FACTORS INFLUENCING DEVELOPMENT OF THE CORPORATE BOND MARKET IN KENYA

BY

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DECLARATION

This project is an original work of Martin Muchai Mbugua and has not been submitted to any other university.

Name: Martin Muchai Mbugua Date: 23/03/04

Signature:

This project research project has been submitted for examination to the University of Nairobi with my approval as the supervisor.

Signed:

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DEDICATION

To my late parents Mr. and Mrs. George Mbugua whose encouragement and inspiration has seen me this far in pursuit of knowledge.

ACKNOWLEDGEMENTS

My sincere thanks to my supervisor Mrs. Mary Kimonye, whose guidance and encouragement has enabled me to successfully complete this project.

Thanks to my employer Dyer and Blair Limited. The financial input and exemption from work during exam periods has enabled me complete the study.

Faculty of Commerce presented a challenging yet motivating course, relevant to my current employment in terms of equipping me managerial and marketing skills.

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1.1.2 Business financing overview

Corporate bonds offer businesses a cheaper source of financing their capital expenditures. In Kenya today commercial banks operate a non-performing loan portfolio totaling to over Ksh. 60b (CBK monthly August bulletin 2003). Many companies have been put under receivership and many more wound up due to their inability to service their loans. An opportunity for such companies to source cheaper funds by floating corporate bonds can be explored, this can be demonstrated by the disparity that exists between banks' lending rate and the benchmark treasury bill rate as shown in the table below;

Table 1: Kenyan Commercial Bank base lending rates

SUMMARY OF COMMERCIAL BANKS'
BASE LENDING INTEREST RATES
FOR JUNE 2003

NAME OF INSTITUTION	3-Jun-03	10-Jun-03
1 African Banking Corporation	14.00	14.00
2 Akiba Bank	14.00	14.00
3 Bank of Baroda	14.50	14.50
4 Bank of India	14.00	14.00
5 Barclays Bank of Kenya	12.75	12.75
6 CFC Bank	13.50	13.50
7 Charter House Bank	15.75	15.75
8 Chase Bank	14.75	14.75
9 Citibank N.A	14.75	14.75
10 City Finance Bank	15.00	15.00
11 Commercial Bank of Africa	13.50	13.50
12 Consolidated Bank of Kenya	14.50	14.50

13 Cooperative Bank	13.00	13.00
14 Credit Agricole Indosuez	17.00	17.00
15 Credit Bank	14.00	14.00
16 Daima Bank	18.00	18.00
17 Delphis Bank	14.50	14.50
18 Development Bank	14.00	14.00
19 Diamond Trust Bank	13.50	13.50
20 Dubai Bank	18.00	18.00
21 Equatorial Commercial Bank	15.00	15.00
22 Euro Bank		
23 Fidelity Commercial Bank	16.00	16.00
24 Fina Bank	14.75	14.75
25 First American Bank	13.50	13.50
26 Giro Commercial Bank	15.00	15.00
27 Guardian Bank	15.00	15.00
28 Habib A.G. Zurich	15.00	15.00
29 Habib Bank Ltd	17.00	17.00
30 Imperial Bank	16.00	15.00
31 Industrial Development Bank	16.00	16.00
32 Investments & Mortgages Bank	14.75	14.75
33 Kenya Commercial Bank	14.00	14.00
34 K-Rep bank	18.00	18.00
35 Middle East Bank	15.50	15.50
36 National Bank of Kenya	19.00	19.00
37 National Industrial Credit Bank	13.50	13.50
38 Paramount Universal Bank	15.50	15.50
39 Prime Bank	15.00	15.00
40 Southern Credit Bank	15.50	15.50
41 Stanbic Bank	10.00	10.00
42 Standard Chartered Bank	13.50	13.50
43 TransNational Bank	15.00	15.00
44 Victoria Commercial Bank	14.50	14.00
AVERAGE	14.55	14.51

	3-Jun-03	10-Jun-03
91 days Treasury Bill rate	3.854%	2.524%

Source: Central Bank of Kenya

Many companies that are capable of issuing corporate bonds continue to rely on bank loans at punitive rates whereas banks pay them token rates for their deposits. Commercial banks are the largest Treasury bill investors accounting for over 60% of all the investors (Central Bank bulletin May 2003).

1.1.3 An overview of the corporate bond market

Businesses need money in order to grow, expand to new locations, upgrade equipment, or any of a thousand other uses of capital (Www.fidelityinvestment.com). Generally speaking, companies have three choices when they want to raise cash. They can issue shares of stock, they can borrow from the bank, or they can borrow from investors by issuing corporate bonds (Brealy 1981).

Corporate bonds are intermediate and long term obligations issued by large high quality corporations to finance plant and equipment spending, in other words for the purposes of capital formation (Kidwell 1990).

They come in dozens of varieties. Many corporate bonds feature a call provision that allows the issuing company to pay back the principal to bond holders before maturity. Other corporate bonds are known as convertibles because they carry a provision that the bond can be converted into shares of common stock under certain circumstances. Convertible bonds can be more attractive than bonds with no conversion provision, depending on the price of the underlying stock. (Brealy 1981). We do not have any convertible bond in the Kenyan market yet.

Most corporate bonds are fixed-rate bonds. This means, the interest rate the corporation pays is fixed until maturity and will never change (Brealy 1981).

Some corporate bonds use floating rates to determine the exact interest rate paid to bond holders. The interest rate paid on these bonds actually changes, depending on some index, such as short-term Treasury bills or money markets. These bonds do offer protection against increases in interest rates, but the trade-off is that their yields are typically lower than those of fixed-rate securities with the same maturity. (Brealy 1981). All the corporate bonds issued at the NSE have been floating rate bonds.

Other corporate bonds, called zero-coupons, make no regular interest payments at all. These bonds sell at a deep discount to face value, and then are redeemed at the full face value at maturity. The bondholder earns interest on these bonds along the way. The interest is all paid back with the principal when the bond ends (Brealy 1981). In Kenya the Treasury that has issued a one-year and a three-year zero coupon bonds (NSE website 2003). However no zero coupon corporate bond has been issued so far.

Corporate bonds are rated according to the quality of the issuer, government bonds are considered to be the least risky bonds. Big multi national companies are considered low risk therefore the bonds they issue are considered relatively secure (Hubbard 2000).

The following are summaries of the ratings for long-term bonds generally used in the corporate bond market to rate various issuers.

- AAA - Best quality, with smallest degree of investment risk.
- AA - High quality by all standards; together with the AAA group they comprise what are generally known as high-grade bonds.
- A - Possess many favorable investment attributes. Considered as upper-medium-grade obligations.

- BAA - Medium-grade obligations (neither highly protected nor poorly secured). Bonds rated BAA and above are considered investment grade.
- CAA - Bonds of poor standing were used by emperors and kings who borrowed to finance wars and invasions. Bankers from countries not involved in the wars assisted in arranging for the debt thereby creating debentures. As a matter of fact trading in debentures took place long before the start of the stock market. (Fidelity Investments 2001)

The corporate bond market in Kenya is still at its infancy stages. Only four corporate bonds worth Ksh. 7.3b have been listed at the Nairobi Stock Exchange. These are East African Development Bank Bond (EADB Bond) Ksh. 1b listed in 1999, Safaricom Bond Ksh. 5b listed in 2001,Shelter Afrique Ksh. 300m listed in 2000 and Ksh. 1b The Mabati Rolling Bond listed in 2002 (Nairobi Stock Exchange report 2002). The Government bond program on the other hand has enjoyed tremendous growth; with less than Ksh. 10b Treasury bonds listed in 1997 up to Ksh. 160b in May 2003 (CBK monthly bulletin May 2003).

1.2 Statement of the problem

In the competitive environment within which today's businesses operate it has become inevitable to source the cheapest finance option available for capital expenditures so as to remain profitable to their shareholders. In Kenya, commercial banks continue to charge punitive rates of up to 20% for their loans and advances yet only four companies have taken advantage of the lower interest cost corporate bonds.

The first corporate bond was issued in 1996 well before the first Treasury bond issue in 1997. The government has issued over 65 Treasury bonds since January 1997, an average of 10 bonds every year (NSE Yearly Publication 2002). The purpose of this research is to seek to establish reasons why the over 500 companies that qualify to issue corporate bonds have not taken this advantage.

Many companies in Kenya today continue to rely on bank overdrafts and commercial banks credit for medium to long term financial needs. This has resulted in huge financing costs shrinking down their profits and dividends to shareholders.

Corporate bonds offer a more attractive financing option than bank loans and overdrafts and their development can be of benefit to many Kenyan companies and the bond market as a whole. This study will therefore seek to find out the factors influencing the development of corporate bond in Kenya.

1.3 Objective of the study

The objective is of this study is to;

- Establish factors influencing the development of the corporate bond market in Kenya.
- Make recommendations on steps to be undertaken to realize a vibrant corporate bond market in Kenya.

1.4 Importance of the study

The study is important since no direct research has been undertaken in the corporate bond market in Kenya; this is mainly because this is a fairly new concept in Kenya. However dozens of studies have been undertaken on commercial bank credit departments. The study is of benefit to;

- Credit borrowers can use the information to explore cheaper financing options instead of depending on the traditional bank loans and overdrafts.

- To the Management and employees of companies;

The study will give managers an insight into opportunities of financing their capital expenditures cheaply through corporate bond issues. Cheaper finances would translate to more profits thus better remuneration for employees.

- Shareholders

The study will enlighten shareholders on cheaper sources of financing available in the corporate bond market, freeing more funds for dividend payouts.

- Investors

The study offers fixed income investors a variety of alternative investments to bank deposits and government securities.

- Researchers and Academicians

  This study provides reference into little known Kenyan corporate bond, it could be extended to other related products e.g. Mortgage related securities, Municipal bonds, Asset backed securities etc.

- Regulators CMA and NSE

  The research will highlight impediments experienced by issuers when dealing with regulators who in turn will seek to put up a framework which entices the would be issuers.

- The intermediaries (Stockbrokers and Investment Advisors)

  The intermediaries have a role to play in realization of a vibrant corporate bond market. The research will make recommendations on key areas that need to be explored to expand the corporate bond market.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The literature review is divided into four parts:

In the first part, a comparative analysis between the Kenyan and the South African corporate bond markets will be undertaken. The South African bond market being much more developed than the Kenyan one, a study into the former can offer a number of tips that need to be adopted by the latter. In the second part, the marketing of financial products will be analysed in relevance to the corporate bond market. The third part looks at the various financial instruments available in Kenya and other global financial markets. In the fourth part, the role of the regulators in the development of the corporate bond market will be analysed.

2.2 Comparative analysis between the Kenyan and the South African bond markets

South African bond market is the largest bond market in Africa. The market is of relevance to the Kenyan case considering Bond Exchange of South Africa (BESA) has been in operation from only 1989. The Kenyan bond market can borrow marketing, listing and promotional skills used in the South African market.

2.2.1 The South African Financial Market

South Africa has a sophisticated financial services industry, which dates back to 1793 when the first commercial bank was established in the Cape of Good Hope. The banking environment closely resembles that of the United Kingdom and there are a number of large banks, which operate extensive branch networks. There is no depository insurance protection scheme. It is therefore important to analyze and make a comparison with Kenyan financial and capital markets and probably see what can be borrowed (Bond Exchange of South Africa website).

