Webster (1992) did not concur with most of the above researchers. In their survey, lack of money was mentioned as a constraint by only 5 percent of the respondents. They viewed other problems like; inaccessible markets for goods and services, prices and availability of local raw materials, obsolete machinery, inadequate workshop space, high cost of skilled labour and overheads like transport expenses.

A proposal by Hettige (1992) was that extra costs of SSE lending could be offset by higher interest rates. He however cautions that higher interest rates may lead to the "adverse selection", applicants with corresponding higher risks of failure and non-repayment.

Hughes (1992), noted that small enterprises have a lower ratio of fixed to total assets, but that trade debt is relatively more important for smaller than for large firms. He also noted that smaller companies are much more reliant on short-term loans and overdrafts than large companies.

The Cambridge Small Business Research (1992) highlighted the importance of hire purchase and leasing, which was used by many small-scale firms to obtain finance. Ewin (1993) identifies both internal and external sources of finance. The internal sources include both savings and retained earnings. The external sources include: factoring, leasing, discounts, bill, brokers, Government grants and donations by NGOs.

Felstentein and Scwartz (1993) studied constraints to **small** business development across the life cycle in the peripheral areas of Israel and concluded that the major constraint

facing all entrepreneurs at the start-up and sustained operation stages is capital availability.

In their research, lack of capital was cited as a principal obstacle by 70 percent of the respondents. Hans and Ozay (1994) identifies attitude towards risk as a major constraint facing the growth of small- scale enterprises, which consequently resulted to business failure.

Levy (1993) in his research on obstacles to developing small enterprises in Srilanka and Tanzania revealed that lack of finance represents the binding constraint on expansion of all classes of enterprises. Further constraints identified by him include bureaucratic procedures such as local licensing, relations with public utilities.

Gitmen (1993) conducted studies on the challenges facing small businesses and attributed most of these as the causes of failure. He identified common challenges as; lack of business experience, lack of financing, insufficient sales levels, poor education, lack of proper business records, improper accounts receivable management, insufficient stock turnover, poor inventory control and improper mark- ups. He attributed these as the causes of failure of 55% of new businesses within the first 5 years of operation.

.Story (1987) found that inability to establish credit to be a major challenge facing small enterprises in Britain. He found out that in order to borrow funds from lenders the business owners must show evidence of ability to repay the money along with interest. According to him, small businesses have problems in borrowing funds because lenders make loans on the basis of the entrepreneur's credit reputation. The amount of funds available to a new business is limited and also in seeking to borrow, the new business faces stiff competition from established firms with favorable earning histories. His research of the main disadvantages faced by them includes limited managerial skills, inadequate capital and excessive Government regulation.

De Wide (1971) in a sample of seventeen countries in Africa confirms that a majority of African businesses consider financing as their principal problem. He however contends, that financing difficulties reflect more basic problems of inadequate business skills and

training. He therefore advocates that financing of African businessmen should be accompanied by effective measures to access the capacity for entrepreneurship.

Kessio (1981) just like Morris and Somerset (1971) found out that among the most recurring problem mentioned by businessmen on a study that conducted was lack of adequate finance for their businesses.

Policies of liberization have been proposed to counteract problems caused by financial repression. Mickinnon (1971) and Shaw (1973) have argued that if governments lift all restrictions, the market could in principle optimally allocate funds among different categories of borrowers and thereby promote economic growth. The agreement is that by relaxing interest rates, the financial system can mobilize more deposits and increase the availability of loanable funds. Moreover, liberalizing lending rates would facilitate lending to efficient private sector clients who previously lacked access because generally high information and transaction costs discouraged banks from lending to the high risk sector under fixed interest rates.

Price rationing is considered to be efficient. There is, however relatively little empirical evidence that higher rates substantially affect savings. This is in part due to the dual impact of interest rates on savings; while higher interests rates increase the benefit of saving, they also reduce the need for saving.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

This section outlines the methodology that was used in the study. It was divided into seven parts viz, research design, scope of the study, population of the study, sampling frame sampling strategy, data collection and data analysis.

