

**THE EFFECT OF CONSTITUENCY DEVELOPMENT FUND ON SMALL AND
MEDIUM SIZE ENTERPRISES' INVESTMENT RETURNS IN KAJIADO NORTH
CONSTITUENCY**

BY

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been submitted for the award of any degree in any other university or institution of learning.

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DEDICATION

I dedicate this research project to my Mum Bathseba Nyarinda, my wife Eznah Mokeira and our six children Brenda, Claire, Diana, Junior Kennedy, Liz and Victor Ongeru and my dear sisters Tabitha, Rael and Alice.

ACKNOWLEDGEMENT

I feel fully indebted to my supervisor Herick Ondigo, for sparingly guiding me through this research with immense patience and continuous encouragement that made me remain focused.

I will forever thank him for his steadfastness and relentness to ensure this research was done to enhance my learning, thinking style and improving my confidence as a researcher.

My thanks and gratitude goes to the CDF officers at Ngong District headquarters for allowing me to undertake a case study on CDF operations under their jurisdiction especially the cordial session of discussions and candidness they exhibited to provide a detailed understanding.

Last but not least I salute my in-law Jared Mokuu, my Colleagues at work, Tom Omboko and Caroline for proof reading my project in terms of flow of context and facts.

ABSTRACT

The purpose of this research study was intended to find out the effect of CDF investments projects on six factors on SMEs investment returns and if any how. The recent poverty ranking in the economic trends of the constituency led to low poverty index measure and to go further to establish the major contributory factor (s) to such high scores, through the use of SMEs and how CDF kitty is being managed.

The methodology used to analyze the CDF projects is by grouping them into 6 factors as supported by CDF, which includes education, health, water/ sanitation, security, roads, financial support and electricity.

The factors were identified as major and respondents were asked to choose the most important to the least and also rank them in order of priority. A questionnaire was circulated to the respondents to fill. From this study it is evident that there is an effect on SMEs investment returns and expansion, once any of the six factors were carried out in the constituency. The factors have a multiplier effect to support in opening up of regions that were hitherto undeveloped and created opportunities to tap.

The fiscal decentralization should be enhanced and to ensure there was clear guidelines for monitoring and evaluation purposes. SMEs regulation and legislation mechanisms should be put into place, since they are earmarked to support the economy's GDP by almost 40% and also creates employment to many people. Due to the devolution of power from centralized governance, it would be idea to ensure funds to constituencies are continuously availed without any delay.

Cost benefit analysis is used as a bench mark in appraising CDF investment projects to include the social and financial costs and benefits accruing from the project.

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LIST OF ACRONYMS AND ABBREVIATIONS

CDC	Constituency Development Committee
CDF	Constituency Development Fund
ERS	Economic Recovery Strategy
HRD	Human Resource Development
LATF	Local Authority Trust Fund
NASC	National Assembly Select Committee
NPV	Net Present Value
PRSP	Poverty Reduction Strategy Paper
PMC	Project Management Committee
SME	Small and Medium Enterprises

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The study is how Constituency Development Fund (CDF) positively impacts on SMEs investment returns in Kajiado North Constituency which is a semi-arid region, located in the southern tip of the larger Rift Valley province, comprising five divisions; Ngong, Ongata Rongai, Ewuaso, Magadi and Isinya. The constituency borders Nairobi province to the north and Eastern province (Ukambani region) to the east, Narok district to the west and Kenya/Tanzania border to the south and initially administratively managed from Kajiado town district head quarters but now Ngong town district head quarters. It is sparsely populated with a majority being pastoralist community and small scale farming/ businesses that deal with farm produce, animal farming and shopping centers. The constituency lies in a region that faces adverse weather conditions and a tough hilly terrain and the major activities is nomadic pastoralism, and a few new urban settlements and small scale farmers. The major towns in the constituency that have sprung-up are like Ngong, Kiserian, Ongata Rongai, Isinya, Kitengela, Suswa, Kajiado townships and other small market centers. A few inhabitants who have recently settled in the constituency are carrying out small-scale commercial farming which is always affected by the weather calamity.

The constituency is generally graded as a better performing economic performer considering a higher per capita income index indicator on average of the inhabitants and that means the poverty levels are at a lower spectrum as was disclosed by the Annual Economic Survey of 2010/2011 and 2011/2012 years of survey. Consequent to this there is continuous springing up of Small and Medium Enterprises which are at infancy level and very much disorganized. This is my main reason to undertake to find out how and why the constituency is rated such

highly and the contributing factors such as CDF investments on the overall economic performance turnaround.

Due to the challenges of poverty levels in the general Kenyan society, increasing GDP growth rates and increasing per capita incomes are a primary focus of the National government. This has led the National government to create various economic development approaches to counter these effects like National Development Plans (NDP), Poverty Reduction Strategic Papers (PRSP), Millennium Development Goals (MDG) and Participatory Poverty Alleviation Programs (PPAP) among the many others as a strategy of harnessing such economic activities as SMEs so as to increase their economic worth and impact to the general economic growth.

The role and functions of national government on development activities has changed drastically from one where it influences the investment choice selection to fiscal decentralization support to constituencies for investment purposes and continuously provide the resources as need arises. It has led the National government to create various Policy Papers and procedures to guide on investment choices of priority to be selected and the purpose of such investment approach which includes Poverty Reduction Strategy Policy (PRSP) of earlier 2000s, the Economic Recovery Strategy (ERS) for wealth and employment creation of 2003 and currently Kenya's Vision 2030 as the National Strategic Plan. The aim of Vision 2030 is to create good infrastructure that supports economic development in all constituencies so as create self reliance, employment and to reduce the kind of imports to acceptable levels and encourage exports in order to become a middle level economy. Any failure to provide such important strategies as fiscal decentralization may leave constituencies that are struggling to feed, cloth, educate, treat and employ productively their inhabitants in dilemma. In order to eliminate such problems the National government started various

funding approaches which supplement on National government's provision for goods and services to support the growth of small and medium businesses and created a fiscal decentralization approach such as Constituency Development Fund and such similar funds decentralization.

The Constituency Development Fund was established Through an Act of Parliament, the CDF Act 2003 (amended in 2007 & 2013) with an objective of addressing poverty and inequality challenges throughout the country, by dedicating a specific portion of the National Budgetary Allocation to address the felt needs of the community at grassroots level. The Fund is managed by National Assembly Select Committee (NASC) comprising of sitting members of parliament and in conjunction with CDF Board, nominated eminent personalities of special trainings. The law governing CDF is aligned to the current constitution of Kenya 2010, particularly in compliance with the principle of transparency, accountability, separation of powers and participation of the people.

The CDF has registered great success in the constituency through the shifting of the roles of project identification, planning and implementation from line ministries to communities, hence encouraging local initiative that results into sense of ownership, transparency and accountability. The CDF program has also encouraged the opening of earlier inaccessible regions, creating accessibility of essential services like health and water provision, created job opportunities at local levels through the awarding of contracts to local artisans and sourcing of materials from local entrepreneurs and encouraged the locals to start marketing the animals and animal products. Through the CDF, the general economic condition of locals, provision of social services greatly improved in many parts of the constituency leading to

reduced school dropouts through CDF bursary contribution and support to classroom construction and learning facilities etc.

Unlike other development funds from National government, CDF funds disbursement has gained prominence as a development tool in constituency projects and is utilized on investment decisions taken by the constituents/residents. In essence, the CDF provides individuals at the grass-root level the opportunity to make such investment decisions on items/projects that can maximize their wealth creation and enhance welfare in line with their needs, preference (Kimenyi, 2005) and reduce poverty level. It is believed that the local citizens are well informed about their preferred investment choices based on their problems and circumstances. Because the fund benefits local community directly, it can easily stimulate local involvement, accountability and re-awakening into development projects due to availed information on the strategic investment projects and investment opportunities at the local area that will necessitate the need for efficient use of CDF funds. With such participatory approach in mind, SMEs from Kajiado North constituency were invited to identify their investment engagement, priorities and requirements for funding to such areas like market shades, slaughter houses, water points, infrastructures like roads and electricity and such common usage facilities like boreholes, security enhancement measures etc.

The National government created various strategies to alleviate poverty and introduced Vision 2030, a first medium term plan in 2008/2012, pg 138 as a means of decentralizing funds towards the process of supporting public desires and aspirations of good infrastructure, good health, education, bursaries etc. This includes funds like CDF, LATF, Youth Enterprise Fund (YEF), Free Primary Education, Road Maintenance Levy etc. which have played a key role of complementing the provision of service delivery by different Line Ministries in

improving the availability and access of public service and facilities. The CDF as one of the funds has two approaches:-

The CDF /PMC committee implements a project from its kitty and hands-over to the community on completion to independently run it.

On completion of CDF projects and handing it over to the citizenry stimulates them to start small and medium enterprises due to the Multiplier effect. The CDF projects directly or indirectly create opportunities to various groups e.g. manual workers during the process of the project implementation, such as building of market shades, building of roads and bridges. This makes areas initially inaccessible to be accessible, creates an organized supply chain to other market destinations and creates other contingent investments and improves the local tax collections by the constituency executive which will cater for repair and maintenance of such existing communal projects. Good CDF governance is founded on the attitudes, ethics, practices and values of the society. It enhances accountability, power- sharing between government and citizens, representation and owner participation. CDF is founded and guided by Public Procurement and Disposal Act (PPDA) 2005 & 2006.

A number of studies have been done on Fiscal Decentralization such as CDF in the world over and in Kenya:

Smoke, (2001), & Limi, (2004), introduced the role of Fiscal Decentralization for Economic Growth by identifying out key problems at constituency level like inadequate and dilapidated infrastructure, poor and unreliable water/sanitation, poor transport system, poor housing facilities, high rates of unemployment and levels of poverty, as well as environmental degradation due to charcoal burning for fuel and many others. There are benefits of public participation on investment decisions and goals on projects undertaken by CDF resources. The National government created a decentralized funding approach directly to the

constituency and was managed by a National Board which allocates and disburses the funds to the Constituency committees.

Mugo, (2008) Poverty Statistics vs. CDF & CDF Act (2007) sec.21 (7)(8)(9)(10)(11)(12) highlights how CDF approach has had a positive impact on its cost effectiveness in areas the funds were prudently managed. In this study the focus will be on the cost / benefit effect of Constituency Development Fund in starting up investment projects in order to address the economic disparities amongst the population of the constituency operating as SMEs and which will create good returns. The constituency was supposed to select investment choice at the constituency level and fund its construction but account the expenditure to the national CDF Board. In actualizing investment location, the CDF committees encounter various problems like political interference, inefficiency by the county committees that are running the development funds, lack of financial and management operating systems and poor capacity to manage the shades.

Kimenyi, (2005), Efficiency and Efficacy of Kenya's CDF-theory and Evidence states how each resource allocation must take into account the constituency's vastness, population density, availability of infrastructure, level of education, availed financial resources and political support and such other factors. Through the financial budgetary allocation to each constituency as determined by a National CDF Board the gross total budgetary allocation by parliament to CDF will cater for investments of priority to the constituency like education, health, roads, security, water and such other investment choices. Sub-optimization is the main goal by the constituency but the investment returns by SMEs is paramount to ensure the investment choice selected will have a positive multiplier impact to the small investors in the constituency and surrounding regions' in terms of economic growth.

1.1.1 Constituency Development Fund

In the 21st. century, fiscal decentralization is one of the key cross-cutting issues in all spheres including financing approach, governance structure and business reorganization approaches. Due to the changes in the socio-political and economical environment a lot of pressure is on national government to provide for the basic human rights of health, wealth, education and security in order to alleviate poverty and ensure all regions in the country are equally developed. The culmination of the promulgation of the Constitution in 2012 reviewed the governance structures from the independence constitution from the colonial government. It is intended; firstly, to establish free and democratic system of government that guarantees good governance, constitutionalism, and rule of law, human rights, gender equity and affirmative action. Secondly, to recognize and specify division of responsibilities among the three arms of government (executive, legislative and parliament) and the various state organs so as to create checks and balances and promote accountability. Thirdly, to promote people's participation in the governance of the country through free and fair elections, devolution and exercise of power.

Through the study as given by Institute of Social Accountability (2011), stipulates how decentralization is the statutory granting of powers by the central government to constituency teams in terms of the administration and implementation of investment priority areas which creates for a faster decision-making approach on aspects that affect the constituency directly including investment issues.

Bagaka, (2008), Fiscal Decentralization in Kenya: The CDF and the Growth of Government; Northern Illinois University & Jametti, & Joanis, (2010) Area Conference on public Sector Economies brings out Vision 2030 as a first medium term plan (2008-2012) and acknowledges CDF as one amongst the fourteen categories of decentralized funds which

significantly contributed towards the process of provision of public good to the Kenyan citizens. The CDF was enacted through the enactment of CDF Act 2003 by the 9th. Parliament of Kenya.

CDF Act (2007) sec.21 (7)(8)(9)(10)(11)(12) highlights how CDF approach has had a positive impact on its cost effectiveness in areas that the funds were prudently managed. In this study the focus will be on the cost/ benefits effect of Constituency Development Fund in order to address the economic disparities amongst the population of the constituency operating as SMEs and create good returns.

Nekesa, et al (200) argues that, constituencies provide a testing ground on functional theories of community driven development projects and fiscal decentralization. Naturally, we should expect to observe systematic differences in utilization of CDF funds across constituencies. There are indications that CDF is helping provide services to communities that are not availed by the central government. Given such importance, the CDF program should be done in-depth analysis of both institutional, design and implementation factors that impact on the efficiency / efficacy on the use of the funds. The CDF marks a shift in development thinking towards the need for citizenry to be empowered so as to be active agents in their own development following the failure of the post-independence centralized big project development models as by the study; Mansuri & Rao, (2003).

The Budget Highlights, Citizens Guide (2011), show that allocation of CDF has increased over time. Under the new dispensation of devolved governance the national financial allocation is projected to rise up to 25 billion but to be implemented alongside the county government priorities and proposition as guided by CDF strategic objectives and plans(Daily Nation, Thursday April 21st. 2011).

1.1.2 SMEs Returns

The origin of SMEs is as a result of pull and push influences. Pull influences are that individuals are attracted to small business ownership by positive motives such as desire for independence, desire to exploit an opportunity, joy of turning a hobby or previous work experience into a business or financial incentives. The push influences includes redundancy, unemployment and retirements. Financial challenges and a personal drive to earn a living by people of poor financial means motivates to start SMEs. It involves the pulling together of the information and resources by individuals that is required for opening up a business venture and which includes the researching on all aspects of the business like leasing space, pay council rates and business licenses, identify the input source, identify the consumer, fix the price to charge, note the kind of competition that is faced and such factors that make the business a success. Kenyans are going into SMEs for want of better alternatives for higher incomes. As the economy continues to register slow growth rate and due to higher levels of unemployment, the focus to SMEs increases. This is due to the ease of starting SMEs and the low financing requirements. This signals the need to have supporting policies for expanding the market segment of SMEs, provide safeguards from imports, create fair competition environment and practices etc. On this then SMEs are realizing that growth and value creation may be achieved through embracing cost effective approaches, increasing output and creating a market niche.

In 1999, a study by the Economic Baseline Survey showed that despite the significant role played by SMEs, the sector has continued to experience many binding constraints that have inhibited its full potential. These challenges include inadequate policies, limited access to financial resources due to lack of collateral security to give to formal financing channels and markets, inhibitive legal and regulatory framework, inadequate access to skills and technology, poor security, transport problems, inadequate input supply, interference from

local authorities and lack of working sites. The severity of such problems varies according to positioning in the constituency. For instance, problems associated with markets, lack of working sites, competition, interference from local authorities, poor security is predominantly in market centers, whereas problems related to accessing infrastructure facilities (water, road, telephone etc) are rural based SMEs.

There is a theoretical relationship between risk and expected return built on three economic theories; Capital Budgeting approach, Agency Theory and Fiscal Decentralization Theory. SMEs Investment choices deals with the selection of developmental sectors that require funding support to further enhancement of investment infrastructure and minimize risk by carefully choosing investment sectors that has multiplier effect. The research target is on informal small and medium enterprises (SME's).

The National government's Consolidated Fund is created from collected taxes, issuance of bonds, grants and loans; finances the huge public investment expenditure which ranges from capital investments to recurrent expenditures in all constituencies and other national obligations. Though the national government raises its revenue to finance its expenditures from various sources there are a number of constraints that exist from each type of source. First, the government cannot exceed certain limits of taxation, bonds etc. to avoid eroding the economic gains made both as individuals and as government. This has led to serious concerns on the utilization of the available resources and its fair distribution to all counties. Also there is need to tap into local natural resources and human resources to create wealth that support the economic welfare of the citizens.

The main question that forms the current study is how the CDF has a positive impact on investment returns by SMEs in a good business environment called efficient market scenario. CDF projects are of capital nature and are expected to produce future benefits to the constituency and country over a long period of time. It is with such competing need for

returns in our CDF investment choices from all constituency that calls for a prudent investment approach and support to SMEs. The National government must provide a clear funding approach and legal framework for purposes of making SMEs a success like CDF and others.

1.1.3 The Effect of Constituency Development Fund Projects on SME Investment Returns

Although there is no universal definition of small and medium enterprises but a common definition is those businesses that employ less manpower and less capital. But their contribution to the economy is immense particularly in providing employment to vast majority of the population. SMEs produce approximately 50% of the constituency's private GDP and account for over 40 percent of business sales. SMEs are typically owned and managed by a single individual and are likely to employ less than five workers. Such firms, although individually owned, are often active within the national economy and they deal on goods and services.

A wider range of administrative challenges have been witnessed in centralized system of development to spur the economic growth of all regions by use of local resources and to the choice of the citizenry using CDF funding. Faced with accelerating rate of population growth and globalization has increased the level of competition on a global scale more than ever before for a proper management of resources by governments and not depend on a diminishing donor funding. Consequently there is incredible pressure on countries to achieve and sustain competitive economic growth and achieve an increase in GDP. In order to stay competitive within this changing business environment, countries are forced to constantly pursue administrative and economic strategies that are rewarding to it-self both from within and from other countries. A country creates a decentralized funding system for project funding and management as one of those administrative strategies. The Strategy promises to

re-ignite the competitive desire amongst constituencies or businesses and open up the exploitation of natural resources in the counties for the county people's economic welfare in a small scale like the SMEs.

This research study focuses on issues related to the informal SMEs in the constituency of Kajiado North Constituency and the business frameworks and enabling environment in terms of infrastructure such as a revolving fund to give business loans to SMEs and funding business utility factors like education, health, security, water improve the road networks etc., using the decentralized CDF funding and will particularly provide answers to the following research question:-

How do we benchmark the best investment returns in a SME approach and ensure proper monitoring and evaluation, coordination, sustained financing and with minimal chances of duplication of business choices through CDF funding.

Due to the past biases on constituency funding from the National government, all constituencies do not currently enjoy equal economic status in terms of economic growth and infrastructure. Whereas some have existing infrastructure, others do not have, and that is how CDF budget allocation to the constituency was born to cater for such huge disparities. Kajiado North constituency is mainly a pastoralist region and the government needs to find out how to harness and support the activities of pastoralists, farmers and small scale traders so as to be of support to each other's activities and create economic empowerment by providing good services/ goods.

With the fiscal decentralization, there is a total review, analysis and manner of administering and setting up of CDF projects. With political pluralism in Kenya, competitive political intrigues and manifestos exists which creates a wedge amongst the political class, which can lead to mismanagement of resources due to poor track records investment approaches and avoid thrift consumption.

The most common reasons for such CDF investment project's reduced returns are not technical but the incomplete location selection reasons as the major cause of project failures and thus call for priority selection re-engineering as a recipe in addressing this choice and funding issue.

1.1.4 Kajiado North Constituency

The constituency is located to the south of the former greater Rift Valley province, borders Nairobi province to the north, Eastern province to the east, Narok district to the west and Kenya/Tanzania border to the south. The constituency is sparsely populated and the major pre-occupation is nomadic pastoralists with a few patches of farming by newly settled people and a few other locals. According to a recent economic survey the constituency index rating on poverty was very low.

Based on the CDF budget allocations under the CDF Act, 2003, below is the allocation schedules since then;

2003/2004-----kshs.	6000000
2004/2005-----kshs.	27,208,837
2005/2006-----kshs.	35,189,546
2006/2007-----kshs.	48,748,642
2007/2008-----kshs.	49,049,740
2008/2009-----kshs.	49,049,740
2009/2010-----kshs.	59,876,134
2010/2011-----kshs.	63,855,196
2011/2012-----kshs.	77,514,173

Source: <http://opendata.go.ke/fact/counties/kajiadoNorth? tags=cdf>

So far from the disbursed allocation 13 projects have been covered in various sectors which include; improvement of roads and bridges, water and sanitation, schools/educational bursaries, health facilities, public law and order, business market shades, animal selling markets/slaughter-houses, cold storage facilities and electricity connections.

1.2 Research Problem

There is no guarantee that the CDF policy being undertaken will improve the poverty level of the residents. This is mitigated by ensuring proper allocation of resources. The formulation and enactment of CDF Act was done through parliamentary legislation and was revised in 2007, setting its management set ups which included the CDF National Board which disbursed funds as follows:- 75% of the fund is allocated equally amongst the 210 constituencies and 25% was disbursed on the basis of the constituency poverty index.

Initially CDF was dogged in controversy which made it less cost effective. This was due to lack of transparency, misappropriation of funds, inadequate/delay in disbursement, failure to establish viable ventures and shoddy job.

The analytical framework in business isolates the three primary driving forces behind the success of SMEs; the founders, the recognized opportunity and the resource requirement. Experience shows that these forces can be assessed and influenced to improve the chances of succeeding. The key to success in SMEs is continual, careful and realistic assessment.

Due to the limited financial capacities it hinders the national government to fully cater for all the public service/goods as business support investments from all constituencies at ago. In order to achieve the goals and aspirations it created a fiscal decentralization approach such as CDF to bridge the gap for the constituency economic development. A clear investment choice framework as investments of priority must be in place to create harmony on choice selection and remove the barriers or misunderstandings, (S. Mukherjee, Ghose & Nag, 2003).

Earlier studies on CDF portrayed it as a less cost effective approach without trying to unearth the core reasons for decreased cost effectiveness. The CDF approach was absolutely new in implementation and faced a number of problems such as lack of capacity to operate the CDF projects, delay in disbursement of funds, political interference and lack of monitoring and evaluation, etc. With increase of confidence levels, there is a shift to increase of cost effectiveness on CDF projects by use of local materials and manpower. The citizenry gets involved in project choice selection, implementation and ownership.

The major issue under study in this research is how a CDF approach is to impact positively on SMEs as an investment choice and the increased returns in order to have a linearity or non-linearity. Such returns are supposed to take into account several independent and dependent variables.

There is a common misconception that an investment choice's return is just a single phase return that is analyzed and completed at the investment decision-making development. Return from an investment choice refers to a life-cycle of activities related to the investment and its 'multiplier effect'. Its main activity includes gathering, documenting and managing the SMEs investment requirements. Recognizing the need to address and resolve these selection conflicts is part of the analysis phase of the research process, where prioritization is necessary. When the analysis of the choice selection process has been completed and the conflicts have been resolved, *validation* of the market choice's location, then SMEs returns are assigned, (Buchanan & Flowers, 1980).

Bench-marking is to be used to compare with the achievement of set standards or goals which include:- input and output indicators to ascertain the progress in the implementation of the policy, output indicator such as goods and services and outcomes and impact indicators that forms the actual achievements made on the county's economic recovery and growth.

Over the years since independence, Kenyan government has come up with various economic and political strategies to alleviate poverty and create a vibrant economy both during the single party politics and the era of multi-party politics. During those two political set ups the management and administration of resources was in the hands of only the national government through the relevant ministries. This resulted in the creation of CDF approach in Constituencies wherein the funds were given to members of parliament who were tasked to set up CDF management committees to spearhead the fund's management and choice of investments. The returns are to be measured qualitatively and quantitatively in terms of financial returns and form of utility.

1.3 Research Questions

- i. What factors from CDF project that have an effect on SME investment returns?
- ii. Do SMEs investment returns positively relate to the CDF investment projects?
- iii. What kind of benchmarks were used to create poverty index rating as being positively related?

1.4 Objective of the Study

To establish the effect of CDF on SMEs investment returns in Kajiado North Constituency.

1.5 Value of the Study

The contribution of this study was meaningful to CDF committees, academia, practitioners and Government policy makers as explained below.

The study was a basis for Project Management Committees to re-evaluate their performance in implementing the projects and use it to improve on the shortfalls, also to drop non-cost

effective factors and go cost- effective ones. This made CDF a cost effective approach in setting up more SMEs in the constituency.

The study was a basis for future empirical and concept research for academicians. The need to contribute to the accumulation of knowledge and experience related to investment choice selection in a fiscally decentralized form of investment in the constituency level.

The study entailed exploring on models that lead to successful investment in market shades as an investment choice using decentralized CDF approach by designers and practitioners in ensuring the right investment choice were elicited from the SMEs' success story.

The study uncovered how the investment location choice by CDF approach was undertaken in a fiscal decentralized form of development in the context of constituency for policymakers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the relevant literature on CDF as a form of investment approach as used by National government all over the constituencies to support and expand the SMEs as a development approach. The investments are either mutually exclusive, independent or contingent investments or a combination.

The chapter presents a review of the related literature on the subject under study as presented by various researchers, scholars, analysts and authors. The review will draw information from several sources that are closely related to the theme and objectives of the study. The chapter has general literature, theoretical frame-work, empirical studies and summary.

2.2 Theoretical Review

Decentralized form of funding provides core set of features including political set-ups, mandates/functions to be incorporated in decision-making and create equity in sharing resources and economic infrastructures for economic growth. Many countries began to see a need for a similar starting point of economic welfare/development from the available internal resources and encourage the growth of GDP; and immediately switched to public involvement, hence SMEs. With the decentralized system of funding, there is a total review and analysis of the manner of administering and setting up of investment policy through SMEs.

This study aims at identifying the direct or indirect relationship between CDF investment funding approach as one of the fiscal decentralized funding approach targeting SMEs expected increased returns.

Various theoretical studies have been done trying to understand the best investment approach for a decentralized funding approach as follows:-

2.2.1 Public Sector Capital Budgeting Decisions

Investments should be evaluated on the basis of a criterion and which is compatible to wealth creation. An investment will add to the investors (SMEs) wealth from the amount initially invested. The Investment in market shades by CDF funds is because individual SME investors cannot afford large funds which will take a long time to recoup and its irreversible once the project is implemented. Constituency committees have to choose among the most viable and profitable investments opportunities of priority because of the limited financial resources. Risks exists where there is inability of the constituency committees to make perfect forecasts due to a variety of reasons such as the general economic conditions, political factors and the industrial performance. The return of such investment is equal to the weighted average of the returns of individual SMEs for having invested in such business ventures, (Ulbrich, 2003).

There are two ways to classify SME investments either as expansion of business or modernization of businesses. Under expansion an SME adds its capacity to its business line to expand existing operations and under modernization is to improve operating efficiency and reduce costs. However, modernization decisions that involve substantial modernization and technological improvements expand revenues as well as reduce costs. SMEs investments are

contingent investments to CDF approach to support business growth, the choice of one investment leads to the establishment of the other investment ventures.

2.2.2 Agency Theory

Agency relationship is a contract under which one party (the agent) to perform certain service on its behalf; (Jensen & Meckling, 1976). Agency problem arises as a result of separation of ownership from control. The SMEs are charged with using and controlling of the economic resource of the CDF.

Johnstone, (2002) argued that Agency theory is based on the notion that the delegated responsibilities by the principal to SMEs requires the preference of mechanisms that either align the interest of CDF Committees and the SMEs, monitor and evaluate the usage of the resource to generate the highest return both to the SMEs and the Constituency.

2.2.3 Public Sector Fiscal Decentralization Theory

Kimenyi (2005) carried out an in-depth analysis of both institutional, design and implementation factors that impact on the efficiency of the use of CDF funds which he also identified as ‘club goods’ type as opposed to broad public goods whose efficiency can be analyzed along the demographic indicators such as size of county and population, dispersion, strategic choice of projects to internalize benefits, diversify of socio-economic characteristics, interest groups, politics etc.

A study carried out by Gikonyo, (2008), Open Society Initiative for East Africa, The CDF Social Audit, Popular Version, A Handbook for Communities brings out. Management capacity to handle Constituency Development Fund in an accountable and prudent manner as an important factor and any failure on their part will lead to thrift spending and

mismanagement of the fund. The other beneficial factor is the Tax Shield:-A start-cushion by the national government ensures any tax liability by the Constituency is paid from its resource allocation. Political competition leads members of parliament to setting up of investment manifesto for constituency which they intend to pursue once elected to office and national government creates a scattered approach on investment depending on constituency's local conditions.

2.3 Factors Influencing SMEs Investment Returns in Kajiado North Constituency

Several positive variables come into play for any SMEs investments to realize good returns. The SMEs investors should ensure better harnessing of all these factors so that at the end there are good returns.

Several factors are driving the good returns on SMEs using CDF funding; such as achieving one's business ego, better entrepreneurial education, economic and demographic factors, a shift to service economy, technological advances, more independence lifestyles and increased local and international business environment. Driven by all these, entrepreneurs have to establish and manage small and medium enterprises to gain control over their lives, become self-fulfilled, reap unlimited profits, contribute to society and do what they enjoy doing; .

Mwangangi, M. (2006), A study of the applicability of Markowitz portfolio optimization model in overall asset allocation. Decisions by Pension Fund Managers in Kenya, unpublished MBA thesis, University of Nairobi states the following benefits which will accrue to the constituency and central government if SMEs register good returns:-

Firstly, the county and country in general enjoys competitive advantage. The argument for competitive advantage begins with the idea that valuable growth of GDP, which is currently

still locked away in disparate, badly managed economy and untapped opportunities due to lack of infrastructure. Counties that adopt it quickly will have a competitive advantage because they have access to timely support and accurate information on marketing, performance, and customer relationships as well as in other areas. In addition, having this information will allow them develop better forecasts, to adapt faster to changes (to be more agile), and to provide better support for decisions than their competition. Therefore, the county's investment performance is effected and, specifically the efficiency, quality, effectiveness, and net benefit. Secondly, the county enjoys increased return on investment.

Another frequently mentioned benefit of CDF investment choice selection is that they increase return on investment. The argument here is that packaged investment portfolio choices should produce higher return on investment than any other focus. Thirdly, adoption of investment portfolio choice selection increases county productivity. This refers to productivity in the very narrow sense of improving the ergonomic production for self sufficiency and economic empowerment of the local population. Fourthly, investment portfolio choice selection leads to increased effectiveness and efficiency in resource utilization. The claim of increased effectiveness is based on the idea that re-engineering makes available new information to investors that were not available before but also provide that information in an integrated and personalized way. Integration and personalization focus information on the investment selection by the investor and therefore lead to improved performance and eventually to a more knowledgeable and effective country, (Rosen & Gayer, 2008).

Fifthly, the counties that have adopted investment portfolio selection lay claim to decreased cost of doing investment. The benefit of decreased cost of investment is a consequence of both harmonization and integration of investments by both the county and central

governments. Sixthly, investment selection promotes universal access to the county resources. A particularly attractive appeal of investment selection re-engineering is the promise to county and national resources.

2.4 Empirical Review

A number of studies have been done in the world over and Kenya in particular on fund management firms as an investment approach and how the system of governance can impact positively or negatively in terms of returns.

A number of studies have been done on decentralization of government functions and the many considerations that are taken into account in terms of approach and benefits accruing.

Tiebout (1961), did a study and emphasized on pure fiscal decentralization in a scenario where the political variables are neutral which meant that regional were left to operate freely.

The regions were able their investment goals and made choices of priority and executed. The citizenry participation increased the level of project acceptance and support. This resulted in contingent investments which led to growth of economy.

Ayee (1997), did a study and examines fiscal decentralization in Ghana as managed by District Assemblies where citizens exercised the tastes and preferences, which was not achieved due to political polarization and the decentralization was stopped mid-way.

Smoke (2001), did a review study on ‘The Role of Fiscal Decentralization’ which explains the role of fiscal decentralization in diffusing the pressures of vicious circle of national budgets deficits characterized with increased external borrowing and payment of interest rates whereas the local revenue is underutilized to facilitate local development. He highlights the efforts of the elites in developing countries like Kenya to improve devolution of fiscal

resources in order to benefit from the broadened tax base by the government and reduce external borrowing.

Maina, (2003) researched on risk and return on investments held by insurance companies in Kenya from January 1997 to December 2001. From his findings, he established that there is very little correlation between risk and return of investments held by Kenyan insurance companies. Only investments in secured loans had a positive relationship between return and risk.

Limi (2004), did a study on 'Fiscal Decentralization for Economic Growth' further the discussion empirically whether fiscal decentralization/devolution stimulates economic growth. It highlights the incapacity of county governments to provide proper services thus improving the citizenry welfare and not achieving the required economic growth.

Calsamiglia, Garcia-mila and McGuire (2006) highlights the inequalities amongst the constituencies in the provision of essential goods/services thus bring the notion of solidarity in the sense that jurisdiction with more resources will transfer resources to jurisdictions with less resources which is complicated.

According to the Institute of Economic Affairs (2006) defines fiscal decentralization as delegation of spending responsibilities and powers to raise revenues at county levels thus the provision of public good to County governments such as CDF.

Bagaka (2008) in the study of the CDF and the growth of government, he highlights that fiscal decentralization has promoted allocative efficiency and equity but at a cost of exporting

tax burdens to the central government from capital projects implemented at the constituency level but it highlights increased allocative efficiency but decreasing operational efficiency at the level of the central government.

Mugo (2008) emphasizes on the intended objective by the Ministry of Planning and Vision 2030 to incorporate targeting on the allocation of CDF with the objective of improving accuracy of information on need assessment and thus achieve cost-effectiveness as compared to the inaccurate and inefficient allocation of funds to political projects which are allocated on blanket basis.

Zyl (2010) highlights on the Faustian bargain existent between the parliamentarians and the constituents, in his study he highlighted the allocation of government revenue towards CDF and the increasing number of counties adopting the CDF model. Political interference, inefficiency of the county committees running the funds, lack of financial and management systems and poor capacity to manage the funds have been cited as some of the bottlenecks of CDF.

Jametti and Joanis (2010), 'Area Conference on Public Sector Economics' where he discusses the vertical interaction of the national government and county government in provision of public good in the context of the intergovernmental transfers and trade-off highlighted by Oates (2006).

Khasiani and Makau (2010) consider CDF as a major boost to development in the rural areas particularly the socio-economic development and as a means of Central government recollecting more revenue. In most cases decreased cost effectiveness has been observed due

to unaccountability, duplication of activities, and lack of financial capacity by managers of the CDF funds and poor prioritization of the projects.

Institute of Social Accountability (2011) on its project to the national assembly on decentralization of function sectors defines fiscal decentralization/devolution as the transfer of financial responsibility to develop local revenue generation and expenditure mechanism as well as management of intergovernmental transfers from the central government to county government.

2.5 Summary of Literature Review

The national government through the Public sector reforms has introduced CDF as one form of fiscal decentralization. It aims at ensuring CDF is efficiently, accountably, transparently managed by the use of the existing Procurement and Disposal laws.

There is no doubt CDF is a noble concept and one that is expected to have major positive impact on development in general at the grassroots level. In addition to advancing the welfare of the people through community projects, CDF has created a multiplier effect on community participation in its efforts to empower them.

Because of the positive impact by CDF there is need to legislate it further in order to enhance its efficiency and support poverty eradication by supporting SMEs.

Efforts to translate the theoretical foundation into a viable funding approach have been plagued by technical difficulties stemming from the instability of the original optimization problem with respect to the available data.

CDF Investment designs are the critical determinants of SMEs investment development criterion and assurance of their success, given empirical studies showing that errors in investment on SMEs designs are the most numerous in the investment selection criterion.

The research will also carry-out a review of the current Vision 2030 strategic policy in conjunction with Constituency Development Funding approach and conduct interviews with stakeholders to bring out the role played by the CDF investment choices as conducted through previous management of Constituency Development Fund (CDF). It is worthy to incur costs to create a procedure for SMEs investment policy in a decentralized funding system of development for creation of SMEs in resource allocation and tapping of local opportunities.

There are various factors that the study intends to test like how independent variables such as variation of material prices, compliance, delay in government disbursement, technical incapacities of the management, monitoring and evaluation etc affect the increased cost effectiveness of CDF and the growth of SMEs returns.

A number of studies have been done on SMEs in Kenya;

Okoth, (2007) looked for the factors influencing the failure of SMEs and found out that lack of markets, finance, inadequate access to technology, regulatory challenges, limited management capabilities were significant challenges facing SMEs.

Njimu, (2008) researched at the factors influencing the success of SMEs. Her findings were that the main attribute of success for SMEs was planning, superior management techniques and involvement by the investor self.

In spite of the importance of SMEs in Kenya and the issues relating to their failures, successes and their strategic responses to the environment, no study has been done on how SMEs can be supported to grow further in their returns.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets to explain the research design, population of interest, methods of collecting data and the techniques that was used in data analysis in order to have a reliable and valid data that brought out a certain phenomenon in clear terms.

3.2 Research Design

This study adopted descriptive design. A census study was used for the purpose of this research. Mugenda and Mugenda (2003) observe that this method was the best suited for gathering descriptive information since the research attempted to collect data from members of a population with respect to one or more variables. Thus the descriptive was appropriate as it seeks to ascertain the impact of CDF on the investment returns either as absolute figures or the level of expansion in Kajiado North constituency. Using simple regression analysis because the study had one dependent variable with several independent variables which were interval or ratio scaled – between fiscal decentralized system of development and SMEs investment returns to establish whether there was a positive, negative or zero covariance relationship. It provided an explanation on the relationship noted with reference to already tested CDF approach.

The descriptive research design focused on the factors influencing cost-effectiveness of CDF projects in the constituencies which were incorporated into the counties set-up for the financial years between 2008 to 2012.

There were two groupings as respondents to the study questionnaire, they are:-

CDF Committees and SMEs investors.

3.3 Population

The population of the study was composed of all CDF projects in former Kajiado North constituency, now split into three constituencies- north, east and west. The source of information was from the CDF offices in Ngong town-ship and also the E-government web site: www.cdf.go.ke.

The research population was picked from Kajiado North Constituency as one of the constituencies with fiscal decentralization funding systems in Kenya and such constituency of varied social/cultural, political, economical and climatic conditions which with time created a great disparity in economic empowerment. Each SMEs investor invested as per local needs but the CDF was faced with daunting task of availing all resources required to facilitate and in a small scale finance the investment choices from investors and embark on only priority ones by increasing utility factors. Each investment project segment was expected to provide 15 persons who were supported by such CDF project. The study was carried out in 5(five) divisions in the constituency as:- Ngong town, Ongata Rongai town, Kitengela town, Kiserian town and Kajiado town.

3.4 Sampling

A Representative sampling: Due to time and cost factor the study intends to sample 5(five) townships within the constituency. This offered the data with characteristics of the total population, with a high confidence level with lesser margin of error. The sample was composed of five (5) CDF funded projects and from each group at-least ten (10) SMEs who

were beneficiaries. The class of projects includes; Educational bursaries, Infrastructures (roads, electricity etc), Law and Order, Environmental management and Financial support.

3.5 Data Collection

The research study utilized both the primary data and secondary data. The primary data was collected by way of a questionnaire and observations and the analysis of secondary data was from CDF reports which include annual financial reports, internal procedures, business process manuals, the strategic plans, the Ministry of Planning and Development website, newspaper articles and Economic Review magazines especially the quarterly Economic Survey. The CDF reports was gathered from:-

Head of Departments- 1 member, Public Administrators-Dos, Chiefs and assistants- 5 members, CDF Committee-15 members and SMEs members-50 members

The questionnaires were administered to both Heads of departments, Constituency Dev. Fund Committee members (CDC) and small and medium size enterprises (SMEs) as direct benefactors of CDF projects. The questionnaires consisted both closed and open-ended questions and were circulated through a drop and pick later method to the CDF Head of departments, beneficiaries walking into the CDF offices randomly in need of services and SMEs in their business locality. The drop and pick approach was considered appropriate method for this research study because it gives the respondent enough time to fill the questionnaire and also allow me to review the questionnaire as filled for completeness before picking it.

The questions were preferred because they provided an opportunity for in-depth probing of issues. A standardized questionnaire was developed to allow for comparison of results amongst the various respondents of the constituency.

According to Saunders et al. (2007) there were two types of qualitative research interviews: semi-structured and unstructured questionnaire. They noted that in semi-structured interviews the researcher has a list of themes and questions to be covered, although they may vary from interview to interview. Unstructured interviews on the other hand are noted to be informal and used to explore in-depth a general area.

3.6 Data Analysis

This was a qualitative research. The mode of data analysis adopted was an integrated and evaluation method called bench-marking. Bench-marking was the study of comparison which was concerned with achievement of set standards or goals which include:-

Input and output indicators to ascertain the progress in the implementation of the policy, output indicator such as goods and services and outcomes and impact indicators that forms the actual achievements made on the county's economic recovery and growth.

The data collected was validated, coded and checked for any coding errors and omissions. Thereafter, it run through Statistical Package for Social Sciences (SPSS) version 18. The output from the data analysis was tabulated and represented in a frequency distribution table, converted to either a pie chart or bar chart and summarized by calculating the averages and/or percentage frequencies for clear presentation of the research findings on the impact of CDF projects on SMEs investment returns.

3.6.1 Analytical Model

The best option for analyzing the effect of fiscal decentralization on SMEs investment returns in Kajiado North constituency is functional model:-

$$Y=f(X_1,X_2,X_3,X_4,X_5.....X_n)$$

Where,

Y-Investment returns

X₁-level of education

X₂-level of health

X₃-level of technical capacities

X₄-level of infrastructure

n- other independent factors such as economic policy, financing, security, expenditure
etc

A function is a mathematical model or formula that identifies the relationship between two variables or more that creates two types; dependent variable and independent variables. The independent variables were denoted as 'Y' as a measure of effectiveness on investment returns. The dependent variable is usually denoted as X_j, are the factors or level of activity that are considered to have a significant influence on SMES investment returns.

Improved Investment returns were measured by the extent of change of costs and Gross income indicators such as increased turnover, increased trainings, number of employees, taxes collected, number of new entrants, number of output indicators and any other outcomes, this is called a multi-variate function approach.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the data collected by my research on factors influencing the SMEs investment returns through fiscal decentralization in the form of Constituency Development Fund's project support for a case study of Kajiado North constituency. The study intended to establish whether these factors of CDF, influences the growth of investment returns on SMEs either positively or adversely. Frequency distribution tables, graphs, explanatory notes and illustrations are used to present the data.

4.2 Data Presentation

4.2.1 Respondent Rate

The study targeted a respondent sample of 75 respondents as SMEs and as CDF managers with regard to factors influenced by CDF projects in Kajiado North Constituency. Sixty (60) out of the seventy five (75) respondents filled the questionnaire and returned making a response rate of 80%. The 80% response rate was achieved through a repeated field visits to keep reminding and guiding the respondents on questions that required further clarity. Responded 80% and un-responded-20%.

Table 4.1: Respondent rate

Response	Frequency	Percentage
Response	60	80
Non response	15	20
Total	75	100

Source: Research Findings (2013)

4.2.2 Frequency Distribution Table

From above data analysis