The Johannesburg Stock Exchange

The JSE was established in 1887 and has since grown to take its present position as the twelfth largest stock exchange in the world, ahead (in terms of market capitalization) of stock exchanges such as those in Hong Kong, Australia and Taiwan. The JSE is the principal center for raising equity capital in South Africa and plays a major role in the economy by channeling the savings of the nations in a secure and cost-effective manner to the users of capital. In this way it encourages fixed investment, improves productive capacity and contributes to greater employment. (Johannesburg Stock Exchange website: jse.co.za)

The South African Futures Exchange (SAFEX):

SAFEX is the body that governs the futures market in South Africa. Its membership consists of banks, stockbrokers, futures brokers and certain other institutions. All of the approximately 60 members must own at least one SAFEX seat in order to be able to trade.

The market is three-tiered, with clearing members who guarantee all trades done in the market, non-clearing members (either brokerage or non-brokerage) who must clear trades through a clearing member, and clients who may only trade through a brokerage member. SAFEX is an officially licensed exchange in terms of the Financial Markets Control Act. It is managed by an executive committee, which is elected by the membership and includes founding members and selected experts. (South African Futures Exchange website: besa.co.za)

Bond Market Exchange (BME):

The BME is the body to be empowered, under license, by the securities market. Membership comprises banks, insurers, investors, stockbrokers and independent intermediaries. The Financial Market Control Act governs operations of the Bond Market Exchange. (Bond Exchange of South Africa Publication 2003)

Bond Exchange of South Africa (BESA) is an independent Financial Exchange, operating under an annual license granted by the country's securities market regulator, the Financial Services Board. BESA is responsible for regulating the debt securities market in South Africa (Tom Lawless, 1995).

Market performance

The South Africa bond market is one of the most liquid emerging bond markets in the world. In 2002, the local market turned-over its market capitalization some twenty-seven times.

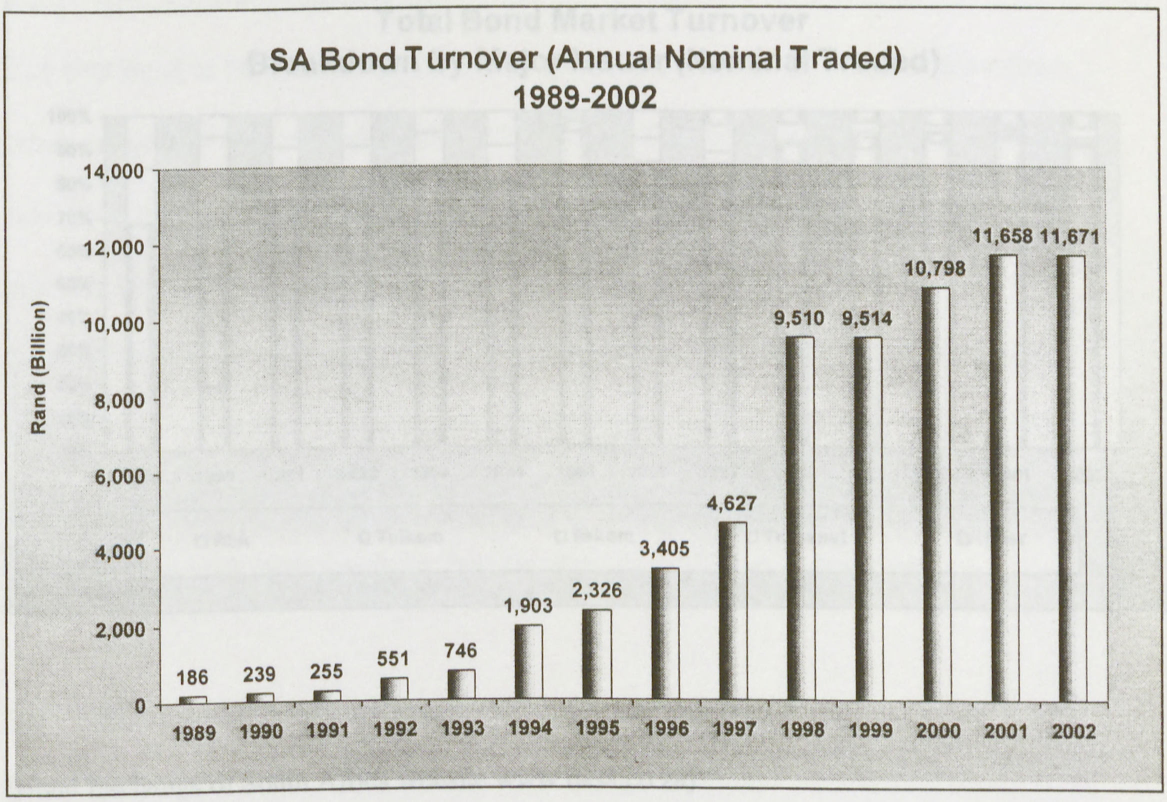
Table 2: South African Bond Turnover

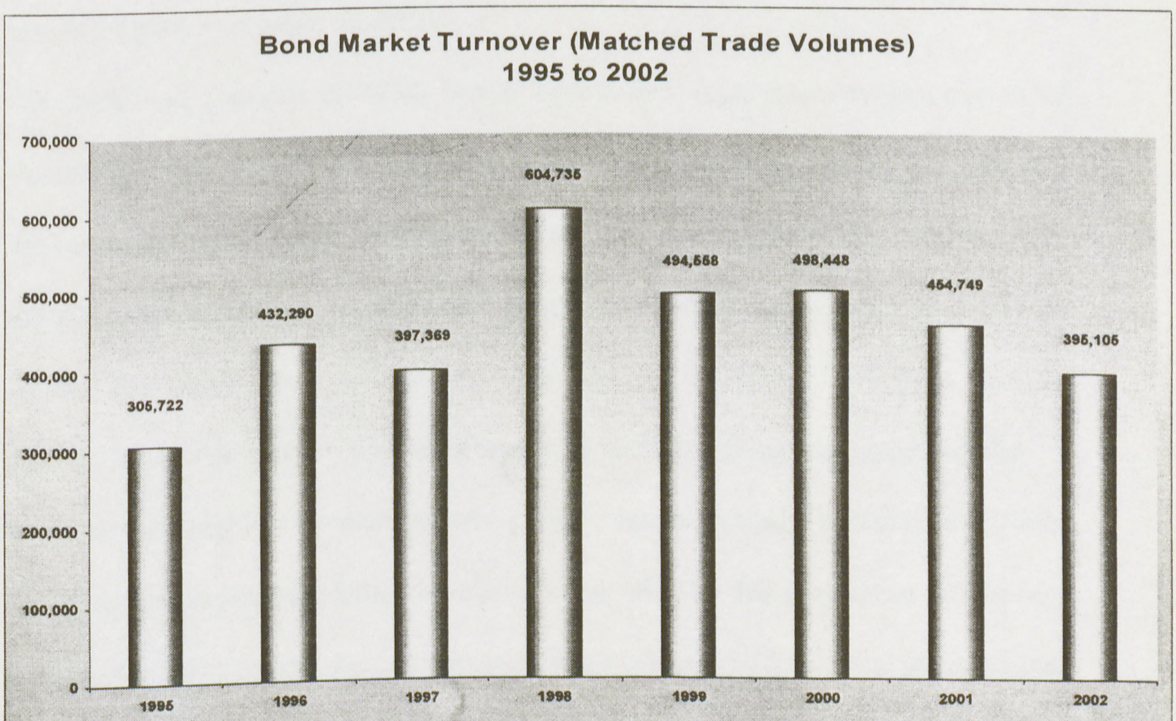
SA BOND TURNOVER										
Nominal										*R million*
	2003 End-Mar '03	2002	2001	2000	1999	1998	1997	1996	1995	1994
RSA	2,186,119	10,510,431	10,763,006	9,841,756	8,469,091	8,071,291	3,547,034	2,445,926	1,342,536	1,087,713
ESKOM	21,543	115,168	157,313	237,616	341,900	472,708	371,442	341,574	477,681	334,809
TELK	18,794	141,924	151,184	68,870	109,198	129,242	143,006	219,909	165,302	194,978
TNET	11,226	357,827	151,830	214,156	296,717	490,309	373,900	267,047	237,837	175,955
OTHER	99,062	545,712	435,064	436,341	297,711	346,668	192,599	130,559	102,850	110,427
TOTAL	**2,336,746**	**11,671,064**	**11,658,397**	**10,798,739**	**9,514,617**	**9,510,218**	**4,627,981**	**3,405,015**	**2,326,206**	**1,903,882**

(Bond Exchange of South Africa website www.besa.co.za)

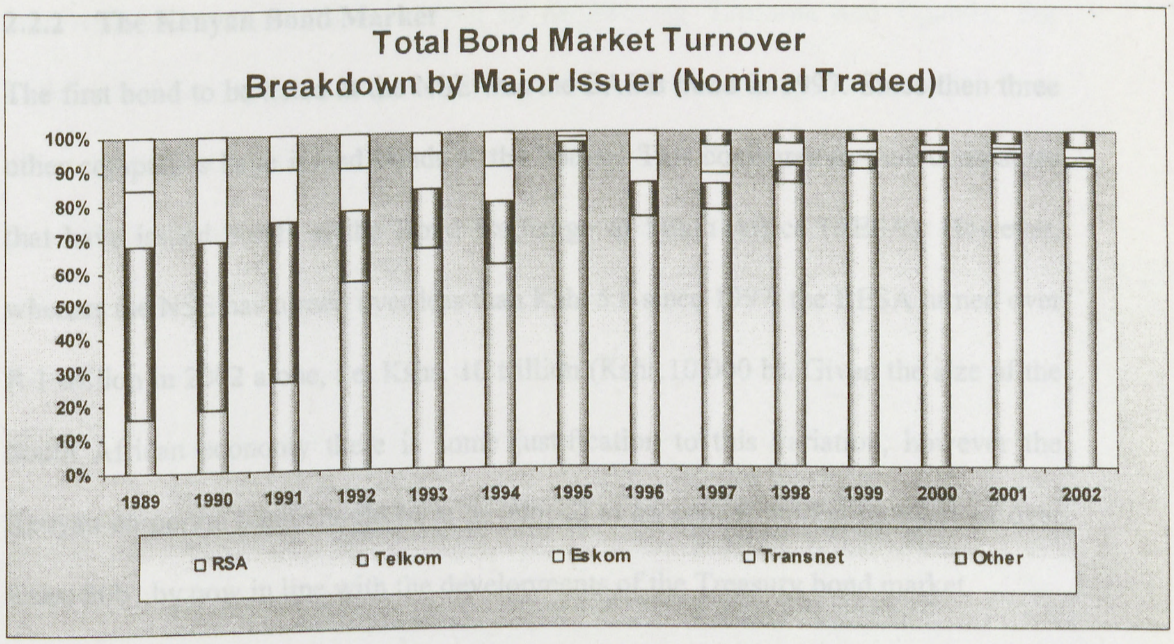
These local trade figures for 2002 represent turnover of some twenty-seven times market capitalization. In addition to the trades concluded on-Exchange, some R383 billion was traded in the OTC off-shore market (for local settlement) during 2002 with a further R418 billion traded OTC, but settled through Euroclear and Clearstream rather than in South Africa. The daily average turnover in 2002 amounted to some R46 billion per day (spot & repo) (Bond Exchange of South Africa website).

