An Analysis Of The Usefulness Of Annual Financial Statements To Credit Risk Analysts In Kenyan Commercial Banks

By

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DECLARATION

This research is my original work and has not been presented for a degree in any other University.

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This research has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This project is dedicated to my parents who leant the hard way that lack of formal education in today's world is a handicap and ensured that I avoided the pitfall.

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ABSTRACT

The management of risk is key to the success of any organization. In the financial sector the most significant risk is credit risk. The import of credit risk can be seen from the fact that the primary reason a bank fails or falls into big trouble are bad loans or too many other bad debts (Nickson, 2002). The Kenyan banking sector, in particular, has been ailed over the years by the relatively high level of non-performing loans i.e. 30 percent of its total loans have been non-performing as at 30-12-2001 (CBK).

Information is a crucial ingredient in the management of risk. According to Berry et al., 1993 and Danes et al., 1989 financial information is the most valuable information in the bank lending decision. Financial reports and statements about a company are a key source of information in a assessing its financial condition (Coyle, 2000). Yet according to Jarvis et al, 1996 very little is known as to how users of corporate financial reports use the information contained in these reports.

The study consequently had three objectives; to establish whether credit risk analysts in Kenyan commercial banks use financial statements in credit risk assessment, to identify the sections of annual reports which credit risk analysts find most useful and to find out from credit risk analysts in Kenyan commercial banks improvements that can be made to financial statements.

All the commercial banks operating in Kenya were sampled and asked to provide information through the use of questionnaire. The respondents for the study were the credit risk analysts of the banks.

The study revealed that credit risk analysts use information derived from financial statements in their lending decisions. The study showed that credit risk analysts do not rely on only one source of information. Credit risk analysts also indicated that they would like some improvements made to annual reports.

These results are expected to be useful both for organizations seeking loan finance and for accounting standards setters. They are also useful as a reference point for comparative studies that might be undertaken in other African countries.

List of Tables

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

Financial statements (and other information) are widely used in loan decisions (Foster, 1986). These decisions not only involve whether to grant the loan, but also what interest rate to charge, the loan amount and any restrictive covenants in the loan agreement to be placed on the borrower. This study reviewed the use made of annual financial statements by loans officers in Kenya.

In assessing credit, risk loan officers utilize financial statements and consider many other factors when deciding whether to approve a loan. For secured loan, an important determinant in the loan decision process is the value of collateral. For an unsecured loan, the financial status of the business is especially pertinent to the loan approval decision (CPA Journal 1990).

The purpose of credit analysis is to reach a judgment about a customer's ability to pay. The analyst must therefore make an assessment of the company's financial position, and in particular its solvency and liquidity. Financial reports and statements about the company are a key source of information in this process (Coyle, 2000).

1.2 STRUCTURE OF THE BANKING SYSTEM IN KENYA

There were 43 commercial banks, 2 non-bank financial institutions (NBFIs), 2 mortgage finance companies, 4 building societies and 48 forex bureaus in the banking system in Kenya as at the end of February 2003 (See table 1.1 below).

Table 1.1 Banking Institutions in Kenya

Type of Institution	**No. as at February 2003**
Commercial Banks	43
Building Societies	4
Mortgage Finance Cos	2
NBFIs	2
Forex Bureaus	48
Total	99

Source: Central Bank of Kenya

1.3 NON-PERFORMING LOANS IN KENYA

Net loans at the level of shs215 billion as at December 31, 2001 accounted for 51% of total net assets of Kenya's banking sector. At the same date the proportion of non-performing loans to total loans in Kenya was a high of 30%. As at 31st December 2001 non-performing loans amounted to shs74 billion (Bank Supervision Annual Report, 2001).

The trend of non-performing loans in Kenya over the last five years is shown in table 1.2 below:

Table 1.2 Non-Performing Loans 1995-2000

Year	NPLs	Total Loans	NPLs/Total Loans
	Shs Billions		%
1995	31.8	180.2	17.6%
1996	37.9	213.7	17.7%
1997	69.0	248.2	27.8%
1998	83.5	268.6	31.1%
1999	97.3	284.2	34.2%
2000	90.2	272.9	33.1%
2001	73.6	245.0	30.0%

Source: Central Bank of Kenya

The slight decline in the last two years (2000-2001) is explained by Central Bank of Kenya in its 2001 Bank Supervision Annual Report to be the result of the exit of the collapsed Trust Bank and partially to recoveries, write-off and write-down of some debts in a number of institutions.

Comparing, the ratio of non-performing loans to total loans (NPLs/TL) in Kenya of 33% to similar African economies at the end of 2000, Central Banks of these countries reported that, this ratio (NPLs/TL) is much lower in Zimbabwe (24%), Nigeria (11%) and South Africa (3%) (Bank Supervision Annual Reports, 2000).

1.4 PROBLEM STATEMENT

Lenders require information to make their loan analysis on which they base their lending decisions. Poor credit risk assessment leads to bad credit decisions. Financial information is the most valuable information in the bank lending decision (Berry et al, 1993: Danes et al., 1989). Very little is known as to how users of corporate financial reports use the information contained in these reports. (Jarvis et al, 1996).

In Kenya credit risk evaluation standards are questionable as attested to by the extent of non-performing loans in the country. Further most of the financial institutions (54 of the 60) that collapsed since 1988 failed due to non-performing loans (Murugu, 1998).

Few researches have been done in the area of credit risk assessment in Kenya. Recent studies were done by, Mucheke (2001) who looked at the causes of non-performing loans and Kabiru (2002) who studied credit risk assessment practices in Kenya. None of these studies specifically focused on the use of annual financial statements by loan officers in credit risk assessment. The present study, therefore, extend this field (credit risk assessment) of research to understand the use of annual financial reports by credit risk analysts in Kenya.

The aims of this study are to: (i) establish whether credit risk analysts in Kenyan Commercial Banks use financial statements in their quest for information on credit risk assessment, (ii) identify the sections of annual reports, which they find most useful and, (iii) find out from them improvements that can be made to financial statements.

1.5 OBJECTIVES OF THE STUDY

This study focuses on the following research issues:

- To establish whether credit risk analysts in Kenyan Commercial Banks use financial statements in credit risk assessment;
- To identify the sections of Kenyan annual reports which credit risk analysts find most useful; and
- To find out from credit risk analysts in Kenyan Commercial Banks improvements that can be made to financial statements.

1.6 IMPORTANCE OF THE STUDY

The findings of this study would be useful to:

- Borrowers, who need to be aware of lenders information requirements,
- Accounting regulators, who are concerned with improving the information context of external reports.
- Bank regulators in making appropriate policy guidance in lending.
- Banks in making necessary policy changes with regard to their use of annual financial reports.
- Those involved in training accountants.

CHAPTER TWO 2: LITERATURE REVIEW

2.1 INTRODUCTION

The quality of credit risk analysis depends on the amount of reliable financial information available. Banks are often able to insist on audited financial statements as a precondition of lending and should be able to carry out a better analysis of credit risks as a result (Coyle, 2000).

2.2 FINANCIAL STATEMENTS AVAILABLE

Some financial statements report historical results while others report future projections. They include:

- The company's annual report and accounts
- Interim statements for public corporations. Quarterly for banks and half-yearly for other quoted companies.
- The company's internal management accounting statements (for example, detailed statements of monthly or quarterly profits)
- Budgets or similar financial forecasts, such as a cash budget or profits budget
- A financial forecast within a business plan.

The main advantages of annual report and accounts are that they are audited and are readily obtainable, however, they are at least several months out-of-date.

The company's Act Cap 486 section 125 requires that every company having share capital must once in a year make a return to the Registrar of Companies, containing the particulars set out in the Fifth Schedule to the Act. According to the Fifth Schedule there must be annexed to this return a copy of balance sheet, auditors and directors report.

The most useful financial statements for analysis are the management accounts and budgets or forecasts, because these should be reasonably up to date. They give a better insight into the state of the company, what it has recently achieved and what it expects to achieve.

Whereas annual accounts and interim statements are usually readily obtainable, it is not easy to get hold of management accounts or forecast statements for analysis, although banks are in the best position to do this. A bank can insist that as a condition of lending, the company must provide financial information before it makes a lending decision so that some credit analysis can be carried out. The bank could also call for financial information at regular intervals, either during the course of a loan agreement (to ensure that the borrower is adhering to specified loan covenants) or as a condition for continuing to provide an overdraft facility.

2.3 CONTENTS OF ANNUAL FINANCIAL STATEMENT

According to Coyle(2000), annual financial statements of a group of companies have several elements:

- CEO's or chairman's report
- Directors report
- Auditors report
- Consolidated balance sheet for the group
- Parent company balance sheet
- Consolidated statement of income
- Consolidated cash flow statement
- Notes to the account, providing supplementary details.

The accounts of public companies almost invariably consist of consolidated financial statements for the entire group of companies, of which the reporting company is the parent or holding company. (There is also a balance sheet for the parent company itself, but not an income statement.)

For credit analysis, it is important to recognize that a group of companies is not a legal entity. When credit is granted, the debt obligation belongs to the individual company within the group that obtains the credit. In the event of default, the lender or creditor has redress against that company, not against the group as a whole nor the parent company.

The only exceptions to this is when the parent company itself is granted the credit, (in which case the lender or creditor will take action against the parent in the event of default) or when the parent company and/or other companies within the group have provided guarantees of payment in the event of default by the borrowing subsidiary.

The point to note is that consolidated group accounts are of limited use for credit analysis, unless

- The applicant for credit is the dominant trading company in the group, or
- The parent company guarantees the debts of its subsidiary, or
- The company that is asking for credit is the parent company itself (although even here, the consolidated accounts might be a poor guide for reliable credit analysis).

THEORETICAL LITERATURE REVIEW

2.4 LOAN ASSESSMENT

The loan appraisal process is the process of identifying risks inherent in a loan application and pricing it appropriately.

Rouse(1989) suggests that the principles of good lending for banks can be reduced to a simplified framework, summarized in a useful mnemonic, Campari.

C character (the person)

A ability (to run the business)

M margin (bank risk reward)

P purpose (does the bank understand the business?)

A amount (is the loan amount adequate/excessive?)

R repayment (how does the bank get its money back?)

I insurance (what is the security?)

Character

This is a difficult area but a vital one to get right. Facts, not opinions are crucial, for example:

- How reliable is the customer's word as regards the details of the proposition and the promise of repayment?

- Does the customer make exaggerated claims, which are far too optimistic, or is a more modest and reasonable approach adopted.
- Is the customer's track record good? Was there any previous borrowing, and if so, was it repaid without trouble?
- If the customer is new, why are we being approached? Can statements be seen to assess the conduct of the account?

Ability

This aspect relates to the borrower's ability in managing financial affairs and is similar to character as far as personal customers are concerned.

Further points in respect of business customers would include:

- Is there good spread of skill and experience among the management team in, for example, production, marketing and finance.
- Does the management team hold relevant professional qualifications?
- Are they committed to making the company successful?
- Where the finance is earmarked for a specific area of activity, do they have the necessary experience in that area?

Margin

Agreement should be reached at the outset with the borrower in respect of interest margin, commission and other relevant fees. The interest margin will be a reflection of the risk involved in the lending, whilst commission and other fees will be determined by the amount and complexity of the work involved.

It should never be forgotten that banks are in business to make profits and to give shareholders return on their capital.

Purpose

The lender will want to verify that the purpose is acceptable.

Perhaps the facility would not be in the customer's best interests. Customers do tend to overlook problems in their optimism and, if the bank can bring a degree of realism to the proposition at the outset, it may be more beneficial to the customer than agreeing to the requested advance.

Amount

Is the amount the customer is asking for either too much or too little? There are dangers in both and it is important therefore to establish that the amount requested is correct and that all incidental expenses have been considered. The good borrower will have allowed for contingencies.

The amount requested should be in proportion to the customer's own resources and contribution. A reasonable contribution from the borrower shows commitment and a buffer is provided by the customer's stake should problem arise.

Repayment

The real risk in lending is to be found in the assessment of the repayment proposals. It is important that the source of repayment is made clear from the outset and the lender must establish the degree of certainty that the promised funds will be received.

Where the source of repayment is income/cashflow, the lender will need projections to ensure that there are surplus funds to cover repayment after meeting other commitments.

Insurance/Security

Ideally, the canons of lending should be satisfied irrespective of available security, but security is often considered necessary in case the repayment proposals fail to materialize.

It is vital that the provider of security, especially third party security, understands fully the consequences of charging it to the bank. It is equally important that no advance is made until security procedures have been completed, or are at least at a stage where completion can take place without the need to involve the borrower any further.

The realization of security may provide a source of repayment in the last resort. However, the sale of security is rarely as straight forward in practice as it appears in theory and security valuations often do not stand up to the ultimate test of realization.

There will be many cases where the lender feels the risk in the proposition is not tenable. A lender will wish to help a good customer and, if a proposition can be 're-engineered' into a more acceptable form, this should be done.

Security and ability to repay are both mentioned as corporate characteristics, which can be, and have been, measured with the data set collected. There is some evidence that the importance of security to UK bankers has diminished over time (Berry et al, 1987). This can be coupled with substantial evidence that bankers are concerned with the extraction of profit figures. However, the security issue still seems to be significant in relation to applications by small firms.

2.5 SOURCES OF INFORMATION FOR MAKING LOAN DECISIONS

According to Foster (1986) the information sources an analyst can access include:

(i) Loan Applicant.

Information requested from the applicant can include past financial statements, projections of financial statement items (for example, cash flow), descriptions of the assets offered as collateral, and details of business plans and management experience.

(ii) Lending institution files and personnel.

If the applicant is already a client of the bank, information about the prior payment record, the past track record of management, and so on may be readily available. Even if the applicant is a new client, information in the loan institution's files about "comparable firms" (for example, those in the same industry) can be useful in decision-making. This information can be accessed in a heuristic way or via the development of a distress prediction model, a numerical scoring system, or a similar computerized data analysis technique.

(iii) External Credit Surveys.

Bond- and credit-rating services provide information on many potential clients of a lending institution.

(iv) Factor, Labour and Product Markets.

Each of these three markets can be a rich information source about the ability of a firm to retain the support of suppliers, customers and so on. Issues relevant to loan analysis include the reliability of supply sources, the timing of wage contract negotiations, and the time trend of market share. Information about the competitors of the client, as well as about the client itself, can be critical in predicting the likely ability of a firm to make interest and principal repayments.

(v) Capital Markets.

By explicitly incorporating capital market information in the loan decision process analysts can exploit two important features of the capital market: (a) its forward-looking orientation and (b) its utilization of information from a broad spectrum of sources. Even if the applicant is privately held, the loan analyst can still use capital market information relating to other firms in the industry to gain insight into expectations of future developments in that industry. Capital market variables can be especially useful as a monitoring device for an existing loan as they may capture adverse developments before they are reflected in financial statements. Specific capital market variables include security price movements, option price movements, and trading volume statistics. In addition, reports from brokerage firms can provide useful insights about likely future developments, the quality of management, and so on.

(vi) Industry and Economy Reports.

An analyst can access numerous source of information in this area, for example, industry trade group forecasts, forecasts made by economists or econometric models, and reports from government departments and agencies about money supply, gross national production, and taxation.

These information sources differ in several dimensions, for example, qualitative versus quantitative, past versus future oriented, and verifiable versus non-verifiable. The challenge facing a loan analyst is to exploit these diverse information sources in a cost-effective and efficient way.

2.6 COMMERCIAL LENDING PROCESS

Appendix IV presents an overview of three stages in the commercial lending process (Cohen, Gilmore, and Singer, 1966, and Altman, 1980, present similar overviews):

- Loan approval
- Loan monitoring
- Loan termination

There are two related reasons for studying how existing decisions are made in one or more of these processes. One reason is to gain insight into the role that financial statement and other information play in these decisions. A second reason is to examine areas where 'innovations' can lead to improved loan decisions. An understanding of the current loan decision-making process facilities placing shilling magnitude on the expected gains from implementing improvements. These improvements could be manifested in several areas, for example, a reduction of current loan processing costs, an increase in the consistency with which analysts apply the bank's loan loss function, a reduction in loans made to clients that subsequently default, and an increase in loans made to clients that repay interest and principal in a timely manner.

An important but little researched area is the integration of financial statement information with other information in loan decisions. The latter includes strategy information about the firm and its competitors and capital market information. For instance, strategy analysis could help flag potential problem situations such as (a) loan applicant is currently profitable, but, due to several competitors constructing large-scale state-state-of–the art plants, applicant will need to make sizable investments in a new plant to remain profitable and (b) loan applicant is experiencing rapid growth and high profitability, but both these factors could be quickly eroded by a competitor's technological breakthrough.

Capital market information can be especially useful in the loan review process. Given the ability of capital markets to impound new information rapidly, lending institutions can use sudden drops in security price as a prompt for internal review of the loan. Little research has been published in this area, and at present most loan officer training programs do not include detailed segments on either strategy analysis or capital market analysis.

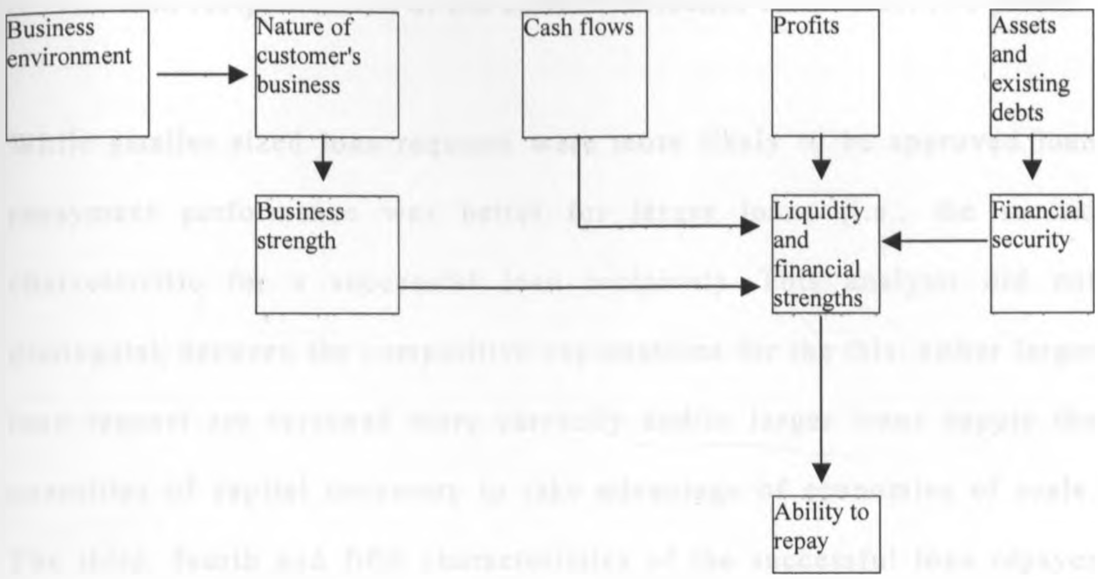
One example of progress in this area is Stein and Ziegler's (1984) analysis of corporate credit risks in Germany. This study integrated assessments of the quality of management with balance sheet variables based on transactions made on the current bank account. It was reported that simultaneously combining these three sets of variables "avoids deficiencies of using only one of the components and improves the early detection of credit risks".

2.7 CREDIT RISK ANALYSIS

The purpose of corporate credit analysis is in a nutshell to judge the liquidity and financial strength of a company. This involves a study of the business, its markets and market position, its management and its financial situation.

Corporate credit analysis may be summarized into the areas diagrammatically shown below:

Corporate Credit Risk Analysis



Corporate Credit Analysis (Brian Coyle 2000, Page 5)

The key issue explored by Eldestein (1975) in his paper, 'Improving the Selection of Credit Risks', was how a bank differentiates between potentially good and bad credit risks. Five characteristics on the loan application were found to be the best statistical predictors of successful loan repayment for loan recipients. These characteristics were:

- The loan recipient received his loan toward the chronological end of the survey period of the program;
- The loan recipient received a relatively large loan;
- The loan recipient had at least seven years of employment experience that was related to the type of business for which the loan had been sought;
- The loan recipient had accumulated a relatively large personal net

worth; and

- The loan recipient lived at his current residence for at least two years.