3.2 Research Design

A descriptive study was used to establish the sources of finance used by small scale enterprises in Machakos and to determine the constraints that they face given the current macro-economic framework. The method was appropriate for the study, as it allowed the researcher to generalise the findings of the target population. It also permitted comparative analysis.

3.3 Scope of the Study

Machakos town was selected as the focus of the study. This is because the informal sector represents more than 60% of the town's gross income (GOK, 2004) and is an upcoming industrial town. Machakos town is the headquarters of Machakos district. The population has tremendously risen and it's believed that both small- scale sector and the financial sector will rise in number to meet the needs of the growing population.

3.4 Target Population

The population studied in this research comprises of all small scale entrepreneurs based in Machakos town. Sectors covered included open- air market operators, retail shop owners, mechanics, metal work and woodwork which were be classified into: trading and service sectors. Total population of 764 small scale enterprises entrepreneurs was of interest to the researcher. The enterprises sampled are the ones registered with the

Machakos county council as provided by the list of business permits issued as at 18th January 2008.

The survey covered all types of small scale enterprises within the town, this was because every business is unique in its own right and access to finance may be different .Sampling was done in a manner which enhanced precision of the data obtained.

All small sized enterprises were sampled alike and the data obtained generalized in the analysis. Enterprises offering service and tangible products alike were sampled since the nature of their business is quite different and including such diversification enhanced the precision obtained.

3.5 Sampling frame

The sampling frame covered the following groups of target population; the small scale enterprises who operate in open- air market, retail shop owners, mechanics, metal work and woodwork dealers .They were then classified into: trading and service sectors

3.6 Sampling Strategy

Stratified random sampling technique was used. The goal was to achieve desired representation from various sub-groups. The population of small-scale enterprises was stratified on criterion of the different sub sectors which are: trading, and service sectors. Samples were then taken from each stratum, and these samples were be selected in a simple random way.

Stratified random sampling was used to elucidate the unique characteristics of the various sub-sectors in the small scale entrepreneurs in the town. It also ensured that proper representation in the sample was achieved.

3.7 Data Collection Procedure

The study employed primary data which was derived through self administered questionnaires. This was because they permitted a greater depth of response. They are also simpler to formulate . Questions included were both open ended and closed ended. Open-ended questions were used to solicit qualitative data and suggestion while closed

ended questions were seeking to obtain quantitative data for statistical analysis. Questions asked focused on both entrepreneurs and other business characteristics, which forms the core of the study. The respondents were given a day to answer the same and they were collected the following day.

3.8 Data Analysis

Data collected was analyzed with the help of statistical package for social sciences software (SPSS). The analysis was done using descriptive statistics such as mean scores, percentages and cross tabulations. The results were presented using tables, and charts for ease of understanding.

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CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSIONS

The findings of the survey were meant to identify the constraints faced by small scale enterprises in accessing formal financing in Machakos town. The results were categorized into four major parts.

- i. Characteristics of the small-scale enterprises.
- ii. Demand for external finance.
- iii. Constraints faced when small scale enterprises seek external finance.
- iv. Finance needs during the business growth.

Data was analyzed to shed light on the following central questions; financing, establishments and growth of small businesses.

- i. How do small enterprises accumulate savings that they invest and to what extent do they make use of banks and other informal savings mechanisms?
- ii. Is success in expansion related to verifiable indicators such as education and business training?
- iii. How actively do they seek external finance and what is their opinion about borrowing?
- iv. What are the constraints they face thereto?

4.1 Characteristic of the small scale enterprises.

This was necessary in order to provide an understanding on the nature of these firms in order to correlate various attributes to financial needs of these firms. The respondents were either the owners of the enterprise or managers of the same.