Graph 1 & 2


SA Bond Turnover (Annual Nominal Traded)
1989-2002
Rand (Billion)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
186
239
255
551
746
1,903
2,326
3,405
4,627
9,510
9,514
10,798
11,658
11,671
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002


Bond Market Turnover (Matched Trade Volumes)
1995 to 2002
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
305,722
432,290
397,369
604,735
494,558
498,448
454,749
395,105
1995
1996
1997
1998
1999
2000
2001
2002

Graph 3



(Bond Exchange of South Africa website www.besa.co.za)

2.2.2 The Kenyan Bond Market

The first bond to be listed at the NSE was the EADB bond in 1997. Since then three other companies have issued bonds at the bourse. This compares to nine companies that have issued bonds at the Bond Exchange of South Africa (BESA). However, whereas the NSE has turned over less than Ksh. 5 b since 1997, the BESA turned over R 1 trillion in 2002 alone, i.e. Kshs. 10 trillion (Kshs.10,000 b). Given the size of the South African economy there is some justification to this variation, however the Kenyan corporate bond should have developed to an annual market turnover of over Kshs. 20b by now in line with the developments of the Treasury bond market.

(a) The Nairobi Stock Exchange

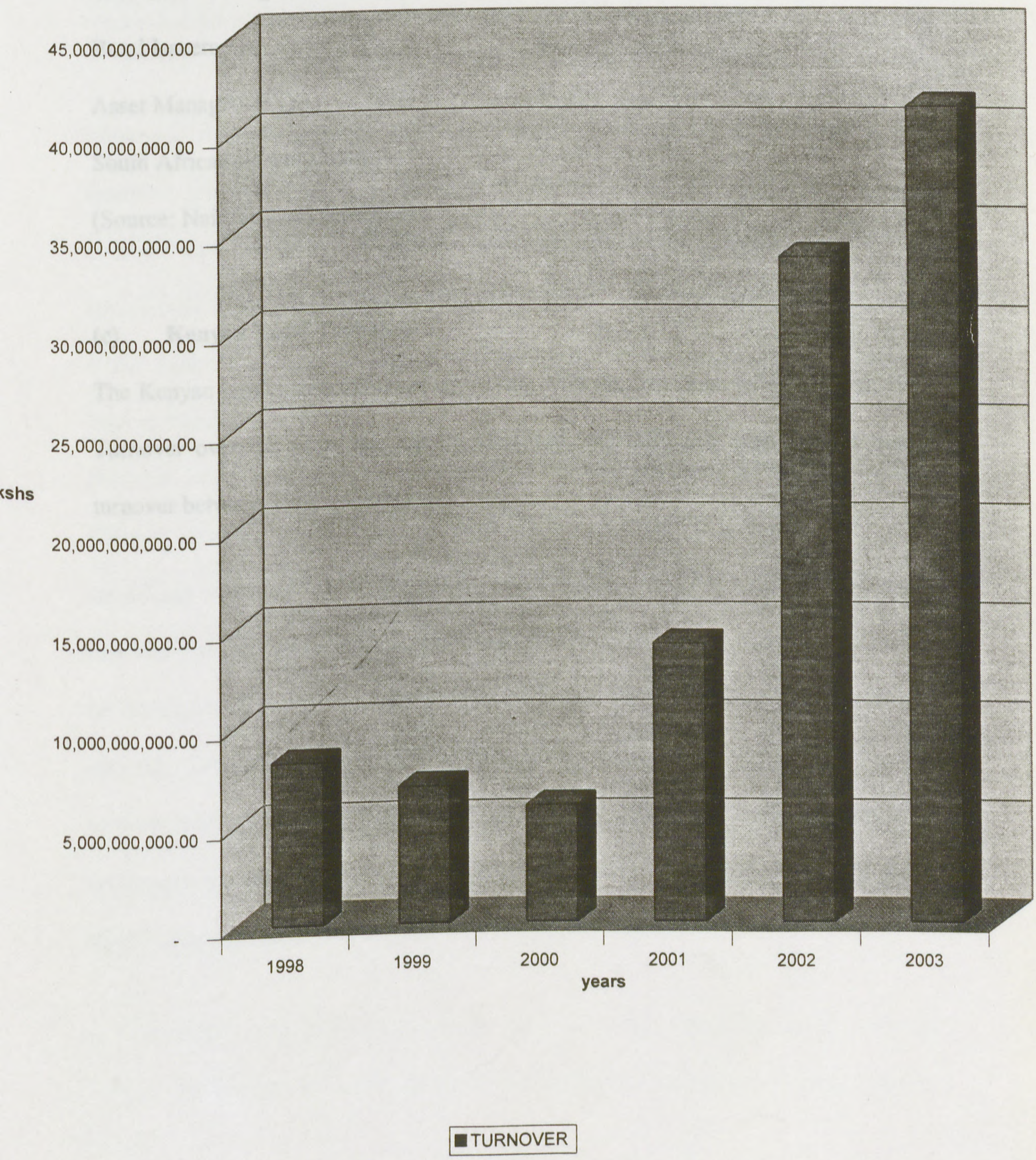
Unlike the South Africa market both the fixed income and the equity market are handled by one exchange, the NSE.

The NSE was founded in 1954, it was constituted as a voluntary association of stockbrokers registered under the Societies Act. The business of dealing in shares was then confined to the resident European community since Africans and Asians were not permitted to trade in securities until after the attainment of independence in 1963. In the first three years of independence marked by steady economic growth, confidence in the market was once again rekindled and the exchange handled a number of highly oversubscribed public issues (NSE publication 1966). The growth was however halted by the oil crisis of 1973 that introduced inflationary pressures in the economy, hence depressing share prices. A 35% capital gains tax was introduced in 1975), inflicting further losses to the exchange which at the same time lost it's regional character following the nationalizations, exchange controls and other inter-territorial restrictions introduced in neighboring Tanzania and Uganda. For instance in 1976 Uganda compulsorily acquired a number of companies, which were either quoted, or subsidiaries of companies quoted on the Nairobi Stock Exchange In 1980, the Kenyan Government realized the need to design and implement policy reforms to foster sustainable economic development with an efficient and stable financial system. In particular, it set out to enhance the role of the private sector in the economy, reduce the demands of public enterprises on the exchequer, rationalize the operations of the public enterprise sector to broaden the base of ownership and enhance capital market development (NSE annual bulletin 1980).

IFC/CBK study of 1984, "Development of Money and Capital Markets in Kenya" became a blueprint for structural reforms in the financial markets, which culminated in the formation of a regulatory body 'The Capital Markets Authority' (CMA) in 1989. This was to assist in the creation of a conducive environment for growth and development of the country's capital markets. The NSE has recorded improved trading activities over the years since with the biggest leap being realized in 1995 when the government allowed foreign investors to own up to 40% of NSE quoted shares. The NSE index hit an all time high of 5000 (NSE bulletin 2002).

The bond market at the NSE is relatively young, with first bond, the EADB bond being listed in 1997. Since then the market has enjoyed steady growth in the Treasury bond sector, reaching an annual turnover of Kshs. 34b in 2002 (NSE bulletin 2002).

KENYAN TREASURY BOND TURNOVER
1998 TO 2003



(b) Membership firms by constituency

Primary Dealer Banks	0
Other Banks	3
Securities Trading Houses (Non-aligned)	20
Bond Issuers	4
Asset Managers (LOA)	5
South African Reserve Bank	1

(Source: Nairobi Stock Exchange)

(c) Kenyan Bond Turnover

The Kenyan bond market is relatively young with the first bond being listed in 1997. Turnover over the years has rapidly increased; the following graph shows market turnover between 1998 and 2003.

2.3 Marketing Financial Products

Marketers of corporate bonds like other financial products need to arm themselves with necessary tools to develop this sector. The sector avails a huge growth potential to the bond marketer going by recent developments. The Kenyan Treasury bond market has grown 10 fold in the last five years (NSE bulletin 2002).

Marketing financial products differ substantially from marketing consumer goods, financial products require a thorough consumer enlightment before a purchase decision can be made. Therefore, marketers of these products who include commercial banks, investment banks, stockbrokers and investment advisors need a sound financial background and be well versed in their respective financial markets (Macro Monitor 2000).

Financial products marketers need to provide financial products and services through different channels of delivery to meet the different needs of customers. This is by identifying which types of customers' desires need to be satisfied by different types of financial products and services. Substantial variation exists in consumer preferences for particular channels of delivery across different types of financial products and services. Consumers prefer human interactions when buying loan products and services, such as consumer loans, home equity loans, and lines of credit. Interestingly, consumers are more open to purchasing property/casualty insurance through direct means (Macro Monitor July 2000).

2.4 The Consumer - Adoption Process

In analyzing corporate bond awareness the research needs to explain the stage of product diffusion process at which the potential bond issuer is at. Corporate bonds are fairly new financial products in Kenya, there is therefore a need to establish how potential issuers learn about them, try them and adopt or reject them.

The consumer adoption process focuses on the mental process through which an individual passes from first hearing about an innovation to final adoption. Adopters of new products have been observed to move through five stages: (Kotler 2000)

(i) Awareness

Corporate bonds are still not very familiar products to potential issuers and buyers. The regulators and intermediaries have undertaken little product awareness, thus a need for consumer awareness initiative. The consumer becomes aware of the innovation but lacks information about it (Kotler 2000).

(ii) Interest

Many institutions would be interested in sourcing cheaper finances, so once there is some product awareness they seek further information on how to go about issuing corporate bonds. The consumer is stimulated to seek information about the innovation

(iii) Evaluation

The consumer considers whether to try the innovation, the new product marketer should marketer should facilitate consumer movement through these stages (Kotler 2000)

Marketing of financial products differs substantially to consumer goods, they (financial products) require a thorough product knowledge before a purchase decision is made. Therefore marketers of these products who include commercial banks, investment banks, stock brokers and investments advisors need a sound financial background and well versed in their respective financial markets.

2.4.1 Factors Influencing the Adoption Process

Marketers recognize the following characteristics of the adoption process:

- Differences in individual readiness to try new products
- The effect of personal influence
- Differing rate of adoption
- Differences in organizations' readiness to try new products

(Kotler 2000).

(i) Differences in individual readiness to try new products

The first firms to issue corporate bonds can be said to be early innovators. A person's innovativeness is the degree to which an individual is relatively earlier in adopting new ideas than the other members of his social system. Four firms have issued corporate bonds since 1997 out of a potential of about 400 companies. In product area, there are consumption pioneers and early adopters. People can be classified into five different adopters' categories;

Innovators	2.5%
Early adopters	13.5%
Early majority	34%
Late majority	34%
Laggards	34%

This classification suggests that an innovating firm should research the demographic, psychographics, and media characteristics of innovators and early adopters and direct communication specifically to them. Earlier adopters tend to be younger in age, have higher social status and a more favorable financial position.