While smaller sized loan requests were more likely to be approved loan repayment performance was better for larger loans (i.e., the second characteristic for a successful loan recipient). This analysis did not distinguish between the competitive explanations for the this: either larger loan request are screened more carefully and/or larger loans supply the quantities of capital necessary to take advantage of economies of scale. The third, fourth and fifth characteristics of the successful loan repayer are more traditional. They allegedly demonstrate financial solvency and individual stability. Finally it was discovered that the probability of successful loan repayment increased if a retail or wholesale business were located in a relatively low income. This may, in part, be explained by the spatial monopoly of ghetto enterprises.

This analysis, as in prior studies, discovered that relatively few variables were required for the accurate prediction of credit performance. The variables that appear to be important predictors of credit-worthiness in these previous studies can be categorized into measures of fiscal performance, such as financial balance sheet data or financial ratios, and measures of stability/responsibility, such as the length of time employed.

2.8 EMPIRICAL LITERATURE REVIEW

Research has established that personal interviews and financial information are the main information sources in the bank lending decision (Berry et al, 1993: Danes et al., 1989). The smaller the size of the firm the less important the financial information as it is perceived to be unreliable (Danos, 1989) and the more important the personal interviews. Large non-family run firms tend to employ qualified accountants to produce more detailed and more frequent accounting information.

A survey by Stephens (1980) of bank lending officers revealed that half of them would refuse to loan to a company that did not submit financial statements, even though these might not be explicitly requested. Bank lending officers exhibited no preference for inventory or depreciation methods, but believed that consistency in the use of accounting methods is important.

However, banking systems show marked differences between countries (Berry et al., 1993) so it is difficult to generalize between countries. Most research studies have been carried out in the United States and (to a lesser extent) the United Kingdom. There are significant differences in the reported findings between these two countries. For example, reports from credit agencies and "Z" scores (Altman, 1968) are widely used in the United States (Danos et al., 1989) but apparently little used in the United Kingdom (Berry et al., 1993).

However, bearing the above in mind, the US and UK evidence shows that bank lending decisions are based upon the review of:

- Audited financials statements (usually for the past 3 years in order to assess the companies past record) with particular emphasis placed on balance sheets, profit and loss accounts, notes to the accounts, auditor's report and directors'/chairman's report.

  Flow of funds statements were of variable importance (Berry et al., 1991). The data collected is often put into banks in-house analysis sheets, which typically highlight key figures and ratios (i.e. traditional financial analysis).
- Pro forma updated financial statements
- Cash forecasts/budgets
- Management accounts
- Age/markets analysis of debtors and creditors (Berry et al., 1991).

However the weight attached to each of the above varies according to the firm's size, the personal characteristics of the loan officer (e.g. age, qualifications) and the loan duration.

Banks often request changes to a firm's accounting system (e.g. computerization, new appointments, more frequent reporting) and maintain regular contact with firms. Danos et al. (1989) identify three phases in the lending process:

- Phase One: Gather background information about the borrower (e.g. company history and credit rating, location and type of business, number of employees, names of directors, key employees and owners). Credit ratings are used which contain summarized financial reports, auditor names, and so on.
- Phase Two: A location visit to "size up" the business and collect any missing data from Phase One. Discussions with key employees regarding use of the loan and its repayment.
- Phase Three: Detailed financial information is collected (e.g. full accounts, budgets, and forecasts). Assessments of the organization and its ability to repay the loan are made. Assumptions underlying the financial information are assessed. The decision to make/not make the loan is made.

In his study of 'Financial Ratios as Perceived by Loan Officers', Gibson (1983) reviewed how commercial loan officers in the United States viewed specific financial ratios through the use of questionnaires. Their views were determined in terms of what a specific ratio primarily measures, the significance (importance) of a particular ratio, and its frequency of inclusion in loan agreements. Ratios that are viewed as being highly important are likely to be ratios that influence a commercial loan officer on whether to grant a loan. The three ratios rated as the most important were Debt/Equity, Current Ratio, and Cash Flow/Current Maturities of Long-Term Debt. Two of these are debt ratios and one is a liquidity ratio. Ratios that are incorporated into loan agreements are likely to be ratios that would help control a loan or ratios that would prevent excessive funds from being paid out to stockholders prior to the payment of the loan. The three ratios most likely to be included in loan agreements were indicated to be the Debt/Equity, Current Ratio, and Dividend Payout Ratio.

He found the following other ratios to be also significant.

- Fixed charge coverage
- Net profit margin (before and after tax)
- Net interest earned
- Inventory turnover
- Accounts receivable turnover

This is consistent with Backer (1970, p. 57) who surveyed American loan officers and found they tend not to be concerned with subjective accounting methods, so long as there is full disclosure, which allow appropriate adjustments to be made to financial statements. Zimmer (1979) found that loan officers rely greatly upon revenue recognition disclosures. Dietrick and Stamps (1981) found loan officers use such information to adjust financial statements in line with “standard industry practice” or “appropriate to the circumstances”.

Pike and Ross (1997) ranked the relative importance of the sources and types of credit information used by Canadian managers to assess the risk of foreign buyers. Information use variances among export credit managers are also investigated in light of differences in financial cost and risk aversion and marketing benefit attraction orientations, export credit insurance use and selected biodata characteristics. The study found that even for export sales, the primary focus of credit managers is on information about the buyer's credit character and financial strength, while political and economic risk information is generally of much less importance.

According to this study, Canadian export credit managers, overwhelmingly used domestic-type credit information sources and items when assessing the credit risk of foreign buyers. Of the domestic credit information types used by the managers, most attention was placed on payment record indicators. Oddly, financial strength indicators were used less frequently than the other standard credit risk indicators-even though earlier studies show that credit managers perceive the buyer's financial strength as the most important factor in assessing creditworthiness. Export specific credit information sources and other items are used only infrequently by Canadian export credit managers-perhaps due to the concentration of their export sales to the USA and other, relatively safe, export markets.

According to (Otieno et al, 1999), as far as the UK is concerned, 'traditional approaches' are seen as characterizing the use of financial data by bank lending officers. There is no evidence of substantial computerization of the process, and little evidence of the use of novel ways of combining financial variables, such as Z scores. This contrasts with reported US experience.

McMonnie (1988) takes the view that user needs should be a key determinant of form and content of financial reports, and that bank-lending officers (BLOs) are a key significant user group.

McMonnies is one of several documents published that have attempted to provide an all-embracing corporate reporting framework from a user perspective. McMonnies represents a set of proposals that are far removed from current practice. These proposals include disclosure: of forecast information, information on the economic environment and the human resources employed by the companies. The items addressed by McMonnies within this disclosure framework specifically considered in this paper are cash flow, assets, profit, future oriented information and non-financial information.

The profitability of the business was found to be of importance to the BLOs but it seems more emphasis is given to cash flows as a measure of business performance. Key profitability indicators that BLOs used were gross and net profit margins. There was evidence that BLOs appreciated the distinction between profits generated from continuing operations and extraordinary items. To this extent McMonnies' recommendations, which are reflected to a great extent in FRS 3, would be seen as sympathetic to the needs of BLOs.

BLOs attempted to gain an understanding of the objectives of the loan applicant to assess the purpose of the loan. However, there was no evidence of monitoring these objectives. Forecasts and plans when supplied by the loan applicants were used in assessing the application. These primarily consisted of cash flow forecasts on a monthly basis for one or two years. When information was not supplied voluntarily it seems that BLOs did not specifically request the information. The authors suggest that more emphasis is given by BLOs to asset-values rather than to forecasts. This suggests that the banks are more concerned with security than the future cash generating ability of the business.

The paper concludes that although BLOs say they generally require an expanded information set within the framework of the financial reports, it was questionable as to the extent to which it would actually be used. It was found that the assessment of applications was much more impressionistic than analytical.

In terms of cash flow statements, McMonnies' recommendations have since been adopted through the Accounting Standards Board introduction of Financial Reporting Statement 1 (FRS 1) in 1991. McMonnies dismisses historic cost valuations of assets in favor of net realizable value. McMonnies' definition of net realizable value is – an estimate of the amount the business would receive if an asset was sold, in an orderly fashion vis-à-vis in a liquidation. The majority of the recommendations with regard to disclosure of profits have now been included in Financial

Reporting Statement 3 introduced in 1992. A statement of corporate objectives is recommended so that performance can be judged in terms of the attainment of these objectives. In the case of forecast information, McMonnies recommends that a strategic plan and estimates of future cash flow should be disclosed. Disclosure of market, the rate of growth and other economic information that affects companies within their environment is recommended. From the perspective of human resource accounting, McMonnies advocates disclosure of information related to the experience and accountability of influential officers to the company.

Evidence from the study indicates that when a BLO examined the assets o an applicant's business their aim was to estimate the current value of the asset if it was sold; that is, the asset's realizable value. It seems that often, crude measures were used in attempting to determine the realizable value of assets. Buildings, plant and machinery and stocks were often the subject of a discount multiplier. For example, one respondent used a multiple of 0.1 on stock and machinery.

The relevance of cash flow information for predicting bankruptcy was highlighted by Beaver (1966). Beaver (1966) reported that cash flow from operations (CFFO), proxied by net income plus depreciation, depletion and amortization, to total debt had the lowest misclassification error relative to common accrual measures of financial health. However, his univariate approach to analyzing financial distress was seldom followed because while one ratio would indicate failure another could indicate nonfailure. Altman (1968) overcame this problem through the use of multiple discriminant analysis (MDA) that simultaneously considers financial ratio indicators of corporate health. Altman (1968) did not examine the value of cash flow information though. Deakin (1972) demonstrated employing MDA that cash flow to total debt was a significant predictor up to three years prior to failure. However, the role of cash flow information in discriminating between bankrupt and non-bankrupt companies remains a contentious issue.

The study of Bamber et al (1997) provides evidence on the effect of the modified audit report on bank loan officers lending decisions. The results reveal a consistent pattern of effects for the uncertainty-modified audit report. When the loan application included a modified audit report, bank loan officers gave the loan application a higher risk assessment and a higher interest rate premium. They were also less likely to grant the loan. Rather than simply causing bank loan officers to give greater weight to the uncertainty disclosed in the financial statements accompanying the loan application, bank loan officers attached greater weight to the audit report itself when it contained the explanatory fourth paragraph. These suggest that the uncertainty-modified audit report conveys information to bank loan officers.

The study's significant experimental results are consistent with a research survey (Miller et al 1993) that suggests that the expectation gap standards have helped clarify the nature of the auditor's communication with financial statement users. These results do not support the rationale for SAS No. 79 that the modified audit report is redundant because the footnotes to the financial statements already contain the same disclosures as in the audit report's explanatory fourth paragraph. Rather, the results support the argument that the auditor's additional disclosure of the uncertainty is informative, providing an independent, informed second opinion about the importance of the uncertainty. Eliminating this reporting option appears to be a questionable step, if the profession's objective is to maximize auditing contribution to financial reporting.

Matata Munyeke (1996) concludes that the client's failure to supply audited or management accounts to the bank makes the monitoring exercise frustrating and even fruitless. Therefore officers may not notice early enough any failing projects. He summarizes the following as the possible causes of poor investment portfolio of Development Financial Institutions:

- Engagement in risky business
- Over emphasis of developmental role
- Oversights by officers during the appraisal process
- Corruption
- Undue influence by promoters during the appraisal process
- Weak research departments
- Delays in project realization
- Impediments in the monitoring exercise
- Failure to identify symptoms of failing projects

- Inefficient management of the project
- Unfavorable or adverse government policies and government interferences
- Insufficient raw materials
- Lack of generous dividend policy

Mucheke (2001) in his project on Factors Contributing to Non-Performing Loans concluded that the following factors contributed to non-performing loans:

- Weak internal environment such as inadequate credit policy.
- The government's macro economic policy, which ultimately determine how the economy performs.
- Poorly managed and unprofessionally run businesses.

There are two aspects of the lending process-loan evaluation and loan monitoring. The literature tends to emphasize loan evaluation but also provides clear evidence of the additional need for loan recipients to make regular submission of financial data after the loan has been agreed. There is some discussion of the extent to which banks use the opportunity provided by the granting of loan to require the future provision of data either currently unavailable or not provided at the time of the original loan application.

Otieno (et al 1999) investigated the use made of financial statements by Zimbabwean loan officers. The results of the study showed that loan managers:

- Use information derived from financial statements on their lending decisions
- Do not rely entirely on one source of information
- Would like to make some improvements to annual reports. For example, Cash Flow Statement would be preferred to Funds Flow Statements. The disclosure of both turnover and cost of goods sold should be required by law.

CHAPTER 3: RESEARCH DESIGN

3.1 POPULATION OF THE STUDY

The population is all the banks operating in Kenya under "The Banking Act; Chapter 487". A list of all banks operating in Kenya as at 28th February, 2003 is presented in Appendix III.

3.2 DATA COLLECTION

The study used primary data, which, was collected from a sample of all the commercial banks operating in Kenya.

The respondents for the study were the credit risk analysts of Kenyan commercial banks.

A structured questionnaire consisting of closed-ended questions were used. The questionnaire is presented in appendix II. A letter introducing the candidate to the respondents is presented in appendix I.

The questionnaire was made up of six sections:

Section A	Lending objectives
Section B	Sources of information
Section C	Level of reading of different sections of financial statements
Section D	Additional information to be included in financial statements
Section E	Additional information to be incorporated in the Company's Act.
Section F	Background Information

The opinions or attitudes of the respondents were captured on a four-point scale and the following scheme was used to interpret the responses:

Label	Range of Means
Very Important	3.50-4.00
Moderately Important	2.50-3.49
Slightly Important	1.50-2.49
Not Important	1.00-1.49
For Section C only:	
Read Thoroughly	3.00-4.00
Read Briefly	2.50-3.00
Do Not Read	1.00-2.49

3.3 DATA ANALYSIS TECHNIQUES

The following measures were used in the analysis:

- Means to rank the variables. The initial hypothesis is, the higher the mean the greater the importance of the item. Another representative measure to be used in this study is the mode.
- Standard deviation as a measure of spread among the respondents about the mean (Bowen and Weisberg, 1980).
- Correlation coefficients to identify relationships between lending objectives and sources of information and between the sources.

CHAPTER 4: RESEARCH FINDINGS

4.1 PROFILE OF RESPONDENTS

A total of 34 questionnaire responses were received from 27 banks i.e. 63 percent of all banks. The banks that responded to the questionnaire, however, held 89 percent of net assets of the banking industry (Bank Supervision Annual Report, 2001). The results of the questionnaire responses are shown in tables 4.1-4.7.

Table 4.1 shows the backgrounds of respondents. The respondents were generally well educated (87 percent were either graduates or postgraduates), and experienced (68 percent had more than five years experience in credit) and processed large volumes of loans (62 percent processed over Shs300 million in a year). 85 percent of the respondents were between 26 and 45 years of old. Only 18 percent of the respondents were female, which is likely to be an indicator of representation of women in this field.

4.2 OBJECTIVES OF THE LENDING DECISIONS

As shown in table 4.2 the respondents are generally in agreement about their lending objectives with a standard deviation of less than one in all the categories of objectives. All respondents see profitability as the most important objective with a rating of 3-4. The need to minimize default

Table 4.1 Background of Respondents

Background	Proportion of Respondents
Gender	
Male	82%
Female	18%
Total	100%
Age (Years)	
Under 25	0%
26-35	53%
36-45	32%
46-55	6%
Over 55	9%
Total	100%
Number of years served as loan/credit officer	
Less than 2	12%
3	12%
4	9%
More than 5	68%
Total	100%
Number of applications you process per year	
Less than 50	24%
51-100	24%
101-150	9%
More than 150	44%
Total	100%
Loan amounts you process per year (in value terms-Shs Millions)	
Less than 100	15%
101-300	24%
301-500	15%
More than 500	47%
Total	100%
Which of the following best describes your level of education?	
Secondary	0%
High School	12%
Degree	61%

Postgraduate	27%
Total	100%

risk, with a mean of 3.65 is also highly rated. Adhering to government policy was highly ranked at a mean of 3.35. This is probably explained by the fact that failure to meet government policy requirements such as cash ratio or minimum capital requirements may lead to punitive penalties.

Respondents rated social objectives as only slightly important. This ranking level is characteristic of developing countries where many firms do not place a great amount of emphasis upon social objectives. 15 percent of respondents consider it 'not important'.

These findings are consistent with those of Danos et al.(1989) in the U.S., Berry et al.(1993) in the U.K. and Otieno et al. (1999) in Zimbabwe.

Summaries of Questionnaire Responses

Table 4.2 Lending Objectives

	Mean	Mean Ranking	Standard Deviation	Minimum	Maximum
A-Items 1-5 in the questionnaire represent lending objectives					
1 Minimizing default	3.65	2	0.73	1	4
2 Adhering to government policy	3.35	3	0.95	1	4
3 Profitability	3.76	1	0.43	3	4
4 Social objectives	2.47	5	0.86	1	4
5 Credit Expansion	3.15	4	0.99	1	4

Table 4.3 Sources of Information

	Mean	Mean Ranking	Standard Deviation	Minimum	Maximum
B-Items 6-16 in the questionnaire represent important sources of information					
6 Financial statements	3.85	1	0.36	3	4
7 Customer's bankers	3.32	5	0.81	1	4
8 Customer's employers	2.61	9	0.83	1	4
9 Customer's references	3.06	6	0.89	1	4
10 Customer's records with the lenders	3.82	2	0.46	2	4
11 Customer's project proposal	3.70	4	0.59	2	4
12 Credit rating agencies	2.38	10	1.05	1	4
13 Visit to companies	3.76	3	0.50	2	4
14 Government publications	2.82	7	0.87	1	4
15 Tips and rumors	2.18	11	1.03	1	4
16 Newspapers, magazines and journals	2.77	8	0.86	1	4

Table 4.4 Extent To Which Financial Statements Are Read

	Mean	Mean Ranking	Standard Deviation	Minimum	Maximum
C-Items 17-25 in the questionnaire represent the extent to which parts of financial statements are read					
17 Balance sheet	3.94	2	0.24	3	4
18 Profit & loss account	3.97	1	0.17	3	4
19 Statement of retained earnings	3.59	5	0.70	2	4
20 Cashflow statements	3.82	3	0.46	2	4
21 Notes to accounts	3.56	6	0.66	2	4
22 Director's report	2.85	8	0.86	1	4
23 Statement of accounting policies	3.11	7	0.84	1	4
24 Auditors' report	3.68	4	0.59	2	4
25 Chairman's report	2.65	9	0.85	1	4

Table 4.5 Additional Information To Be Published In Financial Statements

	Mean	Mean Ranking	Standard Deviation	Minimum	Maximum
D-Items 25-42 in the questionnaire relate to additional information to be published in the financial statements					
25 Business of directors	2.74	15	0.99	1	4
26 Total remuneration of directors	2.65	17	0.85	1	4
27 Research and development	2.79	14	0.89	1	4
28 Change in top management	3.68	3	0.53	2	4
29 Brand name	2.88	13	0.91	1	4
30 Sales forecast	3.62	5	0.55	2	4
31 Profit forecast	3.68	4	0.53	2	4
32 Interim report	3.41	7	0.66	2	4
33 Future earnings per share	2.65	18	0.85	1	4
34 Market share	3.35	8	0.77	1	4
35 Segmental reporting	2.94	12	0.81	1	4
36 Actual paid tax	2.68	16	0.77	1	4
37 Company products	3.12	10	0.95	1	4
38 Turnover	3.77	2	0.61	1	4
39 Management audit	3.24	9	0.86	1	4
40 Cost of goods sold	3.44	6	0.71	1	4
41 New product	2.97	11	0.85	1	4
42 Cash flow statements	3.85	1	0.36	3	4

Table 4.6 Additional Information To Be Incorporated In The Company's Act

	Mean	Mean Ranking	Standard Deviation	Minimum	Maximum
E-Items 43-60 in the questionnaire relate to additional information to be incorporated in the Company's Act					
43 Business interest of directors	3.09	7	0.95	1	4
44 Remuneration of directors	2.73	15	0.94	1	4
45 Research and development	2.79	14	0.89	1	4
46 Change in top management	3.39	1	0.75	1	4
47 Brand name	2.88	12	0.93	1	4
48 Sales forecast	3.21	5	1.02	1	4
49 Profit forecast	3.24	4	1.00	1	4
50 Interim reports	3.03	10	0.85	1	4
51 Future earnings per share	2.61	18	1.03	1	4
52 Market share	3.00	11	1.03	1	4
53 Segmental reporting	2.67	17	0.89	1	4
54 Actual tax paid	2.73	16	0.91	1	4
55 Company products	3.06	9	1.06	1	4
56 Turnover	3.33	2	1.11	1	4
57 Management audit	3.15	6	0.97	1	4
58 Cost of goods sold	3.09	8	1.04	1	4
59 New product	2.88	13	0.96	1	4
60 Cash flow statements	3.33	3	1.11	1	4

Table 4.7 Frequency and Mode Value Labels

Value Label	*Not Important* *1*	*Slightly Important* *2*	*Moderately Important* *3*	*Very Important* *4*	*Total %*	*Mode*
Section A						
1. Minimizing default	3%	6%	15%	76%	100%	4
2. Adhering to government policy	6%	15%	18%	62%	100%	4
3. Profitability	0%	0%	24%	76%	100%	4
4. Social objectives	15%	32%	44%	9%	100%	3
5. Credit Expansion	9%	15%	29%	47%	100%	4
Section B						
6. Financial statements	0%	0%	15%	85%	100%	4
7. Customer's bankers	3%	12%	35%	50%	100%	4
8. Customer's employers	9%	33%	45%	12%	100%	3
9. Customer's references	3%	26%	32%	38%	100%	4
10. Customer's records with the lenders	0%	3%	12%	85%	100%	4
11. Customer's project proposal	0%	6%	18%	76%	100%	4
12. Credit rating agencies	26%	24%	35%	15%	100%	3
13. Visit to companies	0%	3%	18%	79%	100%	4
14. Government publications	6%	29%	41%	24%	100%	3
15. Tips and rumors	35%	21%	35%	9%	100%	1,3
16. Newspapers, magazines and journals	9%	24%	50%	18%	100%	3

4.3 SOURCES OF INFORMATION

Respondents' opinion on eleven (11) different sources of information was requested. The sources ranged from financial statements to newspapers, magazines and journals.