4.1.1 Gender of the respondent

Table 1: Gender of the respondent.

| GENDER | FREQUENCY | PERCENT | VALID % | CUMULATIVE |
|--------|-----------|---------|---------|------------|
| FEMALE | 37 | 37 | 37 | 37 |
| MALE | 63 | 63 | 63 | 100 |
| TOTAL | 100 | 100 | 100 | |

From the table; it indicates that the male population dominates the small scale enterprises section with 63% of the firms being owned or managed by males.

4:1.2 Number of employees

Table 2: Number of employees.

| No. of employees | Frequency | Percent | Valid percent | Cumulative % |
|------------------|-----------|---------|---------------|--------------|
| 0-9 | 52 | 52 | 52 | 52 |
| 10-20 | 38 | 38 | 38 | 90 |
| Above 20 | 10 | 10 | 10 | 100 |
| Total | 100 | 100 | 100 | |

The survey showed that most of the small scale enterprises employed one to nine employees, taking 52% and whereas 38% employ nine to 20 employees and 10% employ above 20 employees.

4:1.3 Nature of the business

Table 3: Nature of the business.

| Nature of Business | Frequency | Valid % | Cumulative% |
|--------------------|-----------|---------|-------------|
| Trade | 77 | 77 | 77 |
| service | 23 | 23 | 100 |
| Total | 100 | 100 | |

From the table the random sample showed that 77% of the firms are involved in basic trading while 23% are involved in service provision.

4:1.4: Type of business ownership

Table 4: Type of ownership.

| Type of ownership | Frequency | percent | Valid % | Cumulate% |
|---------------------|-----------|---------|---------|-----------|
| partnership | 28 | 28 | 28 | 28 |
| Sole proprietorship | 72 | 72 | 72 | 100 |
| Total | 100 | 100 | 100 | |

From the survey it showed that sole proprietors and a few partnerships own most of the small scale enterprises in Machakos town.

4:1.5 Formal education attainments

Table 5: Level of education

| Level of education | Frequency | Percent | Valid % | Cumulative % |
|--------------------|-----------|---------|---------|--------------|
| College/university | 44 | 44 | 44 | 44 |
| Primary | 16 | 16 | 16 | 60 |
| Secondary | 40 | 40 | 40 | 100 |
| Total | 100 | 100 | 100 | |

According to the finding 44% of all the respondents have gained College/University level education whereas 40% have gone through secondary level and only 16% had gone through primary schooling.

4: 1.6: Attendance of business training.

Table 6: Attendance of business training.

| Business training | Frequency | Percent | Valid % | Cumulative % |
|-------------------|-----------|---------|---------|--------------|
| No | 46 | 46 | 46 | 46 |
| Yes | 54 | 54 | 54 | 100 |
| Total | 100 | 100 | 100 | |

From the table 54% of the respondents had attained some business training while 46% had not attended any training. Most of the respondents indicated that they had undergone some form of business training. It was also observed that a big percent had not undergone any training, most of those who had gone undergone training, their opinion on credit was positive with many indicating they didn't mind it and they could opt for it if provided.

4.2 The need for external finance.

This section shows the source of finance during startups, the respondent opinion on borrowing and the effect of borrowing on a firm.

4:2.1 Source of startup capital

Table 7: Source of startup capital

| Sources of startup capital | Percent | Valid % | Cumulative% |
|--------------------------------------------------|---------|---------|-------------|
| Cooperatives and non bank financial institutions | 22 | 22 | 22 |
| Family/own | 56 | 56 | 78 |
| Banks | 22 | 22 | 100 |
| Total | 100 | 100 | |

The chart indicates that 56% of the respondents used family and own funds as the source of startup capital. Only 22% used formal sources of financing.