(ii) The effect of personal influence

Personal influence is the effect one person has on another's attitude or purchase probability. Although personal influence is an important factor, its significance is greater in some situations and for some individuals than for others. Personal influence is more important in the evaluation stage of the adoption process than in other stages. It has more influence on late adopters than on late adopters than early adopters. It is also more important in risky situations. (Kotler 2000)

(iii) Characteristics of the Innovation Affect the Rate of Adoption

Some products catch on immediately (e.g. DVD players), whereas others take a long time to gain acceptance (e.g. diesel engine autos). Five characteristics influence the rate of adoption of an innovation;

- relative Advantage: the degree to which the innovation appears superior to existing products.
- compatibility: the degree to which the innovation matches the values and experiences of the individual.
- complexity: the degree to which the innovation is relatively difficult to understand or use.
- divisibility: the degree to which an innovation can be tried on limited basis.

- communicability: the degree to which the beneficial results of use are observable to others.

Other characteristics that influence the rate of adoption are cost, risk, and uncertainty, scientific credibility and social approval. The new product marketer has to research all these factors and give the key ones maximum attention in designing the new product and marketing program. (Kotler 2000)

2.5 Definitions of Various Financial Products

Deficit economic units know both governments and firm for centuries. There are alternative sources of that have been used to finance these deficits. Among them; Trade credit, bank loans, issue of fixed rate instruments, commercial research, preference shares, Treasury and corporate bonds. The mode of financing a firm chooses will depend on specific requirements of the borrower. A short term need for finances will be cheaper and viable to negotiate from a commercial bank. Brealy and Myers (1988) conclude that "We cannot say that debt is cheaper, debt may be better than equity in some cases, worse in others" .

Debt markets can be broadly be classified into two;

direct financing, and

indirect financing

2.5.1 Direct financing

In direct financing, borrowers access funds directly from lenders in financial markets by selling the securities (financial instruments), which are claims on the borrower's future income (cash-flows) or assets (Mishkin 1997)

Assets traded under this mode of financing include

(i) Common stock

This represents ownership claims on a firm's assets (cash- flows) by owners (Kidwell, D 1990). Owners are issued with stocks as a claim of ownership. Most of the stocks are exchangeable for cash.

(ii) Corporate bonds

Corporate bonds are intermediate and long term obligations issued by large high quality corporations to finance plant and equipment spending, in other words for the purposes of capital formation, (Kidwell 1990). For example, a bottling plant capacity expansion in a soft drink company, new product line installation in a pharmaceutical company etc. A firm sometimes gives the option of converting the debt into equity by issuing convertible bonds

The corporate bond differs from government securities in two ways; first they (corporate bonds) have a greater default risk than government securities meaning that holders demand a higher return. Secondly they are not as liquid as the government bonds because they are generally less traded (Kidwell 1990), less than fifty transactions of corporate bonds have been concluded since 1996 when the first one was listed compared to hundreds of transactions in Treasury Bonds since 1997. (NSE Yearly publication 2002)

Treasury issues three primary types of obligations;

1. Treasury bills
2. Treasury notes
3. Treasury bonds

(iii) Treasury Bills

According to Hubbard (2002) Treasury bills have the shortest term of maturity of the instruments issued by a government, in Kenya they are currently sold at weekly auctions with maturities of 91 days and 182 days (Central Bank of Kenya website). Their primary use is to finance government recurrent expenditures on a short-term basis. E.g. The Kenya government can come to the market to borrow Ksh. 1b to pay off salaries to civil servants pending quarterly corporate tax collections by the Kenya Revenue authority within the next two months. Thus there are always a wide variety of outstanding maturities for investors to purchase in the secondary market.

(iv) Treasury Notes

Hubbard (2002) defines Treasury notes are securities with maturities of between one and ten years issued by the Treasury but not as regular as the Treasury bills. In Kenya Currently we do not have any outstanding stock of Treasury Notes, but in the past these have been issued e.g. a 5-year Note issue in 1991 by the Kenyan government fixed at 20% annual coupon. (Central Bank of Kenya monthly bulletin January1995)

(v) Treasury bonds

Hubbard (2002) defines Treasury bonds are long term securities (greater than ten years) issued periodically by the Treasury department. For practical purposes they are similar to Treasury notes except for term to maturity. In Kenya we have notes of between one and ten years, they are widely referred to as Treasury bonds by the market players.

(vi) Commercial Paper

A commercial paper is a short term unsecured promissory note typically used by large corporate to finance short-term working capital requirements. In recent years many firms have also used commercial research to finance major construction undertakings (Kidwell 1990).

The main reason why firms issue commercial paper is to achieve interest rate savings as an alternative to bank borrowing. In Kenya the commercial paper market is better developed than the corporate bond market. Currently there are 9 outstanding issues of commercial paper both in Kenya shilling and US dollar denominated namely: Kenya Oil Company Limited (Kshs), Mabati Rolling Mills (Kshs), Panpaper Mills (Kshs) TPS Serena (Kshs), Athi River Mining (USD) , Crown Berger (USD), TPS Serena (USD), Mabati Rolling Mills (USD).

Commercial papers are however not listed at the NSE and their maturities range from 30 days to 270 days. (Business Week Daily Nation 3rd June 2003)

(vii) Eurobond

Brealy and Stewart (1981) defines a Eurobond as an international long-term debt sold simultaneously in a number of foreign countries by an international syndicate of underwriters. Eurobonds issues are generally made in currencies that are actively traded, fully convertible and relatively stable e.g. US Dollar, Swiss Frank and Euro.

Both the foreign and Euro bonds are not bonds conversant with the Kenyan market. This research will therefore not go into detail of the two instruments.

2.6 Types of Corporate Bonds

(i) Convertible

Convertible corporate bonds can be exchanged for a specified amount of a different security, often the common stock of the issuing company. Convertible bonds can combine the fixed income characteristic of bonds with the potential appreciation characteristic of equities. There are often provisions attached to convertible bonds, which place restrictions on when a bond can be converted. (www.fidelityinvestment.com)

(ii) Zero coupon

The investor in a zero coupon corporate bond buys the bond at a discount from face value (par), holds the bond until maturity and makes a profit based on the difference between the buy price and the face value of the bond.

Interest income from zero coupon bonds is subject to taxes annually even though no payments will be made. The full value, including accrued interest, is paid at maturity. Market prices of zero coupon bonds tend to be more volatile than bonds which pay interest regularly. (www.fidelityinvestment.com)

(iii) Floating rate

The coupon on a floating rate corporate bond changes periodically based on some pre-determined benchmark, such as the spread above the yield on a six-month Treasury security. Some floating-rate bonds use non-financial benchmarks, such as the price of a commodity to determine the rate. Also, some floating-rate bonds called inverse floaters have coupons that move in the opposite direction of their respective benchmarks. Floating rate bonds use a short-term interest rate benchmark and can reset more than once a year. (www.fidelityinvestment.com)

(iv) Variable/adjustable rate

Variable and adjustable rate corporate bonds are similar to floating rate bonds but they use a long-term interest rate benchmark and only reset once a year. (www.fidelityinvestment.com)

(v) Callable/Putable

The issuer of a callable corporate bond maintains the right to redeem the security on a set date before maturity. This may be disadvantageous to an investor if reinvestment is only available at a lower rate. With a putable security, the investor has the right to put the security back to the issuer, which can be advantageous to the investor if prevailing interest rates are rising. (www.fidelityinvestment.com)

(vi) Step up

The investor in a step up corporate bond receives a fixed rate of interest until the call date, at which time the coupon increases if the bond is not called. (www.fidelityinvestment.com)

(vii) Step down

Interest on step down securities is paid at a fixed rate until the call date, at which time the coupon decreases if the bond is not called. (www.fidelityinvestment.com)

2.7 Features and Benefits of Corporate Bonds

According to Fidelity Investments Corporations (1998), most corporate securities are rated by several of the major rating agencies. Rating agencies are determine the credit worth of companies and countries seeking loans. In the USA for example, securities rated BAA and BBB or higher by Moody's and S&P (the two leading ratings in USA) respectively are considered investment grade bonds. In Kenya however we do not have a rating agency to value companies wishing to issue corporate bonds.

Corporate bonds have historically been one of the highest yielding of all taxable debt securities. Interest can be paid monthly, quarterly or semi-annually and is fully taxable. Most corporate securities pay interest semi-annually. Regular way settlement on corporate securities is three business days. The real value of the yield spread offered by corporate bonds becomes apparent when inflation is taken into consideration. Historically, inflation and Treasury yields have been relatively close. The yield advantage that corporate bonds can provide over Treasuries may be enough to outpace inflation over the long run. However, because the interest earned on corporate bonds is fully taxable, fixed income buyers should carefully evaluate their tax situations before investing. There is also an increased risk of default, which is not a factor with Treasuries.

The number of issuers in the corporate bond market generally allows investors to tailor a bond portfolio to their needs. The secondary market for corporate securities in USA is fairly liquid (www.fidelityinvestment.com). Therefore, an investor who wishes to sell a corporate bond will often be able to find a buyer for the security at market price. In Kenya the market is quite illiquid with trades on corporate bonds accounting for less than 1% of the total fixed income deals transacted. As with all fixed income securities, however, the market price of a bond might be significantly higher or lower than its face value due to fluctuations in interest rates and other price determining factors.

Investors need to remember that some issues can be thinly traded and, therefore, illiquid. A high issuance rate of new issue corporate securities is a common reason for thin trading on the secondary market.

Corporations are subject to competition and changing economic patterns, the risk characteristics of any bond may change substantially to reflect changing risk levels. From the date of issuance to the investor's purchase and sale, some level of price volatility can be expected in most bonds. Corporate bonds are subject to credit risk, however these risks can be reduced by investing in higher rated securities and/or by building a diversified portfolio.

Price volatility of corporate bonds increases with the length of the maturity and decreases as the size of the coupon decreases. Changes in credit rating can also affect prices. If one of the major rating corporations lowers its credit rating of a particular issue, the price of that security usually declines. (www.fidelityinvestment.com)

Because a corporate bond's payments are dependent on the company's ability to finance its debt, unforeseen events such as a leveraged buyout of the issuing corporation can affect the value of its bonds.

Many corporate bonds are callable and have a predetermined call schedule. Typically an issuing corporation will call its bonds when interest rates fall, leaving the investor with less favorable reinvestment possibilities. When evaluating corporate bonds, an investor should know whether call options exist and when they may be exercised.

Some new issues have the option to call the bond as interest rates decline. Issuers may call these bonds at par plus a premium. This feature is referred to as a make-whole call. The amount of the premium is derived from the yield of a comparable Treasury security plus additional basis points. These issues are generally regarded as non-call bonds because it would be prohibitively expensive for a company to exercise this call option.

Bonds issued by corporations in each of the five main sectors of the economy can be affected differently by the above risks. (www.fidelityinvestment.com)

Industrials - Includes manufacturers, mining companies, energy companies, retailers and service-related industries. This sector can be influenced by corporate events, consumer demand, and changes in the economic cycle.

Banks/finance - Includes money center banks, regional banks, savings and loans, brokerage and insurance companies and finance companies. This sector can be influenced by changes in loan demand and interest rate volatility, as well as debt commitments in foreign countries where economic downturns can impact profits.

Public utilities - Includes telephone companies, electric utilities, gas pipelines, gas transmission companies and water companies. This sector can be influenced by changes in governmental regulations and call provisions.

Transportation - Includes airlines, railroads, and trucking companies. This sector can be influenced by changes in oil prices, travel patterns, and safety records.

Yankee and Canadian bonds - The Yankee and Canadian bond sector includes dollar-denominated bonds issued in the U. S. by foreign countries or governments, usually by the foreign branches of American corporations. This sector can be influenced by changes in the political atmosphere and availability and liquidity of the issues may be limited, especially in volatile markets (www.fidelityinvestment.com).

2.8 Marketing concepts applicable to the corporate bond market

According to Kotler (2000), marketing activities should be carried out under a well-thought-out philosophy of efficient, effective, and socially responsible marketing. In respect to corporate bond market the major market players are the; bond arrangers who include stockbrokers, investment banks, and licensed investment advisors. There are five competing concepts under which organizations conduct marketing activities.

- The Production concept
- Product concept
- Selling concept
- Marketing concept

We can critically analyze each of the above concepts in regard with corporate bond market in Kenya

(i) The Production concept

According to Kotler (2000), the production concept holds that consumers will prefer products that are widely available and inexpensive. The consumers are not really interested in quality and features but the functionality of the products. This argument holds as well when one is analyzing the corporate bond market, producers (borrowers) are bombarded with a variety of loan offers from commercial banks (not quality). It is fairly easy to access credit compared to issuing a corporate bond, however the long cost of financing is much higher. In this reference the production concept is mainly a concept that has been adopted by commercial banks.

(ii) **Product concept**

The product concept holds that consumers will favor those products that offer most quality, performance, or innovative features Kotler (2000). The corporate bond market has not explored this concept; this can be attributed to the fact that the industry is still young and the laxity of the market players to entrench the product in the debt market. However as consumers become more enlightened they demand for quality products and services and soon many borrowers will be looking for financing through bond issues.

(iii) **Selling concept**

The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products and services. This is especially so if those particular goods and services are unsought Kotler (2000). The corporate bonds are such products, investors are happy to continue lending their money to the government and banks, and until there is aggressive marketing campaign by borrowers and intermediaries the trend is unlikely to change

- **The marketing concept**

The marketing concept holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target market, Kotler (2000). The largest competitor of the corporate bond issuers is the commercial banks. Corporations account for over 75% of outstanding bank loans portfolio (Source; Central Bank website). It is upon the issuers, intermediaries and borrowers to create value for these products.

2.9 The Role of Capital Market Authority in Regulating Fixed Income Market

The CMA has rules and guidelines that govern issuance and listing of corporate bonds, it has the obligation of not only regulating but developing a vibrant corporate bond market. However some of the regulations may be an impediment to the growth of the corporate bond market. This section briefly looks at the regulations governing corporate bond issuers. The CMA requires that any potential issuer of corporate be; A public company registered under the Companies Act or any other body corporate established or incorporated in Kenya under the provision of any written law._Issuers of commercial paper may be private companies. The issuer shall have a minimum authorized, issued and fully paid up share capital of Kshs. 50 million and net assets of Kshs. 100 million before the public offering of the securities. All fixed income securities except for commercial paper shall be listed and shall be freely transferable and not subject to any restrictions on marketability or pre-emptive rights. Commercial paper are not transferable or to be listed at a securities exchange (CMA Bulletin 2002).

The issuer other than the Government of Kenya issuing Treasury Bonds or other Government securities, must have published audited financial statements complying with IAS for an accounting period ending on a date not more than three months prior to the proposed date of the offer. Where not more than nine months have elapsed since the end of the financial year to which the last published annual accounts relate, the issuer shall prepare an interim audited financial statement covering at least the first six months following the end of that financial year which must be included in or appended to the prospectus (CMA Bulletin 2002).

In the case of issuers whose securities are listed at a securities exchange in Kenya but where not more than six months have elapsed since the end of the financial year, un-audited financial statements covering the period preceding the six months must be included in or appended to the prospectus. The financial soundness of the issuer shall not be in any doubt and the issuer must have prepared financial statements for the latest accounting period on a going concern basis and the audit report must not contain any emphasis of matter or qualification in this regard. At the date of the application, the issuer must not be in breach of any of its loan covenants particularly in regard to the maximum debt capacity (CMA Bulletin 2002).

The issuer must have declared positive profits after tax attributable to shareholders in at least two of the last three financial periods preceding the application for the issue. Total indebtedness, including the new issue of fixed income securities shall not exceed 400% of the company's net worth (or gearing ratio of 4:1) as at the latest balance sheet.

The funds from operations to total debt for the three trading periods preceding the issue shall be maintained at a weighted average of 40% or more. The conditions as provided must be maintained as long as the fixed income securities remain outstanding (CMA Bulletin 2002).

2.10 Securitization of Key Economic Sectors in Kenya

In his study on securitization in Emerging markets, Jimnah Mbaru (2002) has picked on a few key sectors of the Kenyan economy that can benefit from issuance of debt instruments backed by receivables, this include housing sector, education sector, the electricity sector, the airline sector and many others.

(i) The Housing sector

In Kenya residential mortgages are issued by;

- Housing Finance
- East African Building Society
- Savings and Loans Limited

Other smaller scale mortgage providers are the urban-based Savings and Credit Cooperative Societies (SACCOs).

The three main mortgage providers depend on short-term liabilities to fund long-term assets creating a major deposit to loan mismatch. This creates an opportunity for securitization of mortgages, if done properly securitization can raise cheaper funds from the capital markets and hence make mortgages more available and affordable (Mbaru Jimnah 2002).

(ii) The Students loans

The Higher Educations Loans Board, established in 1995 by an Act of Parliament, provides students' loans. This board was mandated to manage a fund to be used for granting loans to assist Kenyan students to obtain higher education in recognized institutions within and outside Kenya. HELB receives about 30,000-loan application per year from students mainly from public universities; this outstrips the board's supply of funds. The shortfalls in funding requirement emphasize the need of securitization of the students' loans receivables. To be able to successfully do this the board would be required to issue corporate bonds backed by the loans receivable. From the loan repayments by the students the Board will be able to service the bonds annually (Mbaru Jimnah 2002).

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(iii) Electricity receivables

Electricity bills are trade receivables that could be securitized by Kenya Power & Lighting Co. Limited (KPLC). Over the years KPLC has struggled to efficiently transmit and distribute electricity throughout Kenya at cost effective tariffs, to achieve the highest standards of customer service and to ensure the company's long term and technical viability. As a result of various challenges during the years, the Company's trade performance has failed to reach the expected standards to enable the Company achieve its goals. The Company has suffered form among many other things the lack of diversified, cheaper and sustainable sources of funding to finance its operations. Consequently, it has relied heavily on the traditional debt or bank financing methods and occasionally commercial paper guaranteed by commercial banks, which have in turn exposed it to the high costs of such borrowings. Securitizations is sought considering the loss making track record the Company has reported over the past few years moreover its current liabilities exceed its current assets. The Company's finance costs rose from Ksh. 180 m in 1999 to Ksh. 704m in 2000, an increase of over 290%. Thus securitizing of the Company's receivables comes in handy (Mbaru Jimnah 2002).

(iv) Water Bills Receivables

Water bills of the City council of Nairobi, Mombasa and Kisumu as well as municipalities of major towns could be securitized to finance expansion, connection and water distribution to the residents (Mbaru Jimnah 2002).

(v) Sewerage Receivables

Local authorities could issue sewerage connections receivables to finance expansion of sewer services to residents (Mbaru Jimnah 2002).

(vi) National Park Entry Receivables

Kenya Wildlife Services (KWS) could securitize its gates collection to enable it conserve wildlife through activities like electric fencing, and security, marketing and improvement of the National parks and Game reserves (Mbaru Jimnah 2002).

3.0 RESEARCH MEHODOLOGY

3.1 The population

The population comprised of firms with a minimum authorized, issued and fully paid up share capital of Kshs. 50 million and net assets of Kshs. 100 million.

3.2 The Sample Design and Procedures

A sample size of 100 companies quoted and unquoted was picked. The division was proportionately done according to the population. The manufacturing sector accounted 56% of the total population, Banking and Finance 22% and Parastatals 22%. Therefore;

- The manufacturing and allied sector, 56 respondents were randomly picked
- Banking and Finance 22 respondents were randomly picked
- Parastatals 22 respondents were randomly picked.

3.5 Data collection

The data was collected by use of structured questionnaires done using direct interview, and was personally administered by the researcher. Questions consisted of both open ended and closed ended options. The questionnaire design was first tested with a customer focus group to assess its effectiveness and recommended adjustments by the selected respondents were made. An introduction letter briefly explaining the purpose of the study accompanied the questionnaire.

3.6 Data analysis and findings

The data analysis sought to establish factors influencing the development of the corporate bond market in Kenya. Data was analyzed using descriptive statistics.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

This chapter consists of analysis of the research findings of the actual respondents' questionnaires. The analysis was done by taking averages and percentages of different responses and later the findings were to be presented by frequency tables.

(a) Respondents Characteristics

The respondents were divided into three categories as shown on table 1, 100 questionnaires were circulated; response rate was 33% with the manufacturing sector accounting for the lowest response of 20%, Government owned / parastatal 23%, Finance and Insurance 33%.

Table 3: Respondents' sector

Sectors	Frequency	Percentage
Manufacturing and allied	12	36.4
Government/Parastatals	7	21.2
Finance and Insurance	10	30.3
Other	4	12.1
Total	**33**	**100.0**

(b) Firms' Capitalization

Respondents were to indicate their capitalization levels. More than 76% of the respondents meet the CMA requirement of capitalization of Kshs. 50m and above to be eligible for corporate bond issuance. Table 4 below shows the results respondents capital sizes.

Table 4: Capital Size

Capital	Frequency	Percentage
Ksh. 20m to 50m	8	24.2
Ksh. 51m to 100m	5	15.2
Ksh. 101m to 250m	3	9.1
Ksh. 251m to 500m	3	9.1
Ksh. 501m to 1b	3	9.1
Above Ksh. 1b	11	33.3
Total	**33**	**100.0**

(c) **Sources of Funding**

Respondents were asked to give their various sources of finance. 31.9% of the respondents used additional funds directly from the shareholders, this could be as a result of poor credit ratings by commercial banks, or high interest rates charged on bank loans and overdrafts. 29.8% of the respondents used bank overdrafts; this can be attributed to the ease at which commercial banks arrange for overdraft facilities for their customers due to the high interest charged. 25% of the respondents sourced finance through commercial bank loans. 10.6% used other forms of financing other the three mentioned this include; commercial paper, corporate bonds and donations.

cost of listing. 72.7% of the respondents are keen to explore other financing options available if economically viable. 27.3% are quite content with their current arrangement; these are firms that have already issued corporate bonds and those that are borrowing on short-term basis.