Financial statements as a source of information was rated as very important by 85 percent of the respondents (See Table 4.3). This information is readily available at low cost. This is consistent with the findings of Danos et al.(1989) in the U.S., Berry et al.(1993) in the U.K. and Otieno et al. (1999) in Zimbabwe.

The second most highly ranked mean, also very important, was customer's record with the lending institution. A customer with a good track record is unlikely to default on the next loan. The cost of using such records is relatively low. However, this source is of no use in the case of first time borrowers.

Also ranked as very important are visit to customer premises and customer project proposal, in that order. On studying a customer's project proposal, the lender can determine the intended use of the funds and the project's viability. One would expect loan managers to visit the business of borrowers to see for themselves what goes on especially for sizeable loans.

Customer's bankers, government publication, magazines (newspapers or journals) and customers employers' were all rated as moderately important in that order. Suggesting that while these are useful sources of information for credit risk analysis, credit risk analysts do not place too much reliance on them.

Credit rating agencies and tips and rumours were only ranked as slightly important in that order. Credit rating agencies are rated very important in the United States, United Kingdom and Zimbabwe (Otieno et al, 1999). It is ranked among the lowest with a mean of 2.38 probably because of lack of legislation to deal with issues of confidentiality of information given to credit rating agencies (Bank Supervision Annual Report, 1999) and the fact that there are no locally based rating agencies in Kenya. Tips and rumours have the lowest ranking suggesting that loan officers rarely use them.

4.4 THE EXTENT TO WHICH SECTIONS OF FINANCIAL STATEMENTS ARE READ

In Section B of the questionnaire responses (see items 6-16 of tables 4.4), it was noted that lenders rely on financial statements in making lending decisions. Financial statements as a source of information were rated as very important by 85.29 percent of the respondents. In Section C (see items 17-25 of tables 4.4) the importance of different parts, which make up annual reports are reviewed. Respondents were asked to state the extent to which they read parts of the annual report. The assumption is that loan managers will read thoroughly those parts they consider informative but ignore those sections with low information content.

Lenders may well use models to predict default. Gibson (1983) shows that these models often use financial statements information. Dietrich and Kaplan (1982) have developed a model designed to replicate the judgement used in classifying loan risk. By identifying the parts, which are thoroughly read, accountants can attempt to meet the information requirements of lenders.

This research indicates that the Profit and Loss Account, Balance Sheet and Cash Flow Statement with a mean of 3.97, 3.94 and 3.82 respectively are read thoroughly, which is consistent with the U.K. evidence, Berry et al. (1991) and the findings in Zimbabwe, Otieno et al. (1999).

The other components of the annual report, namely, the Statement of Accounting Policies, the Notes to the Accounts, the Auditors' Report and the Directors' Report were read only briefly. Berry et al.(1993) found all these components assuming the Statement of Policies to be included in the Notes, to be well used in the United Kingdom.

The standard deviations of the items within this section are also low, suggesting that respondents tend to agree on the extent to which parts of financial statements are read.

Correlation of coefficients between lending objectives and sources of information and between the sources were all below 0.05, indicating no significant relationship.

4.5 ADDITIONAL INFORMATION TO BE INCLUDED IN THE FINANCIAL STATEMENTS

Credit analysts were asked to suggest additional information they wished to have included on financial statements. As shown in Table 4.5 cash flow statement, turnover, change in top management, profit forecast and sales forecast, in that order were all considered to be very important.

4.6 Additional Items To Be Incorporated in the Company's Act

Lenders considered change in top management, cash flow statement, turnover, profit forecast and sales forecast in that order of mean ranking as the most important additional items to be incorporated in the Company's Act (See Table 4.6). All items under this section were rated as being moderately important. Suggesting that there was a general desire to have the Company's Act reviewed to make additional disclosure requirements.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The study had three objectives; to establish whether credit risk analysts in Kenyan commercial banks use financial statements in credit risk assessment, to identify the sections of Kenyan annual reports which credit risk analysts find most useful and to find out from credit risk analysts in Kenyan commercial banks improvements that can be made to financial statements.

The study revealed that credit risk analysts use information derived from financial statements in their lending decisions. Financial statements as a source of information were rated as very important by 85 percent of the respondents.

The study showed that credit risk analysts do not rely on only one source of information. Customer records with the lending institutions, visits to customer premises and customer project proposals were also ranked as very important.

Credit risk analysts also indicated that they would like some improvements made to annual reports. For example, the law should require the disclosure of change in top management, cash flow statement, turnover, profit forecast and sales forecast.

These results are expected to be useful both for organizations seeking loan finance and for accounting standards setters. They are also useful as a reference point for comparative studies that might be undertaken in other African countries.

5.2 LIMITATIONS OF STUDY

A limitation of the study stems from its design, which involved the use of a questionnaire to capture relevant information. Personal interviewing, observation or content analysis of credit risk analysts' reports might have obtained richer responses.

5.3 FURTHER RESEARCH

Future research should use in-depth interviewing techniques to provide a more complete picture of how credit risk analysts use financial statements in credit risk assessment in Kenya.

The study found that credit risk analysts use information derived from financial statements in their lending decisions. Further research should be carried out on how each of the financial statements is used.

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Appendix I

LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI,
DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF COMMERCE,
P.O. BOX 30197,
NAIROBI.

TO WHOM IT MAY CONCERN

Dear Respondent,

Ref: Request for Research Data

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In partial fulfillment of the requirements for the award of the degree in Master of Business Administration, I am conducting a study entitled; *An Analysis of The Usefulness Of Annual Financial Statements To Credit Risk Analysts In Kenyan Commercial Banks.* Your bank has been selected to participate in this study.

For the purpose of completing my research, I wish to collect data through the attached questionnaire. I shall be grateful if you would kindly assist me by completing this questionnaire.

This information is purely for the purpose of my project work and I pledge to you that it shall be treated with strict confidentiality. A copy of the final research report will be availed to you upon request.

Thank you for your cooperation.

Yours faithfully,

ADAM M. BORU
MBA CANDIDATE

LUTHER OTIENO
LECTURER
DEPARTMENT OF ACCOUNTING
SUPERVISOR

RESEARCH QUESTIONARE

AN ANALYSIS OF THE USEFULNESS OF ANNUAL FINANCIAL STATEMENTS TO CREDIT RISK ANALYSTS IN KENYAN COMMERCIAL BANKS

Please rate the following items in their order of importance by ticking as follows:

1	2	3	4
Not Important	Slightly Important	Moderately Important	Very Important

Section A

Lending objectives?

	1	2	3	4
1. Minimizing default				
2. Adhering to government policy				
3. Profitability				
4. Social objectives				
5. Credit Expansion				

Section B

Sources of information

6. Financial statements

7. Customer's bankers

8. Customer's employers

9. Customer's references

10. Customer's records with the lenders

11. Customer's project proposal

12. Credit rating agencies

Please rate the following items in their order of importance by ticking as follows:

1	2	3	4
Not Important	Slightly Important	Moderately Important	Very Important

13. Visit to companies

14. Government publications

15. Tips and rumors

16. Newspapers, magazines and journals

Section C

Extent to which parts of financial statements are read

17. Balance sheet

18. Profit & loss account

19. Statement of retained earnings

20. Cashflow statements

21. Notes to accounts

22. Director's report

23. Statement of accounting policies

24. Auditors' report

24. Chairman's report

Please rate the following items in their order of importance by ticking as follows:

1	2	3	4
Not Important	Slightly Important	Moderately Important	Very Important

Section D

Additional information to be published in the financial statements

25. Business of directors

26. Total remuneration of directors

27. Research and development

28. Change in top management

29. Brand name

2. Sales forecast

29. Profit forecast

30. Interim report

31. Future earnings per share

Please rate the following items in their order of importance by ticking as follows:

1	2	3	4
Not Important	Slightly Important	Moderately Important	Very Important

32. Market share

33. Segmental reporting

34. Actual paid tax

35. Company products

36. Turnover

37. Management audit

38. Cost of goods sold

39. New product

40. Cash flow statements

Section E

Additional information to be incorporated into the Company's Act

41. Business interest of directors

42. Remuneration of directors

43. Research and development

44. Change in top management

45. Brand name

46. Sales forecast

47. Profit forecast

48. Interim reports

49. Future earnings per share

Please rate the following items in their order of importance by ticking as follows:

1	2	3	4
Not Important	Slightly Important	Moderately Important	Very Important

50. Market share

51. Segmental reporting

52. Actual tax paid

53. Company products

54. Turnover

55. Management audit

56. Cost of goods sold

57. New product

58. Cash flow statements

Section F

Background Information

Information solicited in this section is useful in general analysis of demographic characteristics of respondents e.g. gender proportion of respondents. All information will be treated with strict confidentiality.

Gender:

Male ☐

Female ☐

Age (Years)

Under 25 ☐

26-35 ☐

36-45 ☐

46-55 ☐

Over 55 ☐

Number of years served as loan/credit officer

Less than 2

3

4

More than 5

Number of applications you process per year

Less than 50

51-100

101-150

More than 150

Loan amounts you process per year (in value terms-Million Kshs.

Less than 100

101-300

301-500

More than 500

Do you always use companies' published annual reports as a source of information in making lending decision?

Yes ☐

No ☐

How important is the published annual report in evaluating loan application?

Not important ☐

Slightly important ☐

Moderately important ☐

Very important ☐

Which of the following best describes your level of education?

Secondary ☐

High School ☐

Degree ☐

Postgraduate ☐

APPENDIX III

COMMERCIAL BANKS OPERATING IN KENYA AS AT 28.02.2003

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
1. AFRICAN BANKING CORP. LTD Managing Director Mr. Ashraf Savani	46452 NAIROBI	TELEX 22069 FAX 222437	223922 251540/1	ABC Bank Mezzanine Floor Koinange Street ho@abcthebank.co.ke	1.5.1984
2. AKIBA BANK LTD. Executive Director Mr. Dhruv Pandit	49584 NAIROBI	TELEX 22060 FAX 225694	331709 218360/1 249633/4 249670/1/2	Fedha Towers Muindi Mbingu st. Nairobi finance.headoffice@akiba.com	`1.7.1995
3. BANK OF BARODA (K) LTD. Managing Director Mr. T. K. Krishnan	30033 NAIROBI	22250 FAX 254-2- 333089	227869 228405	Tom Mboya Street barodak_ho@form-net.com	1.7.1953
4. BANK OF INDIA Managing Director Mr. P.A. Kalyanasunder	30246 NAIROBI	TELEX 22725 FAX 229462	221414-7 218063 218871	Kenyatta Avenue boi10@calva.com	5.6.1953
5. BARCLAYS BANK OF KENYA LTD. Managing Director Mr. Adan Mohamed	30120 NAIROBI	TELEX 22210 FAX 213915	332230	Barclays Plaza Loita Street bbkfin@user.africanline.co.ke	`1.7.1925

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX
6. CFC BANK LIMITED Converted to a commercial bank in 1995 Managing Director Mr. Robert Barry	72833 NAIROBI
7. CHASE BANK (KENYA) LTD. (changed name from United Bank Ltd w.e.f 15.11.95) Managing Director Mr. Zafrullah Khan	64042 NAIROBI
10. CHARTERHOUSE BANK LTD. (changed name from Middle East Bank (K) Finance w.e.f, 11.11.96 and became a bank w.e.f. 01.10.98) Managing Director Mr. Sanjay Shah	43252 NAIROBI
11. CITIBANK N.A. General Manager Mr. Terry Davidson	30711 NAIROBI
12. CITY FINANCE BANK LTD. Managing Director - S.V. Ramani	22741 NAIROBI
13. COMMERCIAL BANK OF AFRICA LTD. Managing Director Mr. Isaac Awuondo	30437 NAIROBI

TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
22814 FAX 223032	340091 741861	CFC Centre Chiromo road Westlands	14.05.55
TELEX 23152 FAX 246334	244035 245611 330222 252385	Prudential Ass. Building 6th Floor. Wabera Street info@chasebank.co.ke	1.4.1991
23041 FAX 219058 223060	242246/53	Longonot Place 6th. Floor Kijabe Street info@chaterhouse-bank.com	1.10.98
22411 22432 FAX 714810/1	711221 222248	Citibank House Upper Hill Road -	1.7.1974
22037 FAX 335386	224238-9 210338/9	Unity House Koinange St. cfbl@saamnet.com	10.09.1984
23115 FAX 335827	228881 340200	Wabera Street cba@cba.co.ke	13.2.1967

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX
14. CONSOLIDATED BANK OF KENYA LTD. Managing Director Mr. K.A.K. Bett	51133 NAIROBI
15. CO-OPERATIVE BANK OF KENYA LTD. Managing Director Mr. Gideon M. Muriuki	48231 NAIROBI
16. CO-OPERATIVE MERCHANT BANK Managing Director Mr. Gideon M. Muriuki	48231 NAIROBI
17 CREDIT AGRICOLE INDOSUEZ Previously Bank Indosuez- converted on 5.8.1997 Regional Manager Mr. Jean Marguier	69562 NAIROBI
18. CREDIT BANK LIMITED Managing Director Mr Narendra Kumar Agarwal	61064 NAIROBI
19. DEVELOPMENT BANK OF KENYA LTD. General Manager Mr. J.V. Bosse	30483 NAIROBI

TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
22482 FAX 340213	340551 340830 340920	Consolidated Bank Hse. Koinange Street consobank@iconnect.co.ke	18.12.1989
22938 FAX 226437 246635	228453/7 210653/4 226231 251290/9	New Location-(H.Q) CO-OPERATIVE HOUSE coopbankmd@form-net.com	1.7.1968
22938 FAX 219821	228711/2/3	New Location-(H.Q) International Life House Mama Ngina Street cmb@africaonline.co.ke	1.3.1992
23091 FAX 214166	211175 210546	Re-Insurance Plaza Taifa Road cai.kenya@ke.ca-indosuez.com	1.1.1998
TELEX 23050 FAX 216700	222300 222317 220789 332015	Ground Floor Mercantile Hse Koinange st. cblnbi@creditbankltd.com	14.5.1986
FAX 0254-2-338426 054-2-22662	340426 340478 340416	Finance House Loita Street dbk@africaonline.co.ke	1.5.1995

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.
20. DIAMOND TRUST BANK KENYA LTD. (merged with Premier Finance on 01.04.99) Managing Director Mrs. N.M. Devji	61711 NAIROBI	23177 FAX 336836
21. DUBAI BANK KENYA LIMITED (changed name from Mashreq Bank from Apr. 2000) Managing Director Mr. Fredrick Njoroge	11129 NAIROBI	22596 FAX (2) 245242
22. EQUATORIAL COMMERCIAL BANK LTD Managing Director Mr. T.N. Khwaja	52467 NAIROBI	23198 FAX 331606
21. FIDELITY COMMERCIAL BANK LTD. Managing Director Mr. Sultan Khimji	34886 NAIROBI	FAX 243389
22. FINA BANK LIMITED. Managing Director Mr. V.M. Shanbhag	20613 NAIROBI	FAX 254-2 337082
23.FIRST AMERICAN BANK OF KENYA LTD. Managing Director Mr. M. Blasetti	30691 NAIROBI	TELEX 22398 FAX 333868 216021/226577
24. GUARDIAN BANK LIMITED. (Merger with First National Fin. Bank app. on 24-11-98) (Merger with Guilder Int. Bank app. on 31.12.1999) Executive Director Mr. G.H. Bhatt	46983 NAIROBI	23214 FAX 254 (2) 229248

TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
210988/83 (20 lines) 210985/86	Nation Centre- 8th Floor Kimathi Street user@dtbkenya.co.ke	1.11.94
330562-6	I.C.E.A Building Kenyatta avenue user@dubaibank-kenya.com	11.9.1981
331122/338308 330611/221114	Sasini House Loita street ecd@saamnet.com	20.12.95
242348 244187	I.P.S Bldng. 7th Floor Kimathi St. customerservice@fidelitybankkenya.com	1.6.1992
240798 337070 222580	Fina House Kimathi Street banking@finabank.com	13.01.95
215936/7 (15LINES)	I.C.E.A Building Kenyatta Ave. 6TH&7TH FLOORS fabk@saamnet.com	1987
211230 214070	Nation Centre 7th Floor Kimathi Street viewpark@guardian-bank.com	17.12.1992

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX
25. GIRO COMMERCIAL BANK LIMITED (Merger with Commerce Bank effective 11-12-98) Managing Director Mr. R.B. Singh	46739 NAIROBI
26. HABIB BANK A.G. ZURICH (Merger with Habib African Ltd app. on 31.12.1999) Country Manager Mr. I.A Allawala	30584 NAIROBI
27. HABIB BANK LTD. General Manager (Africa Region) Mr. Hamid M. Baig	6906 NAIROBI
28. IMPERIAL BANK LTD. Managing Director Mr.A.Janmohamed	44905 NAIROBI
29. INDUSTRIAL DEVELOPMENT BANK LTD. (Converted to a Commercial Bank on 10.09.98) Managing Director Mr. Lawrence Masaviru	44036 NAIROBI
30. INVESTMENTS & MORTGAGES BANK LTD. General Manager Mr. A.V. Chavda	30238 NAIROBI
31. KENYA COMMERCIAL BANK LTD. Managing Director Mr. Gareth A George	53290 NAIROBI
32. K-REP BANK LIMITED Managing Director Mr. Kimanthi Mutua	39312 **NAIROBI**