4.2.2 Opinion on borrowing

Table 8: opinion about borrowing

| Opinion on borrowing | Frequency | percent | Valid % | Cumulative% |
|----------------------|-----------|---------|---------|-------------|
| Don't like | 30 | 30 | 30 | 30 |
| Its necessary | 70 | 70 | 70 | 100 |
| Total | 100 | 100 | 100 | |

70% of the respondents thought that borrowing is necessary for businesses 5% were indifferent and 25% of them don't like it. This shows the SSE's demand for credit and their opinion on it despite the few of them who access it. It was noted that majority of the SSE's would opt for credit if it was made more accessible to them.

4.2.3 Effect of inability to acquire loan

On inquiry of what the respondents felt would happen if they were unable to borrow showed the following results.

Table 9: Effect of inability to acquire loan

| If unable to get loan | Frequency | Percent | Valid % | Cumulative% |
|-----------------------|-----------|---------|---------|-------------|
| Close | 16 | 16 | 16 | 16 |
| Dispose assets | 53 | 53 | 53 | 69 |
| Sell off business | 31 | 31 | 31 | 100 |
| Total | 100 | 100 | 100 | |

The chart indicates that 53% of the respondents would dispose personal assets 31% would sell off the business and 16% would take adverse measure like closing down their businesses.

4.2.4. Effect of borrowing on business

Table 10: Effect of borrowing

| Effect of borrowing | Frequency | Percentage | Valid % | Cumulative% |
|---------------------|-----------|------------|---------|-------------|
| Positive | 60 | 60 | 60 | 60 |
| Negative | 30 | 30 | 30 | 90 |
| Indifferent | 10 | 10 | 10 | 100 |
| Total | 100 | 100 | 100 | |

When asked on effect of borrowing on business 60% of the respondents thought that it's positive, 30% thought it had adverse effect while 10% where indifferent.

4.3 Constraints faced when small scale firms seek external finance.

This section analyses how respondents rank the financial obstacles facing them and also several preferred sources of credit. It will also further indicate the intended use of funds by firms.

4.3.1 Hindrance to expansion of business.

The respondents on inquiry of the four most serious hindrance of the expansion of their business, they indicated the major reasons as business location, finance, licensing and accessibility to market.

Table 11: Hindrance to expansion of business

| Hindrance to business expansion | Frequency | Percent | Valid% | Cumulative% |
|---------------------------------|-----------|---------|--------|-------------|
| Finance | 36 | 36 | 36 | 36 |
| Management | 26 | 26 | 26 | 62 |
| Location | 20 | 20 | 20 | 82 |
| Licensing | 18 | 18 | 18 | 100 |
| Total | 100 | 100 | 100 | |

The chart indicates that the firms have more pressing problems in financing and management. Finance in respect to the other factors ranked first with 36%, management was second with 26% business location with 20% and licensing with 18%.

4.3.2 Reason for preferred sources of credit.

On probe of the reasons for the preferred forms of sources of credit most of the firms stated that they preferred firms with better repayment terms i.e. interest rates and requirements of collateral.

Table 12: Reasons for preferred sources of credit

| Reason | Frequency | Percentage |
|----------------------------------|-----------|------------|
| Better terms | 30 | 30 |
| Accessibility | 30 | 30 |
| Unavailability of other Options. | 17 | 17 |
| Lack of collateral | 23 | 23 |
| Total | 100 | 100 |

4.3.3 Preferred Credit Institutions.

This section tried to establish the preferred institution which the SSE's would seek for source of finance.

Table 13: Preferred Credit Institutions

| Source | Frequency | Percentage |
|----------------------------|-----------|------------|
| Micro Finance Institutions | 38 | 38 |
| Banks | 14 | 14 |
| Co-operatives | 26 | 26 |
| Informal Sources | 22 | 22 |
| Total | 100 | 100 |

Most of the respondents indicated that they preferred Micro Finance Institutions with 38% as the institution they would seek for source of credit. Only 14% of the respondents preferred banks.

4.3.4 Source of external finance during business growth.

/

This section tried to determine how owners finance their business during different periods of business growth.