The table below shows different sources of finances chosen by respondents;

Table 5: Financing options

Finance source	Name	Percentage
Sale of stock	1	2.1
Bank loans	12	25.5
Bank overdraft	14	29.8
Shareholders' capital injection	15	31.9
Others	5	10.6
Total responses	**47**	**100.0**

(d) Debt Tenure

The respondents were asked to indicate the outstanding period to maturity of current debt. The respondents were asked to indicate the outstanding period to the maturity of their current debt. 47.83% of the respondents' debts were below 1 year; meaning corporate bonds would not be ideal for them at this stage. 52.17% of the respondents' debts were above 1 year. These firms are potential corporate bonds issuers.

Table 7: Debt maturity period

Period to Maturity	Frequency	Percentage
1 month to 6 months	2	8.70
3 months to 1 year	9	39.13
1 year to 3 years	8	34.78
3 years to 5 years	1	4.35
Above 5 years	3	13.04
Total	23	100

The respondents were asked to indicate the outstanding period to the maturity of their current debt. 47.83% of the respondents' debts were below 1 year; meaning corporate bonds would not be ideal for them at this stage. 52.17% of the respondents' debts were above 1 year. These firms are potential corporate bonds issuers.

(e) Purposes for seeking finance

Respondents were asked to give there current major cash obligations. 50% of respondents needed funds to expand their businesses e.g. manufacturers to buy plant and equipment. 19.4% of the respondents needed funds to clear off their debt most of these were paying high interest rates to their banks. 11.1% needed funds for their daily operations. 19.4% needed funds for other various activities. Table 8 below shows the responses.

Table 8: Current financial obligation

Purpose	Frequency	Percentage
For expansion of business	18	50.0
To pay of debtors	7	19.4
For day to day expenses	4	11.1
Others	7	19.4
Total responses	**36**	**100.0**

(f) Current (previous) Debt rate

Respondents were asked the rate at which their current (previous) debt is accruing. 56% of the respondents' current (previous) debt was accruing 10% to 15% interest per annum, the majority of these firms are in the manufacturing sector and government owned corporations. 28% of the respondents' current (previous) debt was accruing 1% to 5% interest per annum, four of these firms debts are outstanding corporate bonds whose rate of interest is pegged to the 91 day Treasury bill. Majority of the firms in this category are in the finance and insurance sector. 16% of the respondents' debts accrued between 15% and 20%, mainly these are bank overdraft arrangements mainly by manufacturers. Table 9 shows various rates charged on respondents' outstanding debts.

Table 9: Interest rate charged

Rate	Frequency	Percentage
1% to 5%	7	28.0%
10% to 15%	14	56.0%
15% to 20%	4	16.0%
Total	**26**	**100.0%**

(g) **Financial product awareness**

The respondents were asked whether they were aware of other financial products other than the ones they were currently on. 87.9% of the respondents were aware of other forms of financing, this shows that product awareness exists in the debt market. Only 9.1% of the respondents were unaware of other finance options in the market. Table 10 shows the level of awareness.

Table 10: Financial products awareness

	Frequency	Percentage
Aware	29	87.9%
Unaware	3	9.4%
Total	**32**	**100.0%**

(h) Financial products that respondents were aware of

The respondents were asked to list financial products that they had some knowledge about. Corporate bond is the most known financial product with 27.7% of the respondents having some knowledge of the product. 26.6% of the respondents are aware of offshore borrowing. 25.5% of the respondents know about commercial paper. 19.1% of the respondents know about sale of stocks, perhaps the low level of awareness can be attributed to firms not knowing that they qualify to issue stocks at the Nairobi Stock Exchange, there was a general feeling that only big companies issue stock. The table below shows the results.

Table 11: Financial markets awareness

Finance source	Frequency	Percentage
Commercial paper	24	25.5
Corporate bond	26	27.7
Off show borrowing	25	26.6
Sale of stock	18	19.1
Other	1	1.1
Total responses	**94**	**100.0**

(i) Source of information on financing alternatives

The respondents were asked the source of information they got to learn about different forms financing. Investment advisers have informed 27.6% of the respondents of alternative forms of financing, this is due to the fact that investment advisers' core business is to market cheap forms of financing to their clients, so they make a deliberate effort to reach to the market. 25.9% of the respondents knew about alternative funding through the media. 24.1% of the respondents learnt about alternative finance options from their bank, due to the regular contact of many respondents with their banks many had been introduced to many forms of financing options offered by the banks. A few had been introduced to commercial paper and corporate bonds by the bank, several of whom went ahead and issued. Only 15.55% of the respondents had learnt about other financing options from their stock brokers, this is probably due to lack of information and know-how. Table 12 below shows the results.

Table 12: Information source

Information source	Frequency	Percentage
My bank	14	24.1
My stock broker	9	15.5
Investment adviser	16	27.6
Internet, media	15	25.9
Other	4	6.9
Total responses	**58**	**100.0**

(j) Interest in issuing bonds

Respondents were asked whether they would consider issuing corporate bonds; only 27.3% of the respondents would consider seeking funds through corporate bond issues despite many having some knowledge about them. 63.9% of the respondents would not consider issuing a corporate bond as a way of raising funds; this can be attributed to lack of aggressive marketing effort by the market players. Table 13 shows the results.

Table 13: Interest in issuing corporate bonds

Response	Frequency	Percentage
Interested	9	27.3%
Not interested	21	63.6%
Undecided	3	9.1
Total	**33**	**100.0%**

(k) Corporate Bond Issuers

Respondents were asked whether they eventually issued corporate bonds. 76.5% of the respondents did not issue. 23.5% of the respondents who had considered issuing corporate bonds did issue as shown in the table below.

Table 14: Corporate Bond Issuers

Response	Frequency	Percentage
Issued	4	23.5%
Did not issue	13	76.5%
Total	**17**	**100.0%**

(l) Reason for not issuing corporate bond

The respondents who did not issue bonds were asked for their reasons; 32.2% of the respondents were limited by costs of issuance. Management lack of support of the corporate bond idea can be attributed to 25.8% negative response to bond issuance. This can be due to lack of understanding on technicalities of bond issuance. Lack of additional information prevented 9.7% of the respondents from issuing corporate bonds. Other reasons accounted for 27.8%. The results are on table 15 below.

Table 15: Reason for not issuing corporate bond

Reasons	Frequency	Percentage
Better rate offered by the bank	1	3.2
Cost of issuance	10	32.2
Lack of more information	3	9.7
Management lack of enthusiasm	8	25.8
We needed money urgently	1	3.2
Other	8	25.8
Total responses	**31**	**100.0**

(k) **Hindrances encountered in issuing corporate bonds**

The four firms that had successfully issued corporate bonds were asked to list major impediments encountered while arranging for the issue(s).

Major Hindrances Encountered

1. Listing period and requirements of CMA
2. Buyers to take up the bonds
3. Cost of arrangement and listing
4. Management lack of interest

All the four respondents who have issued corporate bonds had a problem with the listing requirements of CMA hastened and the high costs of arranging and listing. Two of the respondents had a problem getting buyers to pick up the bond. One of the respondents had resistance form the board of directors to place the bond.

All the respondents with outstanding corporate bonds would consider seeking additional funds by issuing more corporate bonds, showing their level of satisfaction with their current placements.

(l) **Recommendations**

Respondents were asked the importance they attach to various factors affecting the corporate bond market and which they would recommend improvement. 72.72% of respondents view cost of arranging and listing being of vital importance for the development of the corporate bond market. They believe lower listing and arrange fees would lure more issuers to the debt market. 54.54% of the respondents would want a reduction in the corporate bonds approval time by CMA. 44.45% of the respondents attach some level importance to marketing effort being intensified to increase issuance of corporate bonds. 42.44% of the respondents would want a more active role by the regulators. Table 16 gives a summary of the respondents' recommendations.

Table 16: Recommendations

	Most Important	**Important**	**Not Important**	**Not Sure**
Approval time	9	9	4	11
Marketing effort	6	9	9	9
Cost	4	20	2	7
Publicity	7	7	9	10

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The research found out there are many factors that have had an impact on the development of the corporate bond market in Kenya, These include;

- Approval time by CMA and NSE; most respondents want a reduction in time taken to approve corporate bond proposal from the current 1 month to 2 weeks.
- Lack of information; many respondents were keen to pursue the idea of corporate bonds but could not get comprehensive information on how to go about it. The regulators and intermediaries i.e. CMA, NSE, investment banks, stockbrokers and commercial banks need to market corporate bonds to potential issuers and investors more aggressively.
- Competition from lenders; a few respondents who were keen to issue corporate bonds did because banks matched the rate of interest they were to incur in the bond issue. Most of these companies are the high quality AAA type whose risk of default is low
- Cost of issuance; most of the respondents felt the cost of listing and arranging are far too high to attract new entrants to the bond market. They would want a reduction in the fees.
- Management lack of enthusiasm; some respondents indicated lack of willingness from the management as a major reason for not pursing a corporate bond program.

- Time constraint; due to the long time it takes to successfully complete a corporate bond issue some respondents ruled it out because of the urgency of their needs for funds.

5.2 Recommendations for Further Research

From the research findings it is evident that many organizations are keen to issue corporate bonds. Concerted efforts by; NSE and CMA, Stockbrokers and investments advisors and Commercial Banks will be the only solution to realize a vibrant corporate bond market in Kenya. The research was a survey covering different sector of the Kenyan economy however there is a need for further detailed studies to be conducted on specific cases.

5.3 Limitations of the Study

1. The response rate was 33% with the manufacturing sector accounting for the lowest response of 20%, Government owned / Parastatals Corporations 23%, Finance and Insurance 33%. The reason of the poor response rate was due to t he sensitive nature of the information sought. This is because the study touched on financial positions of companies most of which is considered to be confidential.
2. The corporate bond market being a relatively new concept in Kenya, required educating a good percentage of the respondents before hand, this further delayed the data collection process.
3. Current literature on corporate bonds markets of the world is not easily available in most libraries; this left the researcher with the internet.

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www.jse.co.za — Johannesburg Stock Exchange website

www.centralbank.go.ke — Central Bank of Kenya website

www.nse.co.ke — Nairobi Stock Exchange website

APPENDIX 1

23rd September 2003

Specimen letter to respondents

Dear Sir/Madam,

Mr. Martin Muchai Mbugua is graduate student in the Faculty of Commerce, University of Nairobi currently undertaking research work on the corporate bond market development in Kenya. This is in partial fulfillment of the degree of Masters of Administration.

We, therefore, kindly request you to assist him by completing the attached questionnaire to the best of your knowledge.

The information sought is solely for academic purpose and will be treated strictly confidential. The name of your firm will, therefore, not be mentioned anywhere in the report.

Your cooperation will be highly appreciated.

Yours faithfully,
FOR: UNIVERSITY OF NAIROBI

CHAIRMAN
DEPARTMENT OF BUSINESS ADMINISTRATION

APPENDIX 2

QUESTIONNAIRE ON FACTORS INFLUENCING DEVELOPMENT OF THE CORPORATE BOND MARKET IN KENYA

1. Tick the industry your firm belongs to

Manufacturing and allied ( )

Government owned / Parastatal ( )

Finance and Insurance ( )

Other specify____________________

2. What is the capitalization of your firm?

Ksh. 20m to Ksh. 50m ( )

Ksh. 51m to Ksh. 100m ( )

Ksh. 101m to Ksh. 250m ( )

Ksh. 251m to Ksh 500m ( )

Ksh. 501m to Ksh. 1b ( )

Above 1b ( )

3. Number of years your firm has been in operation

1 to 5 Years ( )

6 to 10 Years ( )

11 to 20 Years ( )

20 to 40 Years ( )

Over 40 Years ( )

4. Is your firm

Locally owned ( )

Foreign owned ( )

Partly locally and partly foreign owned ( )

5. Does your firm sought funds externally?

Yes ( )

No ( )

6. If yes, what is the source of your funding?

Sale of stocks ( )

Bank loans ( )

Bank overdraft ( )

Shareholders' capital injection ( )

Others (Specify)________________________________

7. Would you be interested in other finance options?

Yes ( )

No ( )

8. If no why?

We are comfortable with the finance arrangement ( )

we have at the moment

We do not require funds in the foreseeable future ( )

Others (specify)________________________________

9. What is the maturity period of the last debt you acquired?

1 month to 3 months ( )

3 months to 1 year ( )

1 year to 3 years ( )

3 years to 5 years ( )

Above 5 years ( )

10. Who makes the decision on the sourcing of finances in your firm?

The board of directors	( )
The Managing Director	( )
The overseas head office	( )
The head of finance	( )

Others (specify)________________________________

11. Specifically for what purpose do you seek finances?

For expansion of business	( )
To pay off debtors	( )
For our day to day expenses	( )

Others (Specify)________________________

12. At what rate of interest is your current (or previous) debt accruing?

1%	to	5%	( )
5%	to	10%	( )
10%	to	15%	( )
15%	to	20%	( )
20%	to	30%	( )
Above 30%			( )

13. Have you ever heard of other forms of financing other the than one you are currently on?

Yes	( )
No	( )

14. If Yes which ones have you heard about?

Commercial paper ( )

Corporate Bond ( )

Off shore borrowing ( )

Sale of stock ( )

Others specify ________________________________

15. Where did you get to hear this from?

My bank ( )

My stock broker ( )

Investment adviser ( )

Internet, media ( )

Others specify ________________________________

16. Specifically have you ever considered issuing a corporate bond as a way of financing your capital expenditures?

Yes ( )

No ( )

17. If yes did you eventually issue the corporate bond?

Yes ( )

No ( )

18. If no why?

My bank matched or bettered the rate that the corporate bond was going to cost me ( )

It was going to be too costly ( )

The whole concept was too technical for us ( )

We could not get information on how to go about it ( )

The management was not enthusiastic about it ( )

We needed money urgently and could not wait ( )

Others please specify ______________________

19. If yes what major hindrance did you encounter in the corporate bond issue?

Listing requirements by the CMA ( )

Buyers to take up the bond ( )

Cost of arrangement and listing ( )

Resistance from senior management ( )

Others specify ______________________

20. Would you consider seeking additional funding through corporate bonds?

Yes ( )

No ( )

21. Ranking the most important to the least important what would recommend to be improved in the process corporate bonds issuance?

Reducing the approval time by the CMA ( )

More aggressive marketing effort by the market players ( )

Reducing the cost of arranging and listing ( )

Increasing publicity by the NSE and CMA ( )

Others specify ______________________

APPENDIX 3

POPULATION

INSURANCE COMPANIES AND INSURANCE BROKERS.

1. A.A.R Health Services
2. Alico Kenya Ltd.
3. Apollo Insurance Co. Ltd.
4. Blue Shield Insurance Co. Ltd.
5. British American Insurance Co. Ltd.
6. Cannon Assurance (K) Ltd.
7. Concord Insurance Ltd.
8. Co-operative Insurance Co. of Kenya.
9. Corporate Insurance Co.Ltd.
10. Equitas Insurance Brokers Ltd.
11. Fidelity Insurance Brokers Ltd.
12. First Assurance Co. Ltd.
13. Gateway Insurance CO. Ltd.
14. Gemina Insurance Co. Ltd.
15. General Accident Insurance Co. (K) Ltd.
16. Heritage A.I.I Insurance Co. (K) Ltd.
17. Insurance Co. of E.A. Ltd.
18. Intra Africa Assurance Co. Ltd.
19. Invesco Assurance Co. Ltd.
20. Jubilee Insurance Co. Ltd.
21. Kenindia Assurance Co. Ltd.
22. Kenya Commercial Insurance Co. Ltd.
23. Kenya Insurance Sacco Ltd.
24. Kenya Orient Insurance Co. Ltd.
25. Kenya Alliance Insurance Co. Ltd.
26. Lion of Kenya Insurance Co. Ltd.
27. Madison Insurance Co. Ltd.
28. Mercantile Life and General Assurance Co. Ltd.
29. Monarch Insurance.
30. Norwich Union Life Insurance Society.
31. Occidental insurance Co. Ltd.
32. Old Mutual Life Assurance.
33. Pan African Insurance Co. Ltd.
34. Phoenix of E.A. Assurance Co. Ltd.
35. Pioneer Assurance.
36. Prime Insurance Co. Ltd.
37. PTA Reinsurance Co.
38. Royal Insurance Co. of E.A. Ltd.
39. Standard Assurance (K) Ltd.
40. Suncity Insurance Co. Ltd.

41. Tausi Assurance Co. Ltd.
42. Trident Insurance Co. Ltd.
43. U.A.P. Provincial Insurance Co. Ltd.
44. United Insurance Co. Ltd.

BANKS AND FINANCE

45. ABN-AMRO Bank
46. African Banking Corporation Ltd.
47. African Mercantile Banking Co. Ltd.
48. Akiba Bank
49. Bank of Baroda (K) Ltd.
50. Bank of India
51. Bank of Tokyo Mitsubishi Ltd.
52. Barclays Bank of Kenya Ltd.
53. Biashara Bank of Kenya
54. C.F.C Bank of Kenya
55. Charter Bank Ltd.
56. Chase Bank (K) Ltd.
57. Citibank N.A.
58. City Finance Bank Ltd.
59. Commercial Bank of Africa Ltd.
60. Consolidated Bank of Kenya Ltd.
61. Co-operative Bank of Kenya Ltd.
62. Credit Agricole Indosuez
63. Credit Bank Ltd.
64. East African Development Bank
65. Eastern and Southern African Trade and Development Bank (PTA)
66. Fina Bank
67. Equatorial Commercial Bank Ltd.
68. First American Bank of Kenya Ltd.
69. First National Bank of Kenya (City)
70. Giro Commercial Bank
71. Goldern Credit Ltd.
72. Guardian Bank Ltd.
73. Habib Bank AG Zurich
74. Habib Bank Ltd.
75. Imperial Bank Ltd.
76. Industrial Development Bank Ltd.
77. Internal Finance Corp (IFC)
78. Investments and Mortgages Bank Ltd.
79. Middle East Bank (K) Ltd.
80. National Bank of Kenya Ltd.
81. National Industrial Credit Bank Ltd.
82. Paramount Universal Bank Ltd.
83. Prime Bank.
84. Prudential Bank Ltd.
85. PTA Bank
86. Southern Credit Banking Corp Ltd.
87. Stanbic Bank (Kenya) Ltd.

88. Standard Chartered Bank Ltd.
89. Transnational Bank Ltd.
90. Victoria Commercial Bank
91. Development Bank of Kenya
92. Diamond Trust Bank of Kenya Ltd.
93. Dubai Bank of Kenya Ltd.
94. East African Building Society
95. Equity Building Society
96. Estate Building Society
97. Kenyawide Building Society
98. Pioneer Building Society
99. Prudential Building Society
100. Agricultural Finance Corporation
101. Family Finance Building Society
102. First Africa Capital Ltd
103. Guilders International Finance Co. Ltd
104. Housing Finance Co. of Kenya
105. Industrial and Commercial Development Corporation
106. Mercantile Finance Co. Ltd
107. Prime Capital and Credit Ltd.

MANUFACTURING AND ALLIED

108. Henkel Kenya Ltd
109. Aventis Cropscience Kenya Ltd
110. BASF
111. Bayer East Africa Ltd
112. Chemagro Ltd.
113. Cyanamid Transnational Corp.
114. Farmchem Ltd.
115. Murphy Chemicals (E.A.) Ltd.
116. Unga Farmcare (E.A.) Ltd.
117. Hardi Kenya Ltd.
118. Lima Ltd.
119. Atlas Copco (K) Ltd.
120. Cooper Kenya (K) Ltd.
121. Unga Feeds Ltd.
122. Added Performance (K) Ltd.
123. Associates Battery Manufacturing (E.A.) Ltd.
124. Eveready Batteries (K) Ltd.
125. Jambo Biscuits (K) Ltd.
126. Goldern Biscuits (K) Ltd.
127. Coast Blanket Factory Ltd.
128. Central Glass Industries
129. Kenya Breweries Ltd.
130. Tile and Carpet Centre
131. TSS Spinning and Weaving Ltd.
132. Highland Canners
133. Kenya Orchards Ltd.

134. East African Portland Cement Company Ltd.
135. Athi River Mining Ltd.
136. Bamburi Cement Ltd.
137. Cabroworks (E.A.) Ltd.
138. Kenya Sweets Ltd.
139. Kwality Candies and Sweets Ltd.
140. Patco Industries Ltd.
141. Cat Tech Spares Co. Ltd
142. Procter and Gamble (E.A.) Ltd.
143. Colgate Palmolive (E.A.) Ltd
144. Supa Brite Ltd.
145. Tetra Pak Ltd.
146. Brookside Diary Ltd.
147. Spin Knit Diary Ltd.
148. Diversylever E.A. Ltd.
149. Ecolab E.A. (K) Ltd.
150. Pembe Flour Mills
151. Premier Flour Mills
152. Nestle Foods (K) Ltd.
153. Proctor and Allan (E.A.) Ltd.
154. Unilever (K) Ltd.
155. BOC (Kenya) Ltd.
156. Carbacid (C02) Ltd.
157. CMC Holdings Ltd.
158. Reckitt Benkiser (E.A.) Ltd.
159. Sara Lee Household and Body Care (K) Ltd.
160. Magadi Soda Co. Ltd.
161. General Motors Ltd.
162. Amazon Motors Ltd.
163. Toyota (E.A.) Ltd.
164. Associates Motors Ltd.
165. D.T. Dobie and Co. Ltd.
166. Marshalls (E.A.) Ltd.
167. Mashariki Motors Ltd.
168. Nation Media Group Ltd.
169. Standard, The
170. Kenya Times Media
171. Alba Petroleum Ltd.
172. Caltex Oil (K) Ltd.
173. Elf Oil (K) Ltd.
174. Engen (K) Ltd.
175. Kenol (K) Ltd.
176. Kenya Oil Co. Ltd.
177. Kenya Shell Ltd.
178. Kobil Petroleum Ltd.
179. Mid-Oil Africa Ltd.
180. Mobil Oil (K) Ltd.
181. National Oil Corp of Kenya
182. Total Oil (K) Ltd.
183. Bidco Oil Refineries Ltd.

184. Giloil Co. Ltd.
185. Kapa Oil Refineries Ltd.
186. Palmac Oil Refineries Ltd.
187. Kenya Litho
188. Van Leer Industrial Packaging
189. Carton Manufacturers
190. Dodhia Packaging Ltd.
191. E.A. Packaging Industries Ltd.
192. Signode Packaging Systems Ltd.
193. Crown Cork Co. (E.A.)
194. Metal Crowns Ltd.
195. SDV Transami (K) Ltd.
196. Apex Paints (K) Ltd.
197. Berger Paints (K)
198. Crown Paints
199. Dura Coat Paints
200. Galaxy Paints and Coating
201. Pinnacle Paints Ltd.
202. Twiga Paints
203. Solai Paints
204. Kensta
205. Chandaria Industrials Ltd.
206. Panafrican Research Mills (E.A.) Ltd
207. Madhuresearch Kenya Ltd.
208. Aventis Pasteur S.A. (E.A.)
209. Bulk Medicals Ltd.
210. Cosmos Ltd.
211. Dawa Pharmaceuticals
212. Elys Chemicals Industries Ltd.
213. Glaxosmithkline
214. Mac's Pharmaceuticals Ltd.
215. Pfizer Laboratories Ltd.
216. Roche Products Ltd.
217. Schering Plough Corporation Ltd.
218. Kodak (Kenya) Ltd.
219. Avon Group of Companies
220. Firestone EA (1969)
221. Dunlop
222. Mumias Sugar
223. Mabati Rolling Mills
224. Colas (E.A.) Ltd.
225. Galsheet (K) Ltd.
226. Bitumen Products Ltd.
227. Plastics and Rubber Industries Ltd.
228. Farmer's Choice Ltd.
229. Bata Shoes (K) Ltd.
230. Coca Cola Africa Ltd.
231. KFCL - Softa Bottling Co. Ltd
232. Insteel
233. Rolmill (K) Ltd.

234. Chemelil Sugar Co. Ltd
235. Muhoroni Sugar Co. Ltd
236. Uchumi Supermarkets
237. Nakumatt Supermarkets
238. Brooke Bond Kenya Ltd.
239. Kakuzi
240. Rea Vipingo
241. Sasini
242. African Highlands Produce Co. Ltd.
243. Eastern Produce (K) Ltd.
244. Kenya Tea Packers Ltd.
245. George Williamson Tea (K) Ltd.
246. British American Tobacco (K) Ltd.
247. Mastermind Tobacco (K) Ltd.
248. Timsales
249. Kenya Wine Agencies Ltd.
250. UDV (Kenya) Ltd.
251. Car and General
252. Hutching Biemer
253. East Africa Cable
254. Kenya Power and Lighting Co. Ltd
255. Kepchorua Tea Co. Ltd.
256. Limuru Tea Co. Ltd.
257. Grand Regency Hotel
258. Hilton Nairobi
259. Norfolk Hotel
260. Lornhro Hotels (K) Ltd.
261. Mt. Kenya Safari Club
262. Nairobi Safari Club
263. Severin Sea Lodge (E.A.)
264. Sarova Hotels Ltd.
265. Six Eighty Hotel
266. The Stanley Nairobi
267. Windsor Golf and Country Club
268. Sameer Investments Ltd.
269. China Road and Bridge Corp (K) Ltd.
270. Come-Cons Africa Ltd.
271. Continental Builders Ltd.
272. Epco Builders Ltd.
273. Govinda and Sons Ltd.
274. Intex Construction Ltd.
275. Juma Construction Co. Ltd.
276. Kirinyaga Construction (K) Ltd.
277. Kilimanjaro Construction Ltd.
278. Konoike Construction Co. Ltd.
279. Laxmanbhai Construction Ltd.
280. Magic General Constructors..
281. Mauji Construction Co. Ltd.
282. Motorways Construction.
283. Muguya Construction and Engineering.

284. N.K. Brothers Ltd.
285. Pelican Engineering and Construction.
286. Premji Duncar and Sons Sarit Centre.
287. Raw Constructions.
288. Rupra Construction Co. Ltd.
289. Samani Construction Ltd.
290. Sayani Brothers and Co. Ltd.
291. Spencon (K)Ltd .
292. Sumitomo Construction Co. Ltd.
293. Super Contractors Ltd.
294. Trishul Construction Ltd.
295. United Builders and Contractors.
296. U.K. Construction Co. Ltd.
297. Vertex Builders.
298. Victory Construction Co. Ltd.
299. Sachems Construction (K) Ltd.
300. H Young Group of Companies.
301. Hayer Bisham Singh and Sons Ltd.
302. Logitee Contractors Ltd.
303. S.S. Mehta and Sons.
304. Kenya Airways.
305. Mwalimu Co-operative and Sacco Ltd.
306. Baumann Engineering Ltd.
307. Booth Manufacturing (Africa) Ltd.
308. Cadbury Kenya Ltd.
309. D.H.L International (K) Ltd.
310. Gestetner (K) Ltd.
311. Global Telecoms Ltd.
312. Haco Industries Kenya Ltd.
313. H.Z. and Co. Ltd.
314. Harambee Co-op. Savings and Credit Society Ltd.
315. Hebatullah Brothers Ltd.
316. Heidelberg E.A. Ltd.
317. Heritage Hotels.
318. High Chem. E.A. Ltd.
319. Webuye Research Mills.
320. Hotel Inter-Continental Nairobi.
321. I.C.L. Kenya Ltd.
322. Iberafrica Power (EA) Ltd.
323. IBM (EA) Ltd.
324. ICN-Toshiba Ltd.
325. Impala Glass Industries.
326. International Casino.
327. Interocean (EA) Ltd.
328. Kamco Steel Stainless Works Ltd.
329. Karume Investments Ltd.
330. Alliance Hotels Ltd.
331. KATE Freight and Travel Ltd.
332. Kay Construction Co. Ltd.
333. Kenbro Industries Ltd.

334. Kencargo Airlines International Ltd.
335. Kencell Communications Ltd.
336. Kensat.
337. Kenya Aerotech Ltd.
338. Kenya Bus Services Ltd.
339. Kenya Building Society Ltd.
340. Kenya Women Finance Trust.
341. Kimberly Fay (EA) Ltd.
342. King Plastic Industries Ltd.
343. Kirloskar Kenya Ltd.
344. Knight Frank (K) Ltd.
345. Kordes Roses Africa Ltd.
346. Korean Automobile (K) Ltd.
347. K-Rep Holdings Ltd.
348. Kundan Singh construction Ltd.
349. Landmark Hotel.
350. Loita Asset Management.
351. London Distillers (K) Ltd.
352. Longhorn (K) Ltd.
353. Ace Communications.
354. Magana Flowers (K) Ltd.
355. Maersk (K) Ltd.
356. Magnate Ventures Ltd.
357. Mann Manufacturing Ltd.
358. Master Platters.
359. Mechanised Cargo Systems Ltd.
360. Mini Bakeries (Nairobi) Ltd.
361. Modern Business Comm. Ltd.
362. Morison Engineering Ltd.
363. Motorways Construction.
364. Multichoice (K) Ltd.
365. Multiconsult Consulting Engineers Ltd.
366. Murphy Chemicals (EA) Ltd.
367. Nairobi Bottlers Ltd.
368. NAS Airport Services Ltd.
369. NCR.
370. Ngilu Associates.
371. Ngong Hills Hotels Ltd.
372. Nginyo Investments Ltd.
373. Nice and Lovely Products.
374. Oceanfreight (EA) Ltd.
375. Ogilvy and Mather.
376. Orason Engineers Ltd.
377. Osho Chemical Industries.
378. Oserian Development Co. Ltd.
379. Oxford University Press.
380. Paw O Nedlloyd (EA) Ltd.
381. Phillips Pharmaceutical Ltd.
382. Pinnacle Insurance Agency Ltd.
383. Pressmasters Ltd.

384. Prodex (EA) Ltd.
385. Rae Plywoods (K) Ltd.
386. Removals Freight International Ltd.
387. Reli Co-op Savings and Credit Society.
388. Rentokil Initial Kenya.
389. Rilco Steel Fabricators Ltd.
390. Roto Moulders Ltd.
391. Roy Spares and Hauliers Ltd.
392. Ryce Group of Companies.
393. S.G.S. (Kenya) Ltd.
394. Sadolin Paints (EA) Ltd.
395. Safaricom Ltd.
396. Samura Engineerings Ltd.
397. Savings and Loan (K) Ltd.
398. Seaforth Shipping (K) LTD.
399. Securicor Security Services (K) Ltd.
400. Sharp Electronics Technology Ltd.
401. Shell Chemicals (EA) Ltd.
402. Shelter Afrique
403. Sietco Construction Co.
404. Swift Global (K) Ltd.
405. Switchgear and Gonhols Ltd.
406. Syngenta (EA) Ltd.
407. TNT Internal Express.
408. Technomed Ltd.
409. 3M Kenya Ltd.
410. TM-AM Construction Group (Africa).
411. Triple A Capital Ltd.
412. Unico Manufacturing Co. Ltd.
413. Wangu Investments Co. Ltd.
414. Wilken Telecommunications (K) Ltd.

PARASTATALS.

415. Higher Education Loans Board.
416. Kenya Industrial Estates Ltd.
417. Kenya National Trading Corporation Ltd.
418. Kenya Ports Authority.
419. Kenya Sugar Authority.
420. National Social Security Fund.
421. Retirements Benefits Authority.
422. Kenya Airports Authority.
423. Kenya Bixa Ltd.
424. Kenya Broadcasting Corporation Ltd.
425. Kenya Cashew nuts Ltd.
426. Kenya Co-operative Creameries Ltd.
427. Ken Gen.
428. Kenya Farmers Association.

429. Kenya Fluorspar Co. Ltd.
430. Kenya Literature Bureau.
431. Kenya Meat Commission.
432. Kenya Maltings Ltd.
433. Kenya Nut Co. Ltd.
434. Kenya Pipeline Co. Ltd.
435. Kenya Planters Co-operative Union Ltd.
436. Kenya Railways Corporation Ltd.
437. Kenya Seed Company Ltd.
438. Kenya Sisal Board.
439. Kenya Sugar Authority.
440. Kenya Tea Development Agency Ltd.
441. Kenya Tourist Board.
442. Kenya Tourist Development Corporation.
443. Kenya Wildlife Service.
444. Coffee Board of Kenya.
445. Pyrethrum Board of Kenya.
446. Tea Board of Kenya.
447. Jomo Kenyatta Foundation.
448. Lake Basin Development Authority.
449. Tana River (and Athi) Development Authority.
450. Kerio Valley Development Authority.
451. Ewaso Nyiro North Development Authority.
452. Coast Development Authority.
453. Ewaso Nyiro South Development Authority.

Source: *Kenya Association of Manufacturers*
Registrar of Companies
Kenya Finance Directory
Commissioner of Insurance