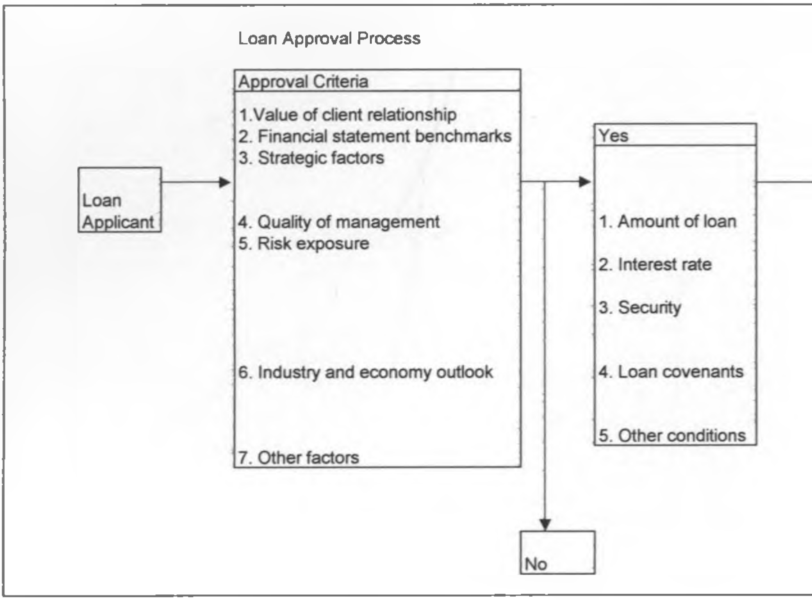
TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
22013 FAX 336991 210679	330129 339519 216005 330135/7/9	Giro House Kimathi Street gcbl@swiftkenya.com	17.12.1992
TELEX 22982	334984-5	National House Koinange Street habibbank@form-net.com	1.7.1978
TELEX 22238	246613 246641	Exchange Building Koinange Street hblronbi@africaonline.co.ke	2.3.1956
FAX 230994 250137	225060 252175/8 25284/5	IPS Building Kimathi Street impbank@iconnect.co.ke	1.11.1992
22339 FAX 334594	337079	National Bank Building Harambee Avenue bizcare@idbkenya.com	1.7.1989
TELEX 22178 713757/716372	711994-8	I & M Bank House 2nd Ngong Avenue invest@imbank.co.ke	25.5.1980
23085 FAX 336422	339441/3 339450/2 339446/9	Kencom House Moi Avenue kcbhq@kcb.co.ke	
FAX NO. 573178 711645	571511 573169 573236/45/67 **573141/8**	Registry@k-repbank.com Naivasha Road Riruta	25.03.99

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
33. MIDDLE EAST BANK KENYA LTD. Managing Director Ghosh Debdutta	47387 0100 NRB -GPO	23132 MEBANK FAX 336182	723120	Mebank Tower Milimani Road Nairobi mebkenya@nbnet.co.ke	15.12.1980
34. NATIONAL BANK OF KENYA LTD (merged with KENYAC effected on 25.05.99) Managing Director - R.M. Marambii	72866 NAIROBI	25743 FAX 0254-2- 330784	226471-8 339690	National Bank Building Harambee Avenue nbkinfo@swift kenya.com	1.1.1968
35. NATIONAL INDUSTRIAL CREDIT BANK LTD. Managing Director Mr. M. N. Davidson	44599 NAIROBI	25535 NINCKENA 718232	718200	N.I.C. House Masaba Road nic@iconnect.co.ke	17.9.1959
36. PARAMOUNT UNIVERSAL BANK LTD. Merger of Paramount with Universal Bank Managing Director Mr. Ayaz Merali	14001 NAIROBI	FAX 449265	449266-8	Sound Plaza Building Westlands pbl.bank@africaonline.co.ke	1.101993
37. PRIME BANK LTD. Managing Director Mr. Vasant K. Shetty	43825 NAIROBI	23224 FAX 334549	211979 214869/70 334312	Kenindia Hse. Loita Street primebank@form-net.com	1.3.92
38. SOUTHERN CREDIT BANKING CORP. LTD. Merged with Bullion Bank Managing Director Mr. D.A. Shah	66171 NAIROBI	22441 FAX 246309 221338	220939 220948 218622	Off Muranga Road -	1.10.80
39. STANBIC BANK KENYA LIMITED. (changed name from Grindlays Bank w.e.f 1.7.93) Managing Director Mr. P.R. Southey	30550 NAIROBI	25207 22397 FAX 229287 330227	335888	Stanbic Bank Building Kenyatta Ave. stanbic@africaonline.co.ke	9.5.1970
40. STANDARD CHARTERED BANK (K) LTD. Managing Director Allan Christopher M. Low	30003 NAIROBI	TELEX 22209 214086	330200 331210	Stanbank House Moi Avenue mds.office@ke.standardchartered.com	1.10.1910

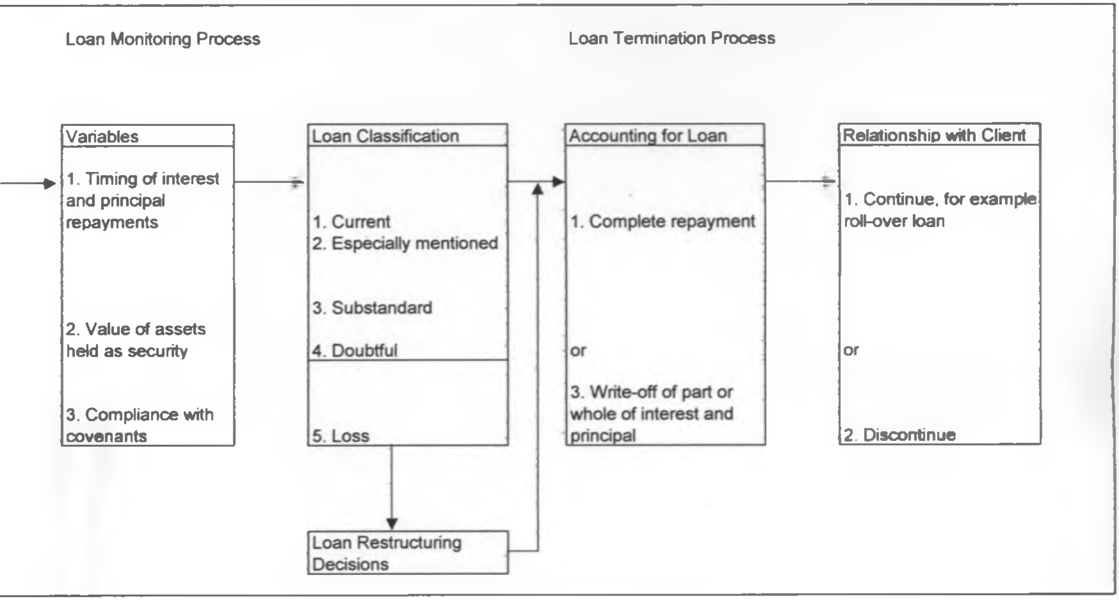
NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX
41. THE DELPHIS BANK LTD. Under CBK Management- Manager Rose Detho Former Managing Director N.R. Panicker	44080 NAIROBI
42. TRANS - NATIONAL BANK LTD. Chief Executive Mr. Dhirendra K. Rana	34353 NAIROBI
43. VICTORIA COMMERCIAL BANK LTD. Managing Director Mr. Yogesh K. Pattni	41114 00100 NAIROBI

Source: CBK

TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
22493 FAX 219469	228461/2 221875 222076	Finance Hse. Koinange St. delphiskenya@connect.co.ke	02.08.91
TELEX 23231 FAX 339227	224234-6 339201-4 339225 339223	Transnational Plaza Mama Ngina Street tnbl@form-net.com	1.8.1985
TELEX 22471 FAX 220548/241485	225767 228732 228950	Victor Hse. 2nd Floor Kimathi st. user@vicbank.com	1.6.1987


Loan Approval Process
Approval Criteria
1.Value of client relationship
2. Financial statement benchmarks
3. Strategic factors
4. Quality of management
5. Risk exposure
6. Industry and economy outlook
7. Other factors
Loan
Applicant
Yes
1. Amount of loan
2. Interest rate
3. Security
4. Loan covenants
5. Other conditions
No

Commercial Lending Process



A SURVEY OF PERCIEVED ENTREPRENEURIAL OPPORTUNITIES IN HIV /AIDS MITIGATION IN NAIROBI.

BY

WAWERU MARGARET TUTO

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI.

October 2005

DECLARATION

This project is my own original work and has not been presented for a degree in any other university or institution.

Signed: ----------Tuto.---------- Date: ----21st October 2005-

Waweru, Margaret Tuto

D61/7319/03

This project has been submitted for examination with my approval as the University Supervisor.

Signed: ----------Maalu---------- Date: ----24/10/05----

Mr. Jackson Maalu,
Department of Business Administration,
Faculty of Commerce,
University of Nairobi.

DEDICATION

I wish to dedicate this masters' project to the following persons:

My loving husband, Murimi, whose love, care, understanding, inspiration and support despite being miles away, enabled me to achieve my dreams;

To our lovely daughter, Wangari, who was born at a time when I wanted to pursue my masters, and who nevertheless was very cooperative and gave me the peace of mind to study;

To my dear parents who laid the education foundation for me since my early childhood, and went out of their way to always motivate me to read further.

ACKNOWLEDGEMENT

I would like to extend my sincere appreciation to all those who directly or indirectly contributed towards the achievement of my dream degree. In a very special and humble way I am very grateful to my God, the almighty who all this time knew that one day my dream would come true and he therefore provided everything I needed to achieve it.

I am particularly indebted to my supervisor Mr. Jackson Maalu. He always had the time and patience to listen to my endless questions, and read my work whenever I approached him. Without his sincere guidance and positive criticisms this work would not have been a success.

I wish to thank the members of the Department of Business Administration of the University of Nairobi in totality; special thanks to all my lecturers who disseminated the knowledge I have, and to the departmental staff for their steadfast support and ever-present facilitation.

I wish to sincerely thank Dr. William M. Muraah of Crystal Hill Ltd. with whom I worked very closely. Thanks a lot for sparing time in your busy schedule in guiding me through my research work. Above all, thanks a lot for the invaluable materials and letting me use your facilities at zero cost; and to all Crystal Hill staff for their hospitality whenever I visited.

My sincere thanks go also to the MBA class of 2003 for being there for me whenever I was stuck in my academics. I wish to thank my discussion group members for their contribution towards the achievement of this degree. In a special way I wish to thank Redempta Kinyanjui with whom I shared my joys and sorrows through out the masters' programme. God bless you and your family.

Many sincere thanks to my family; my dear husband Murimi, who went out of his way to provide everything I needed to study and especially for the financial support without which I could not have completed the course; our daughter Wangari, who was just a good girl who slept well, ate well and never cried unnecessarily; to my parents, siblings, parents in-law and sisters in - law and brothers in-law for their endless encouragement.

ABBREVIATIONS

ARVs – Antiretrovirals

CBO – Community Based Organization

FBO – Faith Based Organizations

HIV/AIDS – Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome

IEC – Information Education and Communication

ILO – International Labor Organization

KANCO – Kenya AIDS NGOs Consortium

NACC – National AIDS Control Council

NASCOP – National AIDS and STDs Control Programme

NGOs – Non-Governmental Organizations

PLWHA – People Living with HIV/AIDS

VCT – Voluntary Counselling and Testing

ABSTRACT

HIV/AIDS pandemic is a global crisis that is not only threatening the health of humans but it is also affecting the social economic development. A lot of goods and services are required in order to reduce the impacts of HIV/AIDS. This has created market disequilibria, resulting in profit opportunities for entrepreneurial activities in HIV/AIDS mitigation. Some of the products required include, medical care, counselling services, ARVS, testing kits, education and awareness creation, as well as management logistics.

The objectives of this study were to establish how the entrepreneurs perceived the opportunities in HIV / AIDS mitigation and to find out what challenges they faced in exploiting these opportunities. The subjects of the study comprised selected private organizations involved with the mitigation of HIV/AIDS. These were healthcare providers (hospitals), pharmaceutical companies manufacturing ARVs and IEC organizations. They were selected on the basis of being the main stakeholders in the key interventional areas according to the Calderon (1997) Multidimensional Model.

Out of a sample population of 60, 51 of them were accessed. Actual data was collected from 31 organisations by personal interview, email and drop and pick later (a variation of the mail method) thereby giving a response rate of 60.78%. Data was completed, coded analysed using descriptive statistics and presented in form of tables and figures.

The study found that 87.1% of the respondents started entrepreneurial activities in HIV/AIDS mitigation in the 1990s. It was also during this time that funding, multisectoral coordination, and public awareness increased dramatically. Majority of the respondents (83.9%) perceived that they did not start HIV/AIDS mitigation in pursuit of profits. This was in spite of all but one having introduced new products and 64.5% of the respondents having had more than a moderate increase in their overall revenue. The cost impact from HIV/AIDS to the subjects was found to be minimal. All the organizations faced challenges but at a different magnitude from each other.

In conclusion the study found that despite the devastating effects of HIV/AIDS there were many entrepreneurial opportunities in its mitigation. Some like viral load monitoring and management logistics had not been adequately attended. The respondents felt that they were involved in reduction of HIV/AIDS impacts mainly for society welfare and not for profit gains despite being private entities. This could be associated with HIV/AIDS stigma.

Further research of all the individual areas of HIV/AIDS mitigation for the profit making organizations could be carried out to find out whether opportunities in the mitigation do contribute to the growth of small-scale micro enterprises. Research could be done to establish whether finding of a curative or vaccination for HIV would imply the extinction of the opportunities in HIV/AIDS. There are very many NGOs in the mitigation of HIV/ AIDS and research could be done to evaluate their competitive advantages in pursuit of donor funds.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizations exist in a complex and often turbulent external environment. Uncontrollable forces such as political/legal, economic, social cultural and technological forces characterize this environment and they can either pose as an opportunity or a threat to the organization. According to Ansoff and Macdonell (1990) organizations need to strategically respond to the changes brought about by the turbulent environment by matching their organizational capabilities to the environment.

A major step in any entrepreneurial venture creation process is the recognition of the opportunity by the entrepreneur (Hills, 1995; Timmons, Muzyka, Stevenson, & Bygrave, 1987). Kirzner (1973; 1979) defines an opportunity as special knowledge an entrepreneur might acquire about goods or services sold in new markets or combined and sold at a profit.

An entrepreneurial opportunity is a possibility of putting resources to good use to achieve given ends. It is a possibility of correcting errors in the system and creating new ways of achieving given ends or creating new means as well as new ends (Holcombe, Randall G, 2003).

Taxonomy of the origins of entrepreneurial opportunities includes; factors that create a market disequilibria such as disasters, epidemics and pandemics; factors that enhance production possibilities; and most notably, opportunities created from previous acts of entrepreneurship. Kirzner's (1973) argued that when the market is not in equilibrium, profit opportunities exist, and entrepreneurs discover and act on these profit opportunities to equilibrate the market.

According to Wesley and Robert (2002) environmental jolts such as disasters, epidemics and pandemics, mobilize actors to reformulate institutions, resulting in increased entrepreneurial opportunities. When the institutional environment is stable, we find that incumbent organizational forms and embedded logics present formidable obstacles to entrepreneurial activity.

In the case of the US electric power industry, environments of abundance and regulation characterized it. This resulted in homogeneity of organizational structures and strategies, and few entrepreneurial opportunities.

Environments marked by scarcity and crises are perceived by many to be threatening to the well being of people in different ways such as in health, security, and access to basic necessities. However these environments witness heavy scrutiny of existing institutional arrangements resulting in opportunities for entrepreneurial action (Wesley and Robert, 2002).

For example the December 2004 tsunami disaster in Asia had many devastating effects that left the world mourning including loss of lives, damage of property and destruction of infrastructure. These created a market disequilibria and therefore need for entrepreneurial action in the supply basic necessities such as food, water, shelter and medical supplies, rebuilding the damaged or destroyed areas, counselling the victims, supplying tents, and many others.

An entrepreneurial opportunity consists of a set of ideas, beliefs, and actions that enable the creation of future goods and services in the absence of current markets for them (Venkataraman et al, 1994). For example, the entrepreneurial opportunity that led to the creation of Netscape involved; the idea of a user-friendly Web browser (Mosaic); the belief that the internet could be commercialized; and, the set of decision-actions that brought together Marc Andreesen (the creator of Mosaic) and Jim Clark (the ex-founder of Silicon Graphics) to set up base in the small town of Mountain View in California state, USA (Encarta Encyclopedia).

In Kenya we have entrepreneurial opportunities emanating from insecurity. One notable entrepreneur is Esther Passaris the owner of 'Adopt a Light' who had the idea of lighting up the city to reduce insecurity. She believed that the poles used for holding the bulbs could be commercialized and she therefore took action and approached the city council for authority to light up the city from the airport and make value through selling advertisement billboards to corporate clients.

HIV/AIDS in Kenya

In the recent past the social cultural environment has taken a new twist. The Kenya's population that is needed for the supply of the human resource is facing health threat from HIV /AIDS (Human Immune deficiency Virus/ Acquired Immune Deficiency

Syndrome). In Kenya HIV/AIDS has emerged as the greatest health and socio-economic/development challenge today.

There are many challenges that have come with HIV/AIDS. HIV is easily transmitted through body fluids therefore a great number of people are at risk of getting infected (Kiarie and Muraah, 2001). HIV/AIDS affects the body's immune system there by exposing the infected person to opportunistic infections, which have to be treated.

Overtime the infected person is sickly, weak, and therefore not able to attend to his/her duties since they lack energy. The infected person therefore needs a lot of care and support. It stigmatizes the infected as well as the affected persons'. HIV/AIDS has no cure therefore its mitigation requires diverse resource application such as financial resources, manpower skills, goods, and services.

There have been the need for anti-retroviral, need for testing kits, need for nutritional supplements, need for counselling services to reduce the stigma associated with HIV/AIDS, need for preventive measures, need for IEC and need of increasing capacity for example hospital beds. Funeral services have been on demand since many infected people are succumbing to HIV/AIDS.

The government has recognized that HIV/AIDS is negating the health care gains since independence (NASCOP, 1998). The main role of the government has been solicitation of funds from donors, provision of guidelines, and coordination through NASCOP and NACC. It also ensures supply of goods and services necessary for the mitigation in the public sector.

1.2 Statement of the Problem

HIV /AIDS is a pandemic globally (Muraah, 2003). According to the Concise English Dictionary the use of the word "pandemic" connotes a widespread incident to a whole people for example a disease that is easily transmitted. To many including individuals, societies, organizations, nations etc, HIV/AIDS pandemic is a devastating problem.

It is accompanied by immense negative effects and can be likened to a natural disaster, the like of the December 2004 Tsunami along the coasts of Asia. In Kenya the former president Moi declared HIV/AIDS a national disaster in November 1999. This was on the observation that more than a million Kenyans had died of AIDS and an estimated seven hundred were perishing daily (Daily Nation Sunday, July 1, 2001).

However within these devastating effects, there exists entrepreneurial opportunities in the intervention areas of HIV/AIDS. The main areas of HIV/AIDS mitigation have been prevention of transmission of HIV, behaviour change advocacy, Voluntary Testing and Counselling (VCT), blood safety, treatment, care and support which require proper logistics. Others include epidemiological surveillance, Co-ordination of research, management and coordination of the multi-sectoral AIDS control programme (NASCOP, 1998).

These mitigation areas have created opportunities for entrepreneurial actions including counselling services, supply of ARVS, testing kits, comprehensive care centres, laboratory equipment and reagents, home based care centres, information technology services, promotion of condoms, education and awareness creation, medical insurance cover, medical care and nutritional supplements.

Today organizations are hiring consultants for development of workplace HIV/AIDS program as recommended by the ILO (Waita, 2004). In her research of the funeral industry Waithaka, (2001) found the funeral industry had experienced an influx for the past ten years from two registered firms to over ten firms, which was mainly attributed to increasing death rates due to HIV/AIDS.

Studies done earlier by other researchers have focused on the threat of HIV/AIDS in organizations and responses undertaken. (Murambi, 2002; Maina, 2004; Waita, 2004). However, Muraah (2003) did a study in the pharmaceutical industry on both the threats and opportunities brought on by HIV/AIDS and the responses undertaken by the industry.

This study will be a survey of HIV/AIDS as a social cultural environmental force that has disequilibrated the market thereby creating entrepreneurial opportunities through its mitigation. It will seek to establish the perception and challenges of those involved in the HIV/AIDS mitigation areas.

1.3 Objectives of the Study

- To establish how the entrepreneurs perceive the opportunities in HIV / AIDS mitigation.
- To establish the challenges faced by the entrepreneurs in exploiting these opportunities.

1.4 Value of the Study

- The study will shed light to the importance of the entrepreneurs in times of crises where they are involved in creation and delivery of goods and services crucial for saving life.
- The study will add to the body of knowledge and therefore be a source of reference and a foundation for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

An organization exists in an open system with its global environment from which opportunities worth exploiting and threats to counter are exposed. This section will review literature on the global environment, how entrepreneurs recognize opportunities, what is considered to be an entrepreneurial opportunity, and how entrepreneurs find opportunities from what others consider to be threats. It will explore HIV/AIDS as a global environment and its mitigation in Kenya. In so doing the literature will establish the entrepreneurial opportunities in HIV/AIDS mitigation in Kenya and hence lay a foundation for the study.

2.2 Global External Environment

The external environment consists of interrelated factors that play a principal role in determining the opportunities, threats and constraints that a firm may face (Waita, 2004). The global external environment is very turbulent characterized by uncontrollable forces such as economical forces, ecological forces, social cultural forces, political forces, legal forces, and technological forces. In the global business environment these external factors may either pose an opportunity to the firm or a threat to the firm (Donald Wendell, 1996).

Organizations differ in their form and complexity and therefore face different environments. They are able to integrate the different environmental influences in such a way as to create value by coming up with a business idea. (Johnson; Scholes, 2002 (Johnson; Scholes, 2002). Each organization needs to diagnose its unique pattern of future challenges, threats, and opportunities. It must design and implement its unique response to these challenges (Ansoff; Macdonnell, 1990).

2.3 Opportunity Recognition

A major step in any entrepreneurial venture creation process is the recognition of the opportunity by the entrepreneur (Hills, 1995; Timmons, Muzyka, Stevenson, & Bygrave, 1987). It is the first critical step of the entrepreneurship process. The particular ideas that someone comes up with depend on someone's idiosyncratic information or beliefs (Shane, 2000; Eckhardt and Shane, 2003). Hence, people discover opportunities that others do not see because they have different information either/or they interpret the same information differently (Shane, 2003).

Kirzner (1973; 1979) defines an opportunity as special knowledge an entrepreneur might acquire about goods or services sold in new markets or combined and sold at a profit. Furthermore, he notes that ideas become an opportunity when their commercial value is recognized. Hulbert et al (1997) state that a business opportunity is the chance to meet an unsatisfied need that is potentially profitable. DeBono (1978) defines opportunity as a "course of action that is possible and worth pursuing." He also points out that recognizing opportunities involves non-linear or lateral creative thinking, that is, "thinking outside the box."

Long and McMullan (1984) state that opportunity is "an elaborated vision of a new venture which involves a searching preview of the mechanics of translating the concept into reality with an industrial setting." Ardichvili et al. (2003) define it as the chance to meet a market need (or interest or want) through a creative combination of resources to deliver superior value.

Christensen, Madsen, and Peterson (1989), define opportunity recognition as perceiving a possibility for new profit potential through the founding and formation of a new venture, or the significant improvement of an existing venture. From this broad definition, opportunity recognition can be conceived of as an activity that can occur both prior to firm founding and after firm founding throughout the life of the firm.

Bhave (1994) identified two types of opportunity recognition. First the externally stimulated opportunity recognition where the decision to start a venture preceded opportunity recognition .In this case these entrepreneurs engaged in an ongoing search for opportunities which they filtered, massaged and elaborated in an opportunistic fashion. The second one was internally stimulated opportunity recognition. Here the entrepreneurs discovered problems to solve or needs to fulfill and only later decided to create a venture and become an entrepreneur.

Opportunity recognition is a multifaceted process influenced by many external factors such as the business environment, social forces and individual attributes. The multifaceted process of opportunity recognition begins with preparation which is the background, experience, knowledge and ones interest and curiosity about a given domain.

This is followed by an incubation period within which the entrepreneur thinks about a problem or considers an idea. It is typically an intuitive, nonlinear, non- intentional style of considering possibilities or options. Once the entrepreneur goes through incubation he experiences an insight in which a business opportunity is illuminated. The recognized opportunity is finally elaborated by putting it into a form that is ready for final presentation (Hills et al, 1997).

Timmons (1994a) describes opportunities in terms of fit among entrepreneur, available resources and the business concept itself. Kirzner (1973) argued that entrepreneurs find and exploit opportunities by taking advantage of economic disequilibria by knowing or recognizing things that others do not. Entrepreneurs are often characterized by their ability to recognize opportunities and the most basic entrepreneurial actions involve the pursuit of opportunities (Hills et al, 1997).

Timmons' (1994b) proposed a model of successful venture creation based on the three crucial driving forces of entrepreneurship: the founders (entrepreneurs), the resources needed to found and the recognition of the opportunity. Surrounding the process are such things as risk, chaos, information asymmetries, resource scarcity, uncertainty, paradoxes, and confusion, all of which complicate the process. Only when all three components converge and fit can entrepreneurship occur successfully.

The challenge for the entrepreneur is to manipulate and influence the surrounding factors in real time to improve the chances for success of a venture. As Timmons (1994b) notes, time does not stand still and the process of recognizing and seizing an opportunity often relies on the right timing.

Thus, according to Timmons (1990, 1994a, 1994b), the business idea is central to opportunity. However, only when the business environment and the skills and backgrounds of individual entrepreneurs fit together appropriately with the features of an opportunity can it reach its full potential.

2.4 Entrepreneurial Opportunity

An entrepreneurial opportunity is a possibility of putting resources to good use to achieve given ends. It is a possibility of correcting errors in the system and creating new ways of achieving given ends or creating new means as well as new ends (Holcombe, Randall G, 2003). An entrepreneurial opportunity consists of new idea/s or invention/s that may or may not lead to the achievement of one or more economic ends that become possible through those ideas or inventions.

It is beliefs about things favourable to the achievement of those ends and, actions that implement those ends through specific (imagined) new economic artifacts (the artifacts may be goods such as products and services, and/or entities such as firms and markets, and/or institutions such as standards and norms (Sarasvathy et al., 2002). An entrepreneurial opportunity, therefore, consists of a set of ideas, beliefs and actions that enable the creation of future goods and services in the absence of current markets for them (Venkataraman et al, 1994)

According to Wesley and Robert (2002) environmental jolts mobilize actors to reformulate institutions, resulting in increased entrepreneurial opportunities. When the institutional environment is stable, we find that incumbent organizational forms and embedded logics present formidable obstacles to entrepreneurial activity. Environmental jolts, however, catalyze search processes and motivate the evaluation of current institutional logics.

Specifically, in the case of the electric power industry, environments of abundance and regulation resulted in homogeneity of organizational structures and strategies, and few entrepreneurial opportunities. Environments marked by scarcity and crisis, however, witness heavy scrutiny of existing institutional arrangements that eroded their taken-for-granted ness and symbolic value, resulting in opportunities for entrepreneurial action

All business starts with a customer and not with know-how or a “bright" idea. For inventor-entrepreneurs, your best approach into business is to find someone who'll pay you to develop something they need and let you keep the rights to sell to others. The essential resources for exploiting opportunities are the fundamental business skills. Given these skills, all else flows. Without all of them any attempted venture is doomed to fail. And recognize that these skills come in the form of people.

This skills include; Engineering - the skill to invent and develop new products (or services); Manufacturing - the skill to deliver them, consistently and reliably, with quality, service, and price; Selling - the skill to sell them; Business - the skill to make a profit doing the other three. The skills necessary to start a business are Engineering and Selling. The skills of Manufacturing and Business determine, more, how long you'll *stay* in business. The level of quality needed in these skills is determined by the level at which you wish to compete. If you wish to compete in a local or small niche market, e.g., crafts, you need to be very good in one, and at least passable in the others, (Wesley and Robert, 2002)

There's no lack of opportunities today. In fact, arguably, there are more opportunities today than there have ever been in history. Entrepreneurial opportunities arise from social and technological change. And the changes we're going through now both socially and technologically, in both magnitude and rate are greater than the world has ever seen, (Sarasvathy et al., 2002).

There are three views of entrepreneurial opportunity (Sarasvathy et al., 2002); Opportunity Recognition - If both sources of supply and demand exist rather obviously, the opportunity for bringing them together has to be "recognized" and then the match-up between supply and demand has to be implemented either through as existing firm or a new firm. Examples include arbitrage and franchises;

Opportunity Discovery - If only one side exists i.e., demand exists, but supply does not, and vice versa, then, the non-existent side has to be "discovered" before the match-up can be implemented. Examples include: Cures for diseases (Demand exists; supply has to be discovered); and applications for new technologies such as the PC (Supply exists, demand has to be discovered);

Opportunity_Creation - If neither supply nor demand exist in an obvious manner, one or both have to be "created", and several economic inventions in marketing, financing etc. have to be made, for the opportunity to come into existence. Examples include Wedgewood Pottery, Edison's General Electric, U-Haul, AES Corporation, Netscape, Beanie Babies, and the MIR space resort.

Kirzner's (1973) theory of entrepreneurship emphasizes the equilibrating role of entrepreneurship. When the market is not in equilibrium, profit opportunities exist, and entrepreneurs discover and act on these profit opportunities to equilibrate the market. Taxonomy of the origins of entrepreneurial opportunities includes factors that create market disequilibria, factors that enhance production possibilities, and most notably, opportunities created from previous acts of entrepreneurship.

For example with the December 2004 tsunami disaster in Asia there has arisen many entrepreneurial opportunities. Abundant supply of a mixture of relief aid (food, water, shelter, medical supplies etc.), clearance projects (UK sailors clearing debris from hospitals and schools, re-opening roads and repairing bridges), rebuilding and upgrading of utilities, housing and businesses as well as dealing with the psychological scars. The quality control is not an option. It is cases of do what you can with what you have. Forget the quality. Entrepreneurs in this case take advantage and sell what they can source to make quick money before the window of opportunity closes.

Many entrepreneurs have exploited the opportunities exposed by the technological environment. In so doing they have shaped and created new industries. For example the suppliers of internet equipment in their effort to establish a globally connected internet infrastructure have created an exploding market opportunities related to the internet build up where companies rushed to set up websites, open e- business and put internet application in place. In the process several other industries were created including those offering Internet service provision, website design and maintenance, web hosting, specialized Internet application software, Internet parts, website content provision e retailing of Internet games etc.

2.5 Entrepreneurial Opportunities from Environmental Jolts

The global environment is characterized by several environmental jolts including natural disasters, epidemics, or even pandemics. Disasters are a loss and a threat to many in the society especially in terms of loss of lives and in halting social economic developments. Many are those who reap from such a situations because it is during this times of disaster that basic necessities such as clean water and non-perishable food become more relatively scarce, usually because supply sources are destroyed or disabled. As a result, prices rise. The higher prices provide a profit opportunity that induces additional suppliers to rush into supply the needed goods, (Rogers, 2005).

For example the recent tsunami disaster in the Asian coasts took away thousands of lives, left many homeless and brought business to a halt in the affected areas. However for others it was a time to reap like the construction industry that is required to rebuild the affected areas, the pharmaceuticals that have to supply medicines, the counseling consultants who have to attend to the psychological impact of the victims, the tent makers who have to supply the temporary make shifts etc.

Following a natural disaster millions of reconstruction dollars pour into often-poor economies. This implies that resources can be maximized to promote long-term livelihoods and reinvigorate the local economy. This means paying for labour and resources locally, instead of buying-in ready-made replacement infrastructure, housing and services from outside contractors. In this case small, locally based enterprises will be at the heart of rebuilding infrastructure and services as well as absorbing and retaining incoming financial assistance, (Rogers, 2005).

Goods and services flow to where the money is. Foreign monetary aid makes it possible for the magic of markets to solve the most basic problems associated with disaster-induced shortages of clean water, food, and housing. When demand for goods and services is high consumers have to pay increasingly higher prices to get it. Foreign aid – whether private or government sponsored — makes it possible to pay the higher prices. Markets rely on the willingness and ability of people to pay for goods and services.

Many times during natural disasters, the rising prices of goods and services are seen as an opportunistic or dishonest response on the part of seller yet the government alone cannot overcome the impact. If the government were to interfere with the entrepreneurs' activities and freeze prices it would reduce supply responses. Frozen prices would create and aggravate shortages, as suppliers choose to sell their products elsewhere. In addition governments, too, face the reality of scarcity. If they provide goods and services publicly, they cannot use their limited resources elsewhere. On the other hand, if the market provides goods and services, the resources of government and aid agencies are freed to address other needs.

2.6 Global HIV/AIDS Mitigation

HIV/AIDS is not like other crises, which can be, endured for example famine. It threatens the entire way of life since it affects all, whether strong, skilled, rich, poor etc. It is indeed a network disease especially associated with urban nodes and major transport arteries (SAFAIDS, 1999). The task of rolling back the burdens that the AIDS epidemic has already brought is enormous and a national and international challenge.

The Joint United Nations Programme on HIV/AIDS, UNAIDS, is the main advocate for global action on the epidemic. It leads, strengthens, and supports an expanded response aimed at preventing transmission of HIV, providing care and support, reducing the vulnerability of individuals and communities to HIV/AIDS, and alleviating the impact of the epidemic.

UNAIDS supports a more effective global response to AIDS through; Leadership and advocacy for effective action on the epidemic; Strategic information to guide efforts against AIDS worldwide; Tracking, monitoring and evaluation of the epidemic and of responses to it; Civil society engagement and partnership development; Mobilization of resources to support an effective response.

The agricultural sector is the most affected sector by HIV/AIDS owing to the fact that it's labor intensive, and is crucial for the GDP through employment and export earnings. The process of impoverishment due to HIV/AIDS starts with direct loss of labour due to illness or shift of labour away from agricultural production for care purposes.

The eventual loss of household members means increased dependants and reduced crop or food production thereby threatening food security. Household food insecurity, inappropriate food, and care related practices and diminished access to health services due to lack of time and money has lead to an increased malnutrition in children under five, pregnant and lactating women and the elderly people.

In Kenya the agricultural sector employs more than two thirds of the labor force and accounts for one third of the G.D.P. and 70 percent of export earnings. Estimates for a study in NASCOP (2003) indicate that HIV/AIDS will cause the highest total production loss in agriculture. Under the high estimates, for example, the value of lost production in agriculture in 1995 (Ksh 296 million) is one-third higher than losses in the service sector (Ksh. 222 million) and 4.5 times higher than industry's losses (Ksh 66 million). By 2010 the agriculture sector loss (Ksh 2.2 billion) is 15 percent higher than the combined industry and service sector losses (Ksh 1.9 billion).

In order to mitigate HIV /AIDS, smallholder agriculture should be the main focus since African subsistence agriculture is labour intensive (SAFAIDS, 1999). Zwane and Netshirembe (SAFAIDS, 1999) in their research of small holder agriculture in South Africa found that technology can help ease the burden of farmers affected by

HIV/AIDS by employing technologies that are not labour intensive but which would allow for similar or more production and require lower direct energy inputs.

Their findings indicate that, hoes, ploughs, and planters need to be redesigned. The plant crops need to be selected or genetically modified to compete with weeds in the absence of weed control. Animal weeding and variety selection should be encouraged, for example early maturity varieties, easily threshed, or pounded variety, high value food that is drought resistant etc. Agricultural credit facilities should also be encouraged to finance the infected farmers. Animal traction system should use more docile animals like donkeys other than Oxen, which are difficult to handle, (SAFAIDS, 1999).

There are more than 200 African indigenous grain foods little known to science SAFAIDS (1999). Ways have to be found of applying scientific improvement to this more important potentially useful species. In Bukoba District of Uganda the HIV/AIDS households have shifted away from banana and cash crops towards sweet potatoes and cassava because of their greater hardiness and tolerance of some degree of neglect. Thus root and tuber research in HIV/AIDS affected regions of central and eastern Africa is a starting point to strengthen food security (SAFAIDS, 1999)

2.7 HIV/AIDS Mitigation in Kenya

HIV/AIDS affects all areas of development and it has to be integrated in all development programmes. The state has a critical role to play in strengthening their human resource base and establishing a framework of law and policy that will ensure equitable and sustainable outcomes (SAFAIDS, 1999). The government of Kenya has done a lot as regards the establishment of frameworks and sourcing for resources required to mitigate the devastating impacts of HIV/AIDS

The impact of HIV/AIDS has been beyond the Ministry of Health capacity to mitigate (NASCOP, 1999). It is important that all sectors of society be involved in the solution to this problem (NASCOP, 1998). HIV/AIDS is a multisectoral issue requiring a multisectoral response and a diverse range of stakeholders (NASCOP, 1999). Some of the stakeholders actively involved in the mitigation of HIV/AIDS include public corporations such as NACC, NASCOP, and Ministries, NGOs, PLWHA Organizations, CBOs, private organizations, and individuals.

2.7.1 History

The first case of HIV/AIDS was diagnosed in 1984 but the initial government response came by in 1985 with an establishment of the National AIDS Committee to advise the government on all matters related to the prevention and control of AIDS. An AIDS Program Secretariat (APS) was established in the office of Director of Medical Services to coordinate program activities.

In 1987 the Kenya National AIDS Control Program was established and a five year strategic plan (Medium Term Plan 1987-1991) was launched, which emphasized the creation of awareness about AIDS, blood safety, clinical management of AIDS opportunistic infections, and capacity building for management of AIDS control program at national level.

The plan identified four prevention priority areas: sexual transmission, blood transmission, mother to child transmission, and disease surveillance. The Government received considerable support from bilateral and multilateral donors in financing of AIDS control activities during the first half (1987-1989) of the first Medium Term Plan.

In the 1990s funding, coordination, and public awareness increased dramatically. In 1992, the second Medium Plan (MTP II 1992-1996), which represented an attempt to design a comprehensive intervention programme for Kenya, was prepared. The plan adopted a multi-sectoral approach to mobilize a widespread effort against AIDS.

The plan called for action in six primary areas; Prevention of sexual transmission of HIV, Prevention of HIV transmission through blood and products, Mitigation of the socio-economic impacts of HIV/AIDS, Epidemiological surveillance, Co-ordination of research and management and coordination of the multi-sectoral AIDS control programme.

Prevention of sexual transmission of HIV was to be achieved through HIV/AIDS education in and out of school, family life education, Community-based AIDS education, including promotion and provision of community counseling services and public sex education to provide information to adults who are already sexually active about how to protect themselves against AIDS.

It also included initiation of AIDS/STDs programs in the workplace, Promotion of condom use as well as Control of sexually transmitted diseases through diagnosis and treatment of STDs in order to reduce the prevalence of STDs in the population and, as a result, reduce the transmission of HIV.

Prevention of HIV transmission through blood and products involved training those handling the blood, quality assurance of supplies and all equipment as well as maintenance, and re-organization of blood donor services. Mitigation of the socio-economic impacts of HIV/AIDS involved care of AIDS orphans, Empowerment of women, counseling, patient care (institutional care and home-based care) and other socio-economic impacts.

Epidemiological surveillance required that there be a continuous research on the behavior of the virus and the opportunistic infections. Research pertaining to HIV/AIDS whether for the cure, spread or behavior had to be well coordinated to ensure relevant results. The multisectoral Aids control programme had to also be well coordinated to achieve its objective.

HIV/AIDS was recognized as a development issue and this led to the inclusion in the seventh National Development Plan of a whole chapter on HIV/AIDS as well as in the Fifth District Development Plans. Sexually Transmitted Diseases (STD) control was recognized as a priority intervention area since they facilitated the spread of HIV/AIDS and this led to the integration of STD control into AIDS control. This saw the establishment of the National AIDS/STD Control Program (NASCOP) in 1992.

Effective resource mobilization and utilization needed an appropriate policy framework be put in place to guide program implementation particularly under a multisectoral approach. The parliament responded to this need in 1997 by passing the Sessional Paper No. 4 on AIDS, which stressed the importance of advocacy and policy development. The Paper set HIV/AIDS policy framework within which AIDS control activities were to be undertaken for the next 15 years (1997-2012).

Specifically, the Paper seeks to: provides direction on how to handle controversial issues within the prevailing social context; enable government to play its leadership role in AIDS prevention and control activities within a multisectoral approach; and guide in the development of an appropriate institutional framework for the management of HIV/AIDS program activities.

Former President Daniel Arap Moi declared AIDS a national disaster in November 1999 setting the stage for increased mobilization of resources (especially donor support) to fight AIDS. The declaration led to the establishment of the National AIDS Control Council (NACC) in 1999 to coordinate the mobilization of resources and multisectoral response to the epidemic.

The annual requirement for HIV prevention (excluding the cost of care) alone was estimated at Kenya shillings 800 million. Cost-benefit analysis indicated that for every Kenya shilling spent on prevention there was thirty shillings net savings in benefits. The government made appeals to donor agencies for assistance towards HIV/AIDS prevention activities. Major donors included: The World Bank; The UK's Dept. of

International Development; USAID; the UN through WHO, UNICEF, UNDP, and UNAIDS; the Belgian Gov.; the EU; Germany's KfW; Denmark's DANIDA; the Gov. of Netherlands; Japan's JICA; and Canada's CIDA.

Most donors disburse their funds through non-governmental organizations (NGOs) and community based organizations (CBOs), which sponsor a broad spectrum of prevention, treatment, care, and support activities.

The government mitigation programs have not been without hitch. Despite many religious organizations having joined the fight against AIDS they have refused to endorse condoms whose promotion is one of the strategies put in place by NASCOP. They are also divided on the issue of family life education curriculum for primary schools. The ARVs have been very expensive and unaffordable by many and it was not until May 2002, that the new Industrial Properties Act (IPA) passed by Parliament allowed the country to import or manufacture cheaper ART generics.

In spite of guidelines provided by NASCOP and contained in MTP1 and MTP2, in 1987 and 1992, many Kenyans in responsible positions both in the NGOs sectors, government ministries and agencies had begun to raise several questions related to HIV/AIDS policy issues. They were looking for opportunities to work through those issues and advocate for policies to enhance control of the further spread of the epidemic and to mitigate the impact on households, communities, the business sector and the national economy.

This was an opportunity for the establishment of the Kenya AIDS NGOs Consortium (KANCO) in 1990. It is a coalition of NGO, CBO, FBO, Private and Public sector as well as Academic institutions who are currently over eight hundred. The goal of KANCO is to encourage networking between its members and the government, to ensure a conclusive policy and advocacy environment, capacity building, and access to relevant HIV/AIDS information and materials to compliment the government response, (Gakuru, 2004; NASCOP, 1998, 1999, 2000, 2001, 2002, 2003).

2.7.2 Implementation of Mitigation Programs

Testing

It has been demonstrated that the knowledge of serostatus encourages clients to reduce their risky behavior and it is also a cost effective method of prevention. Pharmaceutical companies such as Abbot Laboratories have made HIV test kits available. The VCT centers as well as the private laboratories utilize these kits. VCT centers are a government initiative and its promotion is an essential component of an effective response to AIDS (NASCOP, 2001).

Many of the middle and the high social class people prefer to go to private laboratories for the HIV testing. These private laboratories are carrying out not only the HIV test but they are also doing viral load testing so as to monitor the disease progression.

Treatment

HIV/AIDS opportunistic infections require a variety of drugs, frequent visit to hospital and laboratory monitoring. Researches done so far in Kenya coordinated by NASCOP, have estimated that the total annual HIV/AIDS treatment for inpatient and outpatient care in the public, private and mission health centers, as well as the costs of home-based care for persons with HIV and AIDS of all age groups will grow eightfold from Ksh 1.4 billion in 1990 to Ksh 11.2 billion in 2010 under the high estimate, and from Ksh 480 million in 1990 to Ksh 3.7 billion in 2010 under the low estimate. However more than 90 percent of health care costs are incurred for inpatient care, with the remaining costs covering outpatient and home-based care, (NASCOP, 2001).

According to the researches coordinated by NASCOP (2001) the use of private sector health services accounts for 68 percent of HIV/AIDS health care costs across the projection period. Estimated total costs of HIV/AIDS care in private sector for- profit and mission health facilities are more than twice as high as total public sector costs, even though only 30 percent of HIV/AIDS patients would use private sector facilities. The higher unit costs in the private for-profit sector outweigh the lower proportion of patients treated.

For example from the findings of the researches, the average cost per inpatient day in private for-profit hospitals in Kenya (Ksh 1,653) is about seven times higher than costs in public sector hospitals (Ksh 235). Average inpatient day costs in mission facilities (Ksh 281) are only about 20 percent higher than public sector costs. Some of the reasons for higher private sector unit costs in Kenya are more and better supplies and equipment, better drug availability, higher salaries for health workers, lower occupancy rates, and newer facilities than in the public sector.

The researches found out that the burden of inpatient hospital stays could be overwhelming. Some hospitals in Kenya estimate that patients with AIDS occupy more than 50 percent of their available hospital beds. By 2010, under the high assumptions, the demand for HIV/AIDS hospital days would represent 185 percent of MOH inpatient capacity. In other words, there could be nearly twice as many patients with AIDS over the next 15 years as there are hospital beds.

Even if only 25 percent of patients receive the inpatient care they require, patients with AIDS would still occupy over 60 percent of all available hospital beds in 15 years. HIV/AIDS patient visits to MOH facilities on an outpatient basis would grow from an estimated 3 percent of all MOH outpatient visits in 1990 to 10 percent in 2005 and 15 percent by 2010.

Care and support

HIV/AIDS infected need care and support ranging from psychological support, social support and economic support. They need to understand what HIV-positive means, indicating a need for enhanced pre-test and post-test HIV counselling. Feelings of rejection and withdrawal indicated a need for social support whether formed by family or friends.

Many families infected and affected by HIV/AIDS are low-income earners. Economic support is also a critical need for the children's basic needs - school fees, uniforms, books, food and clothing children whose parents are ill or deceased. The already low incomes of families are further compromised by the presence of members of the extended family (e.g., grandparents) who depended on the primary caretakers of the family for economic support.

Home-based care is one more measure being implemented to mitigate the impacts of HIV/AIDS. It is the care of the infected and the affected by HIV/AIDS that is extended from the health facility to the patient's home through family participation and community involvement within available resources and in collaboration with health workers. The aim is to enhance the quality of life of people living with HIV/AIDS and their families. It is composed of clinical care, nursing care counselling and psycho spiritual and social support.

The church can play an important role in providing a social support network for members living with HIV and AIDS. It is a community in itself with particular expectations from its members, involving a sense of accountability and caring, leadership, and structure. It is an institution that is capable of educating large numbers of people. In addition, the church responds to the community outside its walls in a numerous ways, often seeking to bring reconciliation between God and man and to meet human need, recognizing the inseparable physical and spiritual nature of man.

A number of Christian institutions and international agencies working in Kenya have responded positively to the HIV/AIDS challenge. The Christian Health Association of Kenya (CHAK) has numerous training workshops on AIDS awareness, home care, and counseling throughout Kenya, especially, through church hospitals. Norwegian Church Aid (NCA) has developed the "Partnership in Community" approach for community education and training using the community itself to design AIDS programmes. In addition, NCA has provided financial and educational support for churches in eastern Kenya.

World Vision Kenya has started an extensive AIDS programme in the sprawling Korogocho slum in Nairobi. This programme has grown to reach other slums in the city. World Vision also has effectively encouraged the use traditional media such as song, music, drama, and poetry to communicate HIV/AIDS messages. The Kenya Catholic Secretariat (KCS), which coordinates health services for the Catholic Church in Kenya, has tried to tackle some of the problems that have come with the HIV/AIDS epidemic.

Prevention

Behaviour change and advocacy has been found to be one prevention measure to curb the spread of HIV/AIDS. Churches are critical partners to the behaviour change and advocacy owing to the fact that they are a grassroots integral part of the community life. Churches promote beliefs that guide behavior with an implicit system of accountability. The church promotes abstinence as the single surest way of ensuring that people do not contract the HIV virus. For those that are married they have to be faithful to their partners. The church does not however advocate the use of condoms, as it would encourage immorality.

The government has however identified the use of condoms as one of the strategies to prevent transmission of the virus since they offer the safest option to individuals whose sexual activities expose them to high risk of HIV infection NASCOP, 2001).15% of all condoms are distributed through the social marketing program by PSI with their brand 'Trust' and others who target young adults living in urban and peri urban areas (NASCOP, 2001).

In late 2001 the government committed the use of US $10million from World Bank loan funds to procure 300 million condoms for the period 2001 – 2004. Virtually all-clinical and epidemiological studies have found substantial reductions in the risk of STD and HIV among condom users. (Odiko, 2003)

Prevention is also being achieved through screening of blood to ensure safe blood supply, prevention of mother to child and through control of other sexually transmitted diseases (NASCOP, 2001)

Information, communication, and Education (IEC)

IEC is a form of prevention that concentrates on de-mystifying HIV/AIDS. It is evident that the infected and their families need clearer and more accurate information about HIV and AIDS. Public education programmes, as well as health care centers, social agencies, NGOs and churches need to address such issues as modes of transmission, prevention strategies, condom use, symptoms of AIDS, incubation period, and nutrition information

Dissemination of AIDS information such as campaign could be achieved through peer education, appropriate media programmes and existing community networks such as cooperative, church groups, and women's associations. Programmes could be instituted by governmental and non-governmental organizations offering income-generating activities for HIV-infected women.

Research

Epidemiological research is being carried out to ensure disease surveillance so as to model appropriate strategies. For example in order to maintain the economic viability of the infected and affected families, it is proposed in a study coordinated by NASCOP that an enumeration survey of all orphans be carried out to quantify the number of orphans in Kenya, as well as to determine the amount of resources needed to assist them and the most appropriate mechanisms for obtaining these resources.

It was found that future modelling and research activities needed to focus on the coping mechanisms that are likely to be pursued by families, businesses, the health care system, and the national economy. For example, more detailed research was required about the cost of treating patients with AIDS in order to provide clearer policy direction about future needs for care and treatment. This should include an assessment of how health care response occur in a system that is already at capacity, and the type of assistance that can be provided to families when inpatient hospital care not available.

Similarly an assessment should be performed to determine how economic factors are likely to affect the continued spread of the epidemic. While it is understood that behavioral responses do occur in the presence of economic factors, it is not clear how an individual's risk-taking behavior relative to their sexual practices may be affected by economic incentives or disincentives.

Source: (NASCOP 1998, 1999, 2000, 2001, 2002, 2003).

2.8 Entrepreneurial Opportunities in HIV/AIDS Mitigation

HIV/AIDS has increased the number of people at risk of illness and death and this been a handsome opportunity for the insurance industry (Muraah, 2003). In South Africa for example, the insurance industry pioneered the covers for the HIV infected at a higher premium. This created a pool of actuarial scientists to design models and tools to reassess their risk profile, allowing a redesign of products on offer.

In Kenya the insurance industry claims have gone up by 20% due to HIV AIDS. Just August 2003 AAR medical insurance health provider introduced a medical cover for the PLWHAs. In UK insurance claims have gone up by 150% for single males (Muraah, 2003).

A lot of HIV/AIDS management logistics is needed in terms of creating models and an infrastructure for HIV/AIDS management. This is one more area of exploitation by the entrepreneurs. The ILO has recommended HIV/AIDS related policies at the work place (Waita, 2004). This has been an opportunity for entrepreneurs since organizations are hiring consultants for development of workplace HIV/AIDS program.

The need by the government to get HIV/AIDS data and individuals to know their status has spurred growth in the diagnostic industry. Evolution of technology especially in diagnosis, quantification, drug discovery, prevention, treatment and vaccine development has been swift in relation to many other diseases. The disease presented to reap benefits from any marketed HIV/AIDS diagnostic tools and drugs. Fast evolution of technology created an intense competition among researches and pharmaceutical companies

Prevention through awareness and education has also been a source of income for many others. The media is one of the beneficiaries through running adverts geared towards awareness. A lot of posters are required for display in all public places as well as private places. Those in the Graphic and design industry should be reaping benefits. More still in prevention of transmission those doing social marketing with the condoms are collecting a handsome revenue.

There are also those herbalists who are providing medicinal traditional herbs in the name of curing AIDS at a fee. As people gain a better understanding of the epidemic and drugs become more accessible, HIV/AIDS is becoming less stigmatized and demand for VCT is growing (The Manager, 2002). These creates a booming business for those in the pharmaceutical industry who are in the business of manufacturing or anti-retroviral drugs, HIV test kits as well as the reagents.

Moreover when the HIV/AIDS patients succumb to the disease their loved ones seek a space in the obituary section of the local press at a fee and radio time for the death announcements. The ever-increasing deaths due to HIV AIDS have spurred growth of mortuaries services both in urban and rural areas as well as hearse services in the urban areas (Waithaka, 2001).

Indeed concerted efforts to mitigate HIV/AIDS have led to new policies, drugs, services delivery models, committees; intersect oral collaboration, partnerships, and widespread awareness of HIV/AIDS (The Manager, 2002).

2.9 Other Studies in HIV/AIDS

There are several studies that have been done in the field of HIV/AIDS. Muraah, (2003) did a study in the pharmaceutical industry where he did a research on the responses to HIV /AIDS both as a threat and an opportunity It was found that 64.3% of the 137 companies that were studied perceived HIV/AIDS as both an opportunity and as a threat.

Waita, (2004) studied the response of large private manufacturing companies in Nairobi. The study revealed that of the 100 sampled firms 86% of them had responded to HIV/AIDS crisis through promotion of prevention education and improving work place policies to HIV/AIDS such as healthcare and counselling.

Murambi, (2002), did a study on the Human resource policy responses to HIV/AIDS pandemic in the insurance industry. The study revealed that 72.7% of the respondents had no specific policies on HIV/AIDS. Indeed 66.7% of the respondents had no HIV/AIDS awareness activities at all.

Kaduki, (2004), did a study on the extent to which HIV/AIDS is considered during strategic formulation in the publicly quoted companies. The study revealed that only 25% of the 49 studied companies took HIV/AIDS into account while formulating strategies owing to decreased productivity, rising insurance claims, loss of Key staff and desire to contribute to society welfare.

Maina, (2004) studied the business challenges experienced by the private hospitals in the advent of HIV/AIDS in Nairobi. The study revealed that 66.7% of the 34 private organisations that were studied considered HIV/AIDS as a business opportunity of moderate to very high extent. However 84.4% of the population considered HIV/AIDS to be a business risk of moderate to very high extent owing to the fact that only 21.2% of the HIV/AIDS patients paid their hospital bills in full.

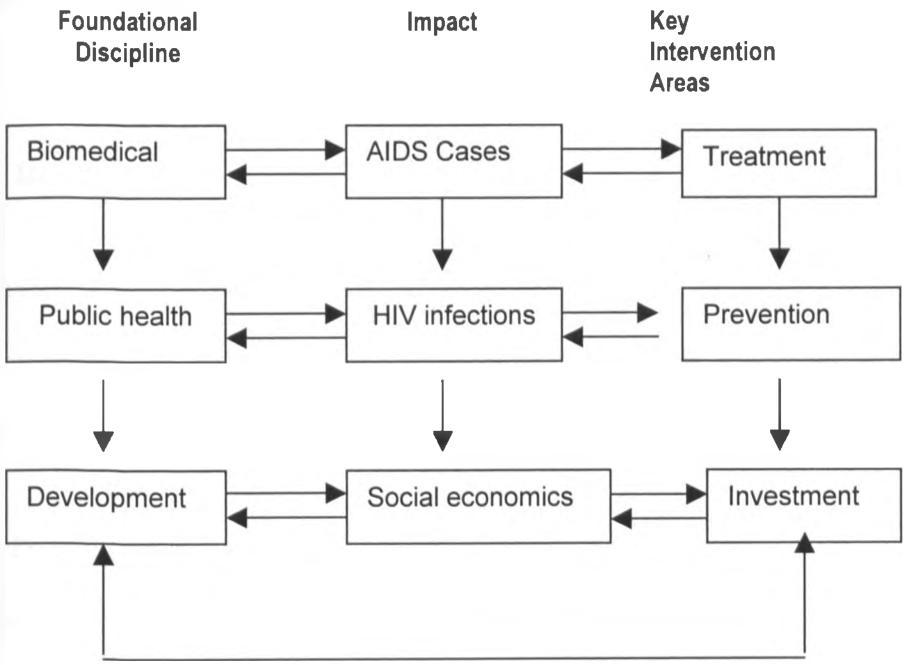
2.10 Multidimensional Approach for the Prevention and Control of HIV/ AIDS

In the global efforts to mitigate HIV/AIDS Calderon in 1997 initiated an approach of a multidimensional model for the prevention and control of HIV/ AIDS (See model in Figure 1 below).

The model looks at three areas; foundation discipline, impact, and key intervention areas. Each of these areas has three dimensions each of which is intertwined with the others. The foundation discipline of the model included biomedicine, public health, and development dimensions. The impacts are AIDS cases, HIV infections and social economic impacts respectively. The key intervention areas are treatment, prevention, and investment.

This approach admits that HIV/AIDS was not solely a medical or public health problem but a complex social economic development issue. It is the key intervention areas that areas that are of concern to this study. The study looks at the entrepreneurial opportunities in treatment and prevention that would eventually result to development through investments.

Figure 1: Multidimensional Approach for the Prevention and Control of HIV/ AIDS



Adapted from HIV/AIDS Multidimensional Model Calderon (1997)

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the various steps to be conducted for purposes of establishing the perception of entrepreneurs towards the entrepreneurial opportunities in HIV/AIDS mitigation. It will also help find out what challenges the entrepreneurs face and how they overcome them.

3.2 Research Design

The research design was a survey of selected private organizations involved with the mitigation of HIV/AIDS. This had been found suitable for collecting data by means of personal or impersonal means, (Coopers and Emory, 1995).

3.3 Population

The population of study was **60** units in Nairobi targeting selected private organizations in the mitigation of HIV/AIDS. The population had the following categories.

- **10** *Pharmaceutical companies* –manufacturers/importers of antiretroviral drugs who appeared in the Drug and Chemist Directory August 2004
- **33** *Private hospitals* – whose names appeared in the Kenya Medical Directory 2004/2005
- **17** *Information, Education and Communication private organisations* - whose names were listed in the KANCO 2003 Directory

The population had been selected on the basis of being the key stakeholders in at least two key intervention areas of treatment and prevention as is in the Calderon (1997) multidimensional model of HIV/AIDS prevention and control

3.4 Data Collection

The study used primary data. A semi- structured questionnaire with open and closed ended probes was utilized. The respondents were owners of the organizations, top management, or other suitable persons in management. Data was collected through personal interview and drop and pick later method. The drop and pick later method is a variation of the mail survey method (Waita, 2004).

3.5 Data Analysis

The completed questionnaires were edited for completeness and responses were coded to facilitate basic statistical analysis. Descriptive statistics was used to summarize the data in percentages, frequencies, figures, and tables. Cross-tabulation analysis was used to measure the relationship between variables.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents and discusses the findings of the study. It has reported on the profile of the organizations, the perception of entrepreneurial opportunities in HIV/AIDS mitigation and finally the challenges faced by the respondents in pursuit of the opportunities. The sample studied comprised of hospitals, pharmaceutical companies and IEC organizations. They were all in Nairobi and were involved in either treatment or /and prevention of HIV/AIDS, being among the key intervention areas of HIV/AIDS (Calderon, 1997).

The questionnaire had three sections, A, B, and C. Sections Band C required the respondent to give the extent to which they rated various aspects on a scale of 1-5. Ratings were; *1: Not at all; 2: Little extent; 3: Moderate Extent; 4: Great Extent; and 5: Very Great Extent.* The data was collected, completed, coded and analyzed using descriptive statistics. None of the questionnaires was spoilt. Analysis was guided by the objectives stated in chapter one and therefore only what was considered relevant to the objectives was presented.

The sample population was 60 private organizations out of which 4 of the organizations had closed down and five were inaccessible. Out of the 51 questionnaires that were distributed 31 of them were successfully filled giving a response rate of 60.78%. The analysis in form of frequencies, percentages and cross tabulations is presented in the preceding tables, graphs, and narrations below.

4.2 Profile of the Organizations

The organizations profile was in terms of the type of business, ownership, years in operation and the size of their permanent employees is presented in the tables below.

Table 1: Type of Business

Business	Frequency	Percent	Cumulative Percent
Healthcare	16	51.6	51.6
Pharmaceuticals	7	22.6	74.2
IEC	8	25.8	100.0
Total	31	100.0	

Source: Research data

As shown from the Table 1 above, the sample population under study had three categories of organizations namely private healthcare providers who formed the bulk of the sample population with a frequency rate of 51.6%, pharmaceuticals manufacturing HIV/AIDS related products at 22.6% and private information education and communication consultants at 25.6 %.

Table 2: Ownership

Ownership	Frequency	Percent	Cumulative Percent
Local	25	80.6	80.6
Foreign	4	12.9	93.5
Other	2	6.5	100.0
Total	31	100.0	

Source: Research data

From the above Table 2, majority (80.6%) of the organizations were locally owned. Only 12.9% were foreign owned.

The age of the organizations was established and the findings are presented in the Table 3 below.

Table 3: Years in Operation

Era	Frequency	Percent	Cumulative Percent
Before 1984	11	35.5	35.5
1985-1994	12	38.7	74.2
1995-2004	8	25.8	100.0
Total	31	100.0	

Source: Research data

Only 35.5% of the organizations existed before 1984 as shown from the above Table 3. Most (64.5%) of the organizations under study were founded after 1984. This implies that majority of the organizations were established after HIV/AIDS was discovered in Kenya (Table 3).

The relationship of the number of permanent employees and the type of business was established and is presented in Table 4 below

Table 4: Permanent Employees

Business Type	Permanent employees					Total
	Less than 20 (%)	21-40 (%)	41-60 (%)	61-80 (%)	Over 100 (%)	
Healthcare	12.5	-	12.5	12.5	62.5	100
Pharmaceuticals	28.6	14.3	14.3	-	42.9	100
IEC	50	25	12.5	-	12.5	100
Total	8	3	4	2	14	31
	25.8	9.7	12.9	6.5	45.2	100.00

Source: Research data

As shown in the Table 4 above, majority (62.5 %) of the healthcare organizations studied had above 100 permanent employees. The pharmaceutical companies had 28.6% of them with less than 20 employees while 42.9% had more than a hundred employees. Half of the IEC organizations had less than 20 permanent employees. Overall 45.2% of them had over100 employees and 25.8% of them had less than 20 employees.

The healthcare organizations had a large number of permanent employees since their value chain is long and therefore more labor was required. The nature of the IEC being consultancy implies a shorter value chain and so less manpower. The organizations under study therefore ranged from small to large organizations

4.3 HIV/AIDS Mitigation

4.3.1 Introduction

The first case of HIV/AIDS was diagnosed in 1984 (NASCOP, 1998). From the previous findings 64.5 % of the organisations were established after 1984. The Ministry of health (NASCOP, 1999) observed that HIV/AIDS was a multisectoral issue that required a multisectoral response and a diverse range of stakeholders including private organizations, NGOs, FBOs and CBOs.

The length of time the organisations were involved in HIV/AIDS mitigation and the extent to which the organisations exploited the mitigation areas was established. It was important to know just why the founders of these organisations decided to venture into HIV/AIDS mitigation by seeking to know what motivated them.

It was found necessary to establish what strategies the respondents employed in order to pursue the opportunities in HIV/AIDS mitigation. Given that HIV/AIDS is a cost to the business fraternity (Waita, 2004) it was deemed necessary to establish the cost impact to the organisations under study. Since the respondents were private organisations and therefore profit making it was important to establish whom their customers were and the revenue contribution of the products they had introduced in order to reduce the impacts of HIV/AIDS.

The extent of exploitation of entrepreneurial opportunities in HIV/AIDS mitigation was evaluated by having the respondents give their opinion on how the different areas had been addressed.

4.3.2 Areas and Duration of HIV/AIDS Mitigation

The extent to which the organizations exploited the mitigation areas and the length of time the organizations were involved in HIV/AIDS mitigation was established. The rating was on a scale of 1-5 where, 1 represented the minimum and 5 the maximum. The findings for the 31 subjects are presented in Tables 5 and 6 below.

Table 5 below shows the mean rates of HIV/AIDS mitigation areas that are exploited by the respondents. The respondents exploited IEC to a great extent at a mean score of 4. Medical care, HIV testing and HIV prevention were on average moderately exploited at means score of 3.29, 3.39 and 3.61 respectively. Supply of ARVs, home based care and support and research were exploited to a little extent at means score of 2.87, 2.0, and 2.29 respectively by the studied population. HIV/AIDS management logistics was the least exploited at a mean score of 1.26.

Table 5: HIV/AIDS Mitigation Areas

Mitigation Areas	Mean	Std. Deviation
Supply of ARVS	2.87	1.80
Medical care	3.29	1.74
IEC	4.00	1.13
HIV Testing	3.39	1.63
Home based care and support	2.00	1.34
Research	2.29	1.53
HIV Prevention	3.61	1.52
HIV/AIDS mgt logistics	1.26	0.89

Source: Research data

These findings imply that even though HIV/AIDS is threatening to the well being of peoples' health it has created opportunities for entrepreneurial action through the intervention areas. This is because it is an environment marked by crises as more than a million Kenyans have died and many more are carrying the virus. It has therefore witnessed heavy scrutiny of existing institutional arrangements resulting in increased opportunities for entrepreneurial action (Wesley and Robert, 2002).

The base year zero (0) in this case is year 2005. As Table 6 below shows, 12.9% of the organizations were in HIV/AIDS mitigation for over fifteen years. A high percentage of

87.1% of the studied organizations were less than eleven years old in HIV/AIDS mitigation with 54.8 % of the organizations being less than five years.

Table 6: Years in mitigation

No. Of Years	Frequency	Percent
0-2	6	19.4
3-5	11	35.5
6-8	7	22.6
9-11	3	9.7
Over 15years	4	12.9
Total	31	100.0

Source: Research data

This implies that even though HIV/AIDS was there since 21years ago (1984), entrepreneurial opportunities were mainly exploited in the last five years. This is related to former presidents Moi declaration of HIV/AIDS as a national disaster in November1999 (Daily Nation Sunday, July 1, 2001). This further confirmed Kirzner (1973) argument that factors such as disasters are among the origins of entrepreneurial opportunities since they create market disequilibria.

4.3.3 Motivation to Initiate Mitigation in HIV/AIDS

It was important to know just why the founders of these organizations decided to venture into HIV/AIDS mitigation by seeking to know what motivated them.

As shown in Table 7 below, only 16.1% of the respondents identified profit opportunities as their motivation. Good corporate image was picked by 29% of the population while 19.4% identified emotional satisfaction their motivation to start business in HIV/AIDS mitigation. Most of the respondents (90.3%) identified society welfare as their motivation to exploit opportunities in HIV/AIDS mitigation.

Table 7: Motivation to Initiate Mitigation

Motivation	Frequency	Percentage
Good corporate image	9	29
Profit Opportunities	5	16.1
Emotional satisfaction	6	19.4
Society welfare	28	90.3

Source: Research data

This implies that even though the selected organizations were profit making only a few of them (16.1%) could declare they started the business for it. According to Kiarie and Muraah, (2001) HIV/AIDS stigmatizes the infected and the affected and this could be the reason why majority of the respondents could not disclose whether they were profit making. Instead most of them felt that their motivation to engage in HIV/AIDS motivation was to contribute to society welfare. The fact that a few acknowledged their motivation to be profit making verifies that indeed there are entrepreneurial opportunities in HIV/AIDS mitigation.

A further analysis was deemed necessary to find out how the different types of businesses compared in their response to profit opportunities as their motivation to initiate HIV/AIDS mitigation. The following were the findings.

Only 6.2% of the healthcare providers identified profit opportunities as the motivation for being in HIV/AIDS mitigation (see Table 8 below). Out of the studied Pharmaceuticals only 28.6% identified profit as the motivation. IEC organizations that identified profit opportunities as the motivation were 25%.

Table 8: Organizations motivated by profit opportunities

Type of Business	Frequency	Percent
Healthcare	1	6.20
Pharmaceuticals	2	28.60
IEC	2	25.00
Total	5	16.10

Source: Research data

The healthcare organizations had the lowest presentation which could be attributed to the nature of the organizations as they are life saving and would therefore not want to be seen as being profit making.

4.3.4 Strategies Adopted in Pursuit of HIV/AIDS Mitigation

Strategies employed by the respondents in order to pursue the opportunities in HIV/AIDS mitigation were established and the findings are presented in Table 9 below.

Table 9: Strategies Adopted in Pursuit of HIV/AIDS Mitigation

Strategy	Frequency	Percent
Introduced products	30	96.8
Built capacity	24	77.4
Formed partnerships	12	38.7
Social responsibility	7	22.6

Source: Research data

As shown from the table above 96.8% of the respondents had introduced new products while 77.4% had built capacity either in form of training existing staff, hiring new staff moving to a new premises or improved their systems. Only 38.7% of the studied population had formed partnerships with NGOs, Government or other private organizations. At least 22.6% of the organizations studied had initiated some social responsibility activities in HIV/ASIDS mitigation.

This implies that the organization had responded to the changes in the social environment (Ansoff; Macdonell, 1990) and therefore had crafted strategies to match this environment. According to Wesley and Robert (2002) environmental jolts mobilize actors to reformulate institutions, resulting in increased entrepreneurial opportunities.

The fact that all but one organization had introduced new products implies that there were entrepreneurial opportunities in HIV/AIDS mitigation. Holcombe and Randall G (2003) argue that an entrepreneurial opportunity exist if there is a possibility of correcting errors in the system by creating new ways, new means or new ends in order to achieve given end.

4.3.5 Cost Impact of HIV/AIDS to the Organizations Studied

HIV/AIDS affects the body's immune system there by exposing the infected person to opportunistic infections. It stigmatizes the infected as well as the affected persons (Kiarie and Muraah, 2001). The business fraternity depends on the human resources for the implementation of their strategies therefore HIV/AIDS is a cost to the business fraternity (Waita, 2004). The cost impact of HIV/AIDS was therefore evaluated and the findings are presented in table 10 and graph one below.

Table 10: Cost impact of HIV/AIDS

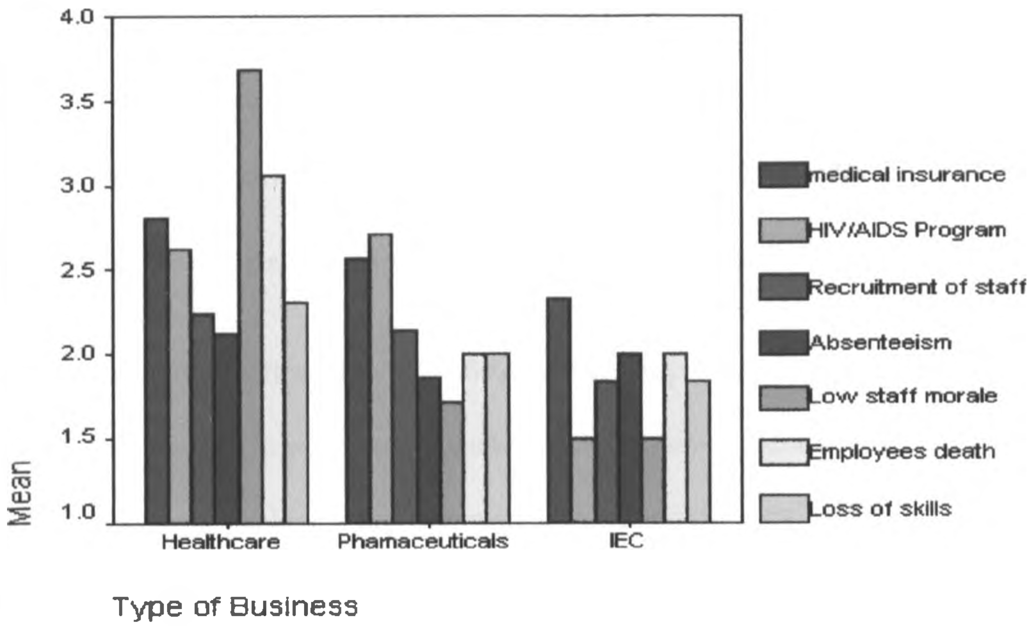
Cost Category		Not at all	Little extent	Moderate Extent	Great Extent	V. Great Extent	Total
Medical Insurance	Frequency	13	3	5	5	5	31
	Percent	41.94	9.68	16.13	16.13	16.13	100.00
HIV/AIDS Program	Frequency	14	3	6	6	2	31
	Percent	45.16	9.68	19.35	19.35	6.45	100.00
Recruitment of Staff	Frequency	15	5	7	2	2	31
	Percent	48.39	16.13	22.58	6.45	6.45	100.00
Absenteeism	Frequency	12	10	6	2	1	31
	Percent	38.71	32.26	19.35	6.45	3.23	100.00
Low Staff Morale	Frequency	16	9	4	1	1	31
	Percent	51.61	29.03	12.90	3.23	3.23	100.00
Employees death	Frequency	13	12	4	1	1	31
	Percent	41.94	38.71	12.90	3.23	3.23	100.00
Loss of skills	Frequency	13	10	3	3	2	31
	Percent	41.94	32.26	9.68	9.68	6.45	100.00

Source: Research data

From the above Table 10, more than 50% of the respondents felt that the cost impact of HIV/AIDS was less than moderate on all the cost variables. However 40% of the respondents felt that costs related with medical insurance and HIV/AIDS program were more than moderate.

It was found necessary to evaluate the costs in relation to the types of the organization studied and the findings are presented in the figure below.

Figure 2: Cost Impact of HIV/AIDS



Source: Research data

As observed from the figure 2 above the health care providers experienced the highest cost in low staff morale at a mean of 3.7 and the lowest cost absenteeism at a mean of 2.2. The pharmaceuticals experienced the highest cost in HIV/AIDS program at a mean of 2.7 and the lowest cost in low staff morale at a mean of 1.7. The IEC organization experienced their highest cost in medical insurance at a mean rate of 2.3 and the lowest in HIV/AIDS program and low staff morale both at a mean of 1.5.

The healthcare providers experienced the highest cost overall while IEC had the lowest cost overall. This could be associated with the fact that the healthcare organizations as seen earlier in section 4.2 had more employees than the IEC. On average the organizations experienced less than moderate cost impact from HIV/AIDS. This implied that the cost impact from HIV/AIDS was minimal to the respondents and therefore presented no obstacle for those who pursued the opportunities in HIV/AIDS mitigation. . This further confirms the findings by Maina, (2004) who studied the business challenges experienced by the private hospitals in the advent of HIV/AIDS in Nairobi. The study revealed that 66.7% of the 34 private organisations that were studied considered HIV/AIDS as a business opportunity of moderate to very high extent.

4.3.6 Revenue, Products and Customers in HIV/AIDS Mitigation

From the previous section 4.3.3, 96.8% of the respondents had introduced new products. The increase in revenue associated with the new products and the customers served was therefore evaluated and summarized in the frequency Tables 11, 12 and 13 below.

Table 11: Increase in revenue

Rating	Frequency	Percent	Cumulative Percent
Not at all	5	16.1	16.1
Little extent	6	19.4	35.5
Moderate extent	16	51.6	87.1
Great extent	3	9.7	96.8
Very great extent	1	3.2	100.0
Total	**31**	**100.0**	

Source: Research data

As shown in the Table 11 above, most (51.6%) of the respondents perceived their revenue increase to be of moderate extent. Only 16.1% of the respondents felt there was no increase of revenue at all. The respondents identified increase of revenue at a great extent and very great extent at 9.7% and 3.2% of extent respectively.Even though majority of the respondents felt that they did not venture into HIV/AIDS mitigation for profit purposes, majority of them had more than a moderate increase in revenue, implying that indeed the respondents had found a potentially profitable need to satisfy. Hulbert et al (1997) argue that a business opportunity exists if there is a chance to meet an unsatisfied need that is potentially profitable.

Table 12: Products Offered in HIV/AIDS Mitigation

Products	Frequency	Percent
Test kits and prevention gadgets	3	9.7
Testing	18	58.1
ARVS	21	67.7
IEC	27	87.1
Research	7	22.6
HIV Training	6	19.4
Treatment	16	51.6
HIV/AIDS Management Logistics	7	22.6

Source: Research data

As Table 12 above indicates, only 9.7% of the respondents offered testing kits and prevention gadgets. Testing was carried out by 58.1 % of the studied population while ARVs were supplied by 67.7% of the population. The supply of ARVS was both from manufacturers to hospitals and from hospitals to the PLWHAs. Majority (87.1%) of the respondents were involved in IEC. Research and HIV management logistics was exploited by only 22.6% of the respondents. HIV training was done by 19.4% of the respondents while treatment of opportunistic infections was done by 51.6% of the respondents.

As seen earlier almost all the respondents had introduced new products. From the above a range of products specifically for reduction of HIV/AIDS impact was on offer. This further confirms the earlier findings where 96.8% of the respondents had introduced new products.

One of the three views of entrepreneurial opportunity according to Sarasvathy et al. (2002) is opportunity discovery. They argue that if demand exists but no supply and vice versa then the non-existent side has to be "discovered" before the match-up can be implemented.

In the advent of HIV/AIDS there was a great demand for its management and therefore supply of all the tools that were required to reduce its impact had to be supplied. This gave rise to entrepreneurial opportunities and as seen in the findings there were plenty on offer by the respondents.

Table 13: Customers in HIV/AIDS mitigation

Customers	**Frequency**	**Percent**
Government	13	41.9
NGOs, CBOS, FBOS and or private organizations	17	54.8
PLWHAs	17	54.8
General Public	24	77.4

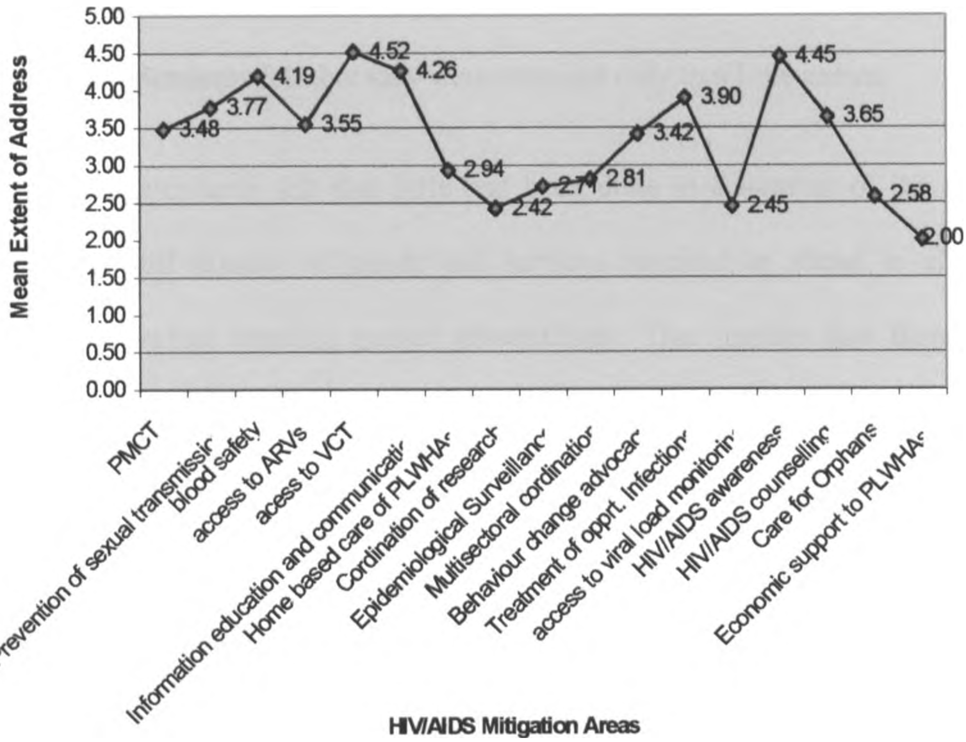
Source: Research data

As shown in the table above most (77.4%) of the respondents targeted the general public. The government was served by 41.9% of the respondents while both PLWHAs and NGOs, CBOs, FBOs and private organizations were served by 54.8% of the respondents.

4.3.7 The Extent of Exploitation of Opportunities in HIV/AIDS Mitigation

HIV/AIDS is a multisectoral issue requiring a multisectoral response and a diverse range of stakeholders (NASCOP, 1999). The respondents were required to give their opinion regarding how the different areas of HIV/AIDS mitigation had been addressed. The findings are presented in the Figure 3 below.

Figure 3: Extent of HIV/AIDS Mitigation Address



Source: Research data

As shown in Figure 3 above, safety, access to VCT, IEC, and HIV/AIDS awareness were the most addressed areas of HIV/AIDS mitigation at a mean rate of more than four implying the respondents felt that these areas had been addressed to a great extent.

PMCT, prevention of sexual transmission, access to ARVs, behaviour change advocacy and HIV/AIDS counselling scored a mean of more than three but less than four implying that the respondents felt that these areas had been addressed to a moderate extent.

The respondents felt that home based care and support of PLWHAs, coordination of research, epidemiological surveillance, multisectoral coordination of mitigation, access to viral load monitoring, caring for orphans and economical support of PLWHAs were the least attended areas in HIV/AIDS mitigation with a mean score of less than three implying that the respondents felt that they were attended only to a little extent.

The fact that the respondents felt that little had been done in a number of the areas implies there was still scarcity of goods and services required to attend to all the mitigation areas therefore creating market disequilibria. This implies that there are many more entrepreneurial opportunities to be exploited by taking advantage of the economic disequilibria (Kirzner 1973).

4.4 Challenges in Pursuit of Opportunities in HIV/AIDS Mitigation

Organizations exist in an uncontrollable, turbulent external environment (Ansoff and Macdonell 1990) as well as a controllable internal environment. All these present challenges to the organizations, which they have to respond to by matching these environments to their organizational capabilities. The frequency of how the responses towards different challenges are summarized in the frequency table 14 below.

Table 14: Challenges in HIV/AIDS Mitigation

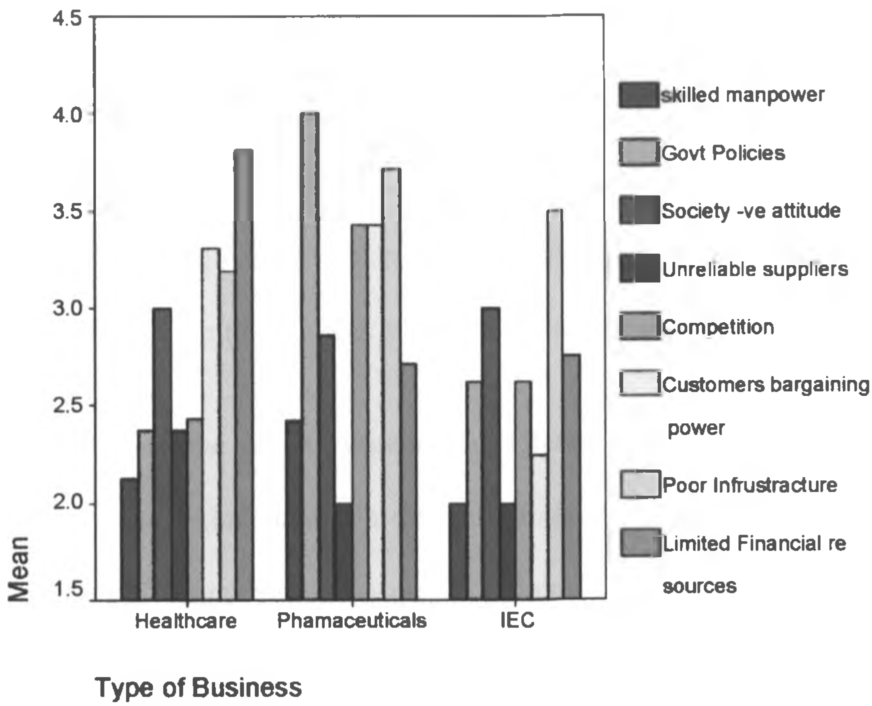
Challenges	Statistics	Not at all	Little Ext.	Mod.Ext.	Great Ext.	V. Great Ext.	Total
Skilled manpower	**Frequency**	10	10	8	2	1	31
	Percent	32.26	32.26	25.81	6.45	3.23	100.00
Government	**Frequency**	11	2	5	8	5	31
	Percent	35.48	6.45	16.13	25.81	16.13	100.00
Society Negative attitude	**Frequency**	4.00	8.00	8.00	7.00	4.00	31.00
	Percent	12.90	25.81	25.81	22.58	12.90	100.00
Unreliable suppliers	**Frequency**	9	10	10	1	1	31
	Percent	29.03	32.26	32.26	3.23	3.23	100
Competition	**Frequency**	7	6	9	7	2	31
	Percent	22.58	19.35	29.03	22.58	6.45	100.00
Customers bargaining	**Frequency**	5	5	8	9	4	31
	Percent	16.13	16.13	25.81	29.03	12.90	100.00
Poor infrastructure	**Frequency**	6	3	4	9	9	31
	Percent	19.35	9.68	12.90	29.03	29.03	100.00
Limited Finances	**Frequency**	5	4	6	9	7	31
	Percent	16.13	12.90	19.35	29.03	22.58	100.00

Source: Research data

As observed in the Table 14 above, skilled manpower and unreliable suppliers were the least experienced challenges with more than 60% of the respondents citing little to no challenge at all. Challenges from the government and competition were experienced by more than 55% of the respondents at moderate to very great extent. Society negative attitude, poor infrastructure, and limited finances were the greatest challenges experienced by more than 60% of the respondents at moderate to very great extent.

Evaluation of the challenges within the different types of organizations was carried out and the findings are summarized in the mean figure 3 below.

Figure 4: Challenges Experienced in HIV/AIDS mitigation



Source: Research data

Figure 4 above shows that the healthcare organizations identified limited finances as their greatest challenge at a mean of 3.8, and lack of skilled manpower to be their least challenge at a mean of 2.2. The pharmaceuticals felt their greatest threat was the government at a mean of four and their least challenge was unreliable suppliers at a mean of two. Society negative attitude was IEC greatest challenge at a mean of 3.5.

Both lack of skilled manpower and unreliable suppliers were their least challenge at a mean of two.

All the respondents felt that lack of skilled manpower and unreliable suppliers to be their least threat at a little extent with a mean range of 2-2.5. All the respondents felt that poor infrastructure was a great challenge at a moderate extent with a mean range of 3.2 –3.7.

Both the health care and IEC organizations felt that competition on average was to a little extent at 2.4 and 2.6 respectively while pharmaceuticals felt that it was at a moderate extent at a mean of 3.4. Both the health care and pharmaceutical organizations felt that customer bargaining power was on average was to a moderate extent at 3.3 and 3.4 respectively while IEC felt that it was at a little extent at a mean of 2.2.

The results indicate that the all the organizations faced challenges but each of the different types faced each challenge at a different magnitude from the other implying that even though the organizations were all doing HIV/AIDS mitigation they experienced a different environment. Johnson and Scholes (2002) argue that organizations are of different forms and therefore differ in their complexity and the kind of environment they face.

The study sought to find out how the respondents responded to the challenges and this was summarized in the mean table below.

Table 15: Options Utilized in Overcoming the Challenges

Overcoming challenges	Mean	Std. Deviation
Training staff	3.7419	1.3157
Comply with Government	3.2581	1.5048
Participating in social activities	3.1935	1.3765
Partner with suppliers	2.871	1.4547
Improving product Quality	3.7097	1.3951
Offer incentives to customers	3.0323	1.3288
Utilizing technology	3.5161	1.1796
Source funds from donors	2.6129	1.5205

Source: Research data

As shown from the Table 15 above, in response to the challenges experienced by the respondents, training staff, complying with government, participating in social activities, partnering with suppliers, improving product quality, offering incentives to customers and utilizing technology had a mean of 3 therefore were undertaken to a moderate extent. The respondents did sourcing for funds from donors at a mean of 2 therefore it was done at a little extent.

The organizations had implemented responses to their challenges. Ansoff and Macdonnell (1990) argue that each organization needs to diagnose its unique pattern of future challenges, threats, and opportunities and it must design and implement its unique response to these challenges.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The sample population under study had three categories of organizations namely private hospitals, pharmaceuticals companies, and IEC consultants. Majority (80.6%) of the organizations were locally owned. Most (64.5%) of the organizations under study were established after HIV/AIDS was discovered in Kenya in 1984 (NASCOP, 1998). The organizations under study ranged from small to large organizations.

HIV/AIDS is threatening to the well being of peoples' health as more than a million Kenyans have died and many more are carrying the virus thereby creating a crisis. Wesley and Robert, 2002 argue that environments marked by crises witness heavy scrutiny of existing institutional arrangements resulting in increased opportunities for entrepreneurial action.

The respondents were already exploiting different mitigation areas but findings indicate that there was still scarcity of goods and services required to attend to all the mitigation areas. Most of the areas of HIV/AIDS mitigation such as home based care, coordination of research, epidemiological surveillance, multisectoral coordination, viral load monitoring, caring for orphans and economical support of PLWHAs were only attended to a little extent. This implied that there are many more entrepreneurial in HIV/AIDS mitigation

The study confirmed that even though HIV/AIDS was there since 21years ago (1984-

2005), entrepreneurial opportunities were mainly exploited in the last five years. This is related to former presidents Moi declaration of HIV/AIDS as a national disaster in November1999 (Daily Nation Sunday, July 1, 2001). This further confirmed Kirzner (1973) argument that factors such as disasters are among the origins of entrepreneurial opportunities since they create market disequilibria.

Even though the selected organizations were profit making most of the respondents favoured society welfare as their motivation to engage in HIV/AIDS motivation. According to Kiarie and Muraah, (2001) HIV/AIDS stigmatizes the infected and the affected and this could be the reason why majority of the respondents could not disclose whether they were profit making. The fact that a few acknowledged their motivation to be profit making verifies that indeed there are entrepreneurial opportunities in HIV/AIDS mitigation.

HIV/AIDS had created market disequilibria as there was demand for products and services to reduce the impact of HIV/AIDS and supply was limited. Organization had responded to the changes in this social cultural environment (Ansoff; Macdonell, 1990) and had crafted strategies to match with it. All but one of the respondents had introduced a range of new products whose target customers were varied. More than half of the respondents had a moderate increase in revenue from the new products. The cost impact from HIV/AIDS was found to be minimal to the respondents. All this implied that indeed there were entrepreneurial opportunities in HIV/AIDS mitigation.

All the organizations faced challenges but faced each challenge at a different magnitude from the other implying that even though the organizations were all doing HIV/AIDS mitigation they experienced a different environment. Johnson and Scholes (2002) argue that organizations are of different forms and therefore differ in their complexity and the kind of environment they face. The organizations had implemented responses to their challenges. Ansoff and Macdonnell (1990) argue that each organization needs to diagnose its unique pattern of future challenges, threats, and opportunities and it must design and implement its unique response to these challenges.

5.2 Conclusions

Despite the devastating effects of HIV/AIDS there were many entrepreneurial opportunities in its mitigation some of which had only been exploited to a little extent. However there was HIV/AIDS stigma as most of the respondents felt that they were involved in reduction of HIV/AIDS impacts mainly for society welfare and not for profit gains. A long range of new products was offered for HIV/AIDS mitigation and a variety of stakeholders were involved. Challenges in HIV/AIDS mitigation were minimal and were experienced at a varying magnitude from one organization to another.

5.3 Recommendations for Further Research

Comprehensive research of all the individual areas of HIV/AIDS mitigation for the profit making organizations could be carried out to find out whether opportunities in the mitigation do contribute to the growth of small-scale micro enterprises. Research could be done to establish whether finding of a curative or vaccination for HIV would imply the extinction of the entrepreneurial opportunities in HIV/AIDS. There are very many NGOs in the mitigation of HIV/ AIDS and research could be done to evaluate their competitive advantages in pursuit of donor funds.

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APPENDICES

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone 732160 Ext 208
Telegrams "Varsity", Nairobi
Telex 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... ....

TO WHOM IT MAY CONCERN

The bearer of this letter ....Margaret......Tuto.....Waweru..................

Registration No: ...D61/7319/03..

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

M.B.A. OFFICE
P.O. Box 30197
NAIROBI
UNIVERSITY COMMERCE FACULTY

JACKSON MAALU
CO-ORDINATOR, MBA PROGRAM

APPENDIX II: QUESTIONNAIRE

Dear Participant,

This questionnaire is for academic purposes only. It is divided into three sections A, B and C. Kindly answer the questions in each section. Your answers will remain anonymous and strictly confidential and in no instance will your name be mentioned in the report.

SECTION A

1. Name of Organization_______________________________(optional)

2. Please indicate the ownership of your company.

   Local ☐ Foreign ☐ Other specify ______________________

3. In which year did you start operations in Kenya? ______________________

4. What business are you in?

   ____

   ____

5. Do you have other branches? Yes ☐ No ☐

   If yes, where are they located?

   ____

   ____

6. How many permanent employees do you have currently? (Select from below)

   ☐ i. Less than 20
   ☐ ii. 21-40
   ☐ iii. 41 –60
   ☐ iv. 61 –80
   ☐ v. 81- 100
   ☐ vi. More than 100

SECTION B

1. In which year did you begin attending to HIV/AIDS mitigation? ________

   a. Please tick the area(s) you are involved in and select from below the extent to which you have exploited each of the areas ticked.

      1. Not at all
      2. Little extent
      3. Moderate Extent
      4. Great Extent
      5. Very Great Extent

		Area	Rating 1	2	3	4	5
☐	i.	Supply of Anti-retroviral	( )	( )	( )	( )	( )
☐	ii.	Medical care	( )	( )	( )	( )	( )
☐	iii.	IEC (Information, Education, Communication)	( )	( )	( )	( )	( )
☐	iv.	HIV testing	( )	( )	( )	( )	( )
☐	v.	Home based care and support	( )	( )	( )	( )	( )
☐	vi.	Research	( )	( )	( )	( )	( )
☐	vii.	HIV Prevention	( )	( )	( )	( )	( )
☐	viii.	Others (please specify and rate)					
	ix.	________________	( )	( )	( )	( )	( )
	x.	________________	( )	( )	( )	( )	( )

   b. What motivated you into getting involved in the area of mitigation of HIV/AIDS? Please tick from below

      ☐ i. To create a good corporate image
      ☐ ii. Profit opportunities

☐ iii. Emotional satisfaction

☐ iv. Desire to contribute to society welfare

☐ v. Others (specify) ______________________________

____

2. From 1(a) above, what major strategies did you undertake in the pursuit of HIV/AIDS mitigation.

____

____

____

____

3. To what extent have the following impacts of HIV/AIDS affected your organization. Please tick the rating from below.

Impact	Very Great Extent	Great Extent	Moderate Extent	Little extent	Not at all
Medical insurance					
HIV/AIDS program					
Recruitment of staff					
Absenteeism					
Low staff morale					
Employees death					
Loss of skills					
Others (specify)					

4. I believe you are offering product (s) /services that are very important in the mitigation of HIV/AIDS in your company whether it is in *prevention, testing, care, support, treatment, or in information, education and communication.*

a. Please fill in the table below giving details about the new products/services you have introduced for purposes of reducing the impact of HIV/AIDS and select from below the extent to which each of the products/service has increased the overall revenue collected in your business.

Name of New Products / Services	Name of Customer (s)	Increase in Revenue

Revenue Increment

1. Very high increase
2. High increase
3. Moderate increase
4. Little increase
5. No increase at all

SECTION C

1. Here are some challenges that you may face in the day to day running of your business as you participate in this multi-sectoral noble calling of saving lives.

   a. Please indicate to what extent each of them is experienced in your business by selecting from below

      1. Not at all
      2. Little extent
      3. Moderate Extent
      4. Great Extent
      5. Very Great Extent

		1	2	3	4	5
i.	Lack of skilled manpower	( )	( )	( )	( )	( )
ii.	Government policies and regulations	( )	( )	( )	( )	( )
iii.	Society's negative attitude	( )	( )	( )	( )	( )
iv.	Unreliable suppliers	( )	( )	( )	( )	( )
v.	Competition from new entrants	( )	( )	( )	( )	( )
vi.	Customers bargaining power	( )	( )	( )	( )	( )
vii.	Poor infrastructure system	( )	( )	( )	( )	( )
viii.	Limited financial Resources	( )	( )	( )	( )	( )
ix.	Others (please specify)					
x.	______________________	( )	( )	( )	( )	( )
	______________________	( )	( )	( )	( )	( )

   b. The following are some of the ways of overcoming the above business challenges. Kindly select the ratings from 1 (a) describing the extent to which you have utilized them.

1	2	3	4	5

i.	Training of staff	( )	( )	( )	( )	( )
ii.	Complied with Government	( )	( )	( )	( )	( )
iii.	Participating in societal activities	( )	( )	( )	( )	( )
iv.	Partnering with suppliers	( )	( )	( )	( )	( )
v.	Improving product quality	( )	( )	( )	( )	( )
vi.	Entering into contract with customers	( )	( )	( )	( )	( )
vii.	Offering incentives to customers	( )	( )	( )	( )	( )
viii.	Using technology for communication	( )	( )	( )	( )	( )
ix.	Sourcing for funds from donors	( )	( )	( )	( )	( )
x.	Others (please specify)					
	____________________________	( )	( )	( )	( )	( )
	____________________________	( )	( )	( )	( )	( )

2. The following are areas of mitigation of HIV/AIDS. Please tick the rating giving the extent to which you feel they have been addressed.

Area of Mitigation	Very Great Extent	Great extent	Moderate extent	Little extent	Not at all
Prevention of mother to Child transmission					
Prevention of sexual transmission					
Blood safety					
Access to anti- retroviral					
Access to Voluntary Testing and counseling					
Information, Education, and Communication					

Home based Care and support of people living with HIV/AIDS					
Coordination of Research					
Epidemiological surveillance					
Multi-sectoral coordination of mitigation					
Behavior change advocacy					
Treatment of opportunistic infections					
Access to viral load monitoring					
HIV/AIDS Awareness					
HIV/AIDS counseling					
Caring for the HIV/AIDS orphans					
Economic support to People living with HIV/AIDS					

3. In any business operation one may experience instance of happiness and regrettable moments.

    a) What do you consider to be the most enjoyable experiences in running your business?

    ____
    ____
    ____
    ____
    ____
    ____
    ____

    b) What do you consider to be the most regrettable experiences in running your business?

    ____
    ____
    ____
    ____
    ____
    ____
    ____

Thank you so much for your kind participation.

APPENDIX III: LIST OF ORGANIZATIONS

Hospitals

1. The Aga Khan Hospital.
2. Avenue Hospital.
3. Central Park Hospital.
4. Coptic Hospital.
5. Gertrude's Garden Children's Hospital.
6. Jamaa Home And Maternity Hospital.
7. Kenyatta National Hospital- Private Wing.
8. M.P. Shah Hospital.
9. Masaba Hospital.
10. The Mater Hospital.
11. Mother And Child Hospital.
12. Nairobi Equator Hospital.
13. The Nairobi Hospital.
14. Nairobi West Hospital.
15. Nairobi Women's Hospital
16. St. James Hospital.
17. St. Mary's Mission Hospital.
18. South B Hospital.
19. Victory Medical And Maternity Hospital.
20. Westlands Cottage Hospital.
21. Central View Hospital.
22. Edianna Hospital.
23. Guru Nanak Ramgarhia Sikh Hospital.
24. Kayole Hospital Limited.
25. Lily Women Hospital.
26. Lions Sight First Eye Hospital.
27. Mariakani Cottage Hospital.
28. Melchizedek Hospital.
29. Metropolitan Hospital, Nairobi.
30. The Olive Tree Hospital.
31. Prime Care Hospital.
32. Umoja Hospital Limited.
33. Karen Hospital

Pharmaceuticals

34. Glaxosmithkline
35. Hoffman la Roche
36. Abbot
37. Cipla
38. Bristol Myers Squib
39. Boeringer Ingelheim
40. Cosmos
41. Ranbaxy
42. Merck Sharp company
43. Pfizer

IEC Organizations

44. Crystal Hill Consulting
45. South consulting
46. ACE communications
47. Oasis counseling
48. Amani counseling center
49. Kenya association of professional counselors
50. Mosaic counseling services
51. Family life counseling association
52. Kenya institute of professional counseling
53. Information research and communications centre
54. AIDS awareness programme
55. AIDS awareness Agency
56. Kenya Broadcasting Corporation
57. KIKAN Consultancy and Training services
58. Mwangaza counseling services
59. Sunami marketing services
60. Mzima Springs