Table 14: Sources of finance during business growth

| Sources of external finance | Frequency | Percent | Valid % | Cumulative% |
|-----------------------------|-----------|---------|---------|-------------|
| Financial institutions | 14 | 22 | 22 | 22 |
| Informal sources | 40 | 50 | 50 | 72 |
| Retained Earnings | 46 | 28 | 28 | 100 |
| Total | 100 | 100 | 100 | |

The results showed that 46% of the respondents used retained profits to finance their business expansion. 14% of the respondents used different credit institutions to finance their growth. 40% of the SSE's indicated to have used the informal sources.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

The findings from this study, from small scale enterprises point of view is that the policy of liberalization and the institution of small scale credit program has not been sufficient to generate substantially more lending to these firms. The decline in the providence of formal credit has continued. Despite strong interest for credit, most of the small scale entrepreneurs complain about the terms of credit, that is interest rates, collateral requirements, cumbersome documentation and time involved. They insisted that the loans took long to be approved which translated to missed opportunities in their business.

The survey shows that the male population dominates the small scale sector with 63% of the firms owned by males. The survey also indicates that this sector has continued to offer employment with 52% of the firms employing one to three employees whereas 38% employing 9 to 20 employees and 10 % employing over 20 employees.

On the type of ownership of the business, sole proprietors own most of the small scale business with 72% of the firms surveyed and 28% owned through partnership.

In regards to formal education attainment, 40% have undergone secondary education and 44% have been to College / University. Only 16% of the respondents had not undergone beyond primary schooling level. This is contrally to a common belief that only illiterate people manage this sector. It also enhances the importance of employment to school leavers.

It was observed that formal credit institutions do not fund start ups. This was evidenced by 56% of the respondents confirming that they used their own or family sources to

finance their businesses. On the demand for external finance 70% of the respondents indicated that it was necessary and only 25% were against the idea of borrowing.

It was also evidenced how respondents value their business with 53% of the respondents indicating that they would rather sell their personal assets rather than they close their business if they were unable to borrow. Only 16% indicated that they would close down their business if unable to borrow. 31% indicated that they would sell off the business if unable to access credit.

On constraints, getting access to finance was ranked first by respondents. This was by 36% of the respondents. Management was ranked second with 26% of the respondents. Marketing location was ranked second with 26% of the respondents. Business location was third with 20% of the respondents' licensing and marketing were ranked the least with respondents indicating other more pressing problems.

On probe of preferred credit institutions, most of the respondents preferred micro-finance institutions, only 14% preferred banks. Other sources of finance like co-operative and informal sources were identified by respondents.

On probe of reasons for preferred sources of credit, 30% of the respondents cited better terms, 30% cited accessibility and 23% cited lack of collateral base.

Respondents also indicated on lack of adequate information. 35% of the respondents indicated that they didn't know where to seek finance. This indicates that the finance institutions have not marketed themselves thoroughly.

Retained earnings were identified as important in sustaining business growth, 46% of the respondents indicated that they would plough back the retained earnings .Only 14% were able to acquire credit from establishment institutions.

5.2 Policy Implications.

Some major factors have been identified as constraining the flow of the funds to the small-scale sectors in Kenya.

These factors are:

- a) Sessional paper No. 2 of 1992 on small-scale enterprises is yet to be adopted. It advocated for strong assistance to the SSE's in the accessibility to credit.
- b) The financial regulations have adversely hurt the small scale sector. This is specifically the requirements that all loans must have collaterals. An amendment has to be done to this requirement.
- c) The tendency of government to borrow extensively to finance its budget deficits has greatly limited the available pool of lendable funds to small scale sector.
- d) Interest rate fluctuations have represented the financial markets. This further makes the transactions cost to go away above the reach of the average small scale owners.

5.3 Recommendations.

- i. Enactment of the interest regulatory bill into law. This will regulate the interest rates thus giving small-scale enterprises access to the cheapest credit and also make banks to stop discriminatory practices.
- ii. Due to lack of collaterals, SSE's are often unable to obtain large credits from banks. To improve this situation, it would be possible to formalize assets of the SSE's. Specifically most of the SSE's indicated that they were unable to use land properties as collaterals. This is because there is no land regulations on proving property rights as most land titles are not registered. To increase their collaterals bases policy makers should promote the registration of land titles of land owned by tenders.
- iii. Access to information should be boosted by issuing of magazines, which enlightens the traders on the trends in the financial markets.
- iv. Since the less educated entrepreneurs show little interest on credit, the educational opportunities should be enhanced for them. This will improve the literacy class and numeracy of Kenyans from which the pool of entrepreneurs is drawn. Having self financial adult literacy classes for business persons can also encourage this.

The formal credit institutions should make the regulations more flexible by allowing use of broad collateral bases for serving loans to SSE's.

The institutions should create exceptions to minimum capital requirements for those targeting SSE's and also reduce entry and exit barriers in the financial sector to make the sector more connectable and therefore customer friendly.

Develop mechanism of mainstreaming informal enterprises such as reducing registration costs and delays. This is because the less access of credit of SSE's has been caused by uncertain legal status, higher mortality rates and low exit and entry barriers that create intense competition.

Encouragement of the entrepreneurs to diversify this investment portfolio to include stocks and shares which can be used as security for loans.

The Machakos District Development Committee can lobby for more funds to be made available to bodies like Agricultural Finance Corporation and the District Joint Loans Board so that SSE's can be reached.

With opening up the land office in Machakos, processing of land ownership documents should be speeded up to enable beneficiaries to possess securities for credit.

The institutions can control risk by indulging into character based lending to entrepreneurs who have good record of accomplishment and close on site monitoring. The cost of frequent monitoring can be minimized through greater decentralization of responsibilities for small loans provided local branch officer are adequately trained.

5.4. Limitations

- 1) **Time frame:** Due to limited time period, it was not possible to sample the 764 firms targeted earlier. The number had to be reduced to 100. As a result, some aspects might have varied differently.
- 2) **Lack of Cooperation:** Some respondents were not willing to give information regarding to some financial aspects. It is also possible some respondents might have given false information to please the researchers and cover up some issues in their operations. However in the case where the researcher suspected false information, an

overview was administered to dig for more accurate information from the respondents.

5.5 Suggestions for further research

The following areas deserve further research:

- a) A study may need to be carried out to find out the impact of short or long term loans on growth of a firm.
- b) A study should be carried out to find out how effective the demand for finance is from the suppliers point of view that is how credit institutions view the micro enterprises.

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APPENDIX II

COVERING LETTER

Richard K. Kioko,
School of Business,
Accounting and
Finance department,
Nairobi University
P.O Box 30197, "
Nairobi.
Date

To
P.O Box
Nairobi.

Through The Chairman,
School of Business,
Finance and Accounting Business Department,
P.O Box 30197,
Nairobi.

Dear sir/madam,

RE: ASSISTANCE IN RESEARCH PROJECT.

I am a student of Nairobi University, school of business pursuing a Masters Degree in Business Administration.

Your organization has been sampled as one of the institutions to be studied on the research topic '**constraints faced by small scale enterprises in accessing formal financing , a case study of in Machakos town**'.

This research is wholly intended for academic purposes and information gained will be dealt with strict confidentiality and only for the purpose of the study.

Your assistance is highly appreciated.

Yours faithfully,



Richard Kioko.

APPENDIX II

QUESTIONNAIRE

PART I

(Questions that describe the characteristics of the small scale enterprise)

- i) Name of the business
- ii) Sub-sector
- iii) Gender of the respondent

Male

Female

- iv) Type of ownership of the business

Sole proprietorship

Partnership

Others (please specify)

- v) No. of employees 0 - 9 •

9 - 20



Above 20

vi) What is your highest level of formal education attained?

No formal education at all

Primary school level

Secondary school level

College/ University

vii) Have you undergone any business training

Yes

No

viii) Is your firm legally registered.

Yes

No

Part II

(Questions to identify need for formal finance)

a) How did you acquire your initial capital?

| | 70-100% | 40-69% | 1-40% | N/A |
|------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Own/family funds | <input checked="" type="radio"/> | <input checked="" type="radio"/> | <input checked="" type="radio"/> | <input checked="" type="radio"/> |

| | | |
|---------------------------------|----------|----------|
| Loan from friends | ● | ● |
| | ● | ● |
| Banks | | |
| Cooperatives | — I 1 | ^ ^ |
| Non bank financial institutions | — ^ ^ | — ^ ^ |
| Supplier credit | ^ ^ | ^ ^ |
| Others (please specify) | | |

b) What would be your opinion about borrowing

| | |
|------------------------|---|
| Necessary for business | • |
| Do not mind it. | ● |
| Do not like it. | ● |

c) What would you do if you were unable to get loan.

| | |
|--------------------|---|
| Close the business | • |
|--------------------|---|

Sell the business

Dispose personal assets

Others (Please specify)

d) What do you think is the effect of borrowing on business?

Generally positive

Generally negative

Indifferent

Part III

(Identify the constraints to seek formal finance)

a) Please indicate four reasons that hinder expansion of your business

Totally Agree Agree Disagree

Management

Business location

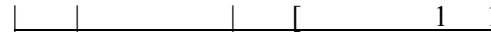
Licensing / policy restriction

Market



Infrastructure

Finance



Labour



Others (please specify).

b) Which of the following sources of lending would you prefer

Banks



Micro finance institutions



Non-bank financial institutions

Cooperatives



Informal sources

Others (Please specify).

c) What is your reason for preferring the form of credit?

d) What is your intended use of the borrowed funds?

Working capital_

Investment to start business

Investment to expand business_

Others (please specify)

Which of these are your sources of finance during your business growth?

Advances from customers

Trade credit

Retained profits

Credit institutions

Overdraft

Loans from relatives / friends

What limits your chances of getting a loan?

Fully Agree Agree Disagree

Lack of collateral__

Distance from the financial institution

Minimum balance maintained

Time spend processing the loan

Size of the firm

Education level

Marital status

Others (please specify)

THANK YOU

APPENDIX III

| CODE | DESCRIPTION | NUMBER |
|----------------|------------------------------------------------|--------|
| TRADE SECTOR | | |
| 105 | large trader, shop or retail shop | 7 |
| 110 | medium trader shop or retail shop | 110 |
| 115 | small trader, shop or retail | 324 |
| 195 | other general merchant shop or retail | 18 |
| 215 | small informal sector trade/service provider | 122 |
| 295 | other informal sector | 9 |
| 210 | hawkers | 1 |
| SERVICE SECTOR | | |
| 315 | small transport company | 3 |
| 395 | other transport, storage communications | 2 |
| 320 | independent transport operators | 1 |
| 546 | small restaurant with bar | 6 |
| 555 | small eating house, snack bar, tea house | 41 |
| 567 | small bar traditional beer seller | 5 |
| 524 | medium lodging houses | 3 |
| 527 | small lodging house | 2 |
| 543 | medium restaurant with bar | 3 |
| 552 | medium eating house snack bar tea house | 3 |
| 518 | small lodging house with restaurant with bar | 1 |
| 558 | butchery | 6 |
| 615 | small professional service firm | 7 |
| 620 | independent technical operator | 12 |
| 695 | other professional and technical services | 9 |
| 630 | medium financial services | 2 |
| 715 | medium private education institution | 3 |
| 720 | small private education facility | 13 |
| 795 | other education, health entertainment services | 2 |
| 830 | small workshop service repair contractor | 53 |
| 825 | medium workshop repair contractor | 2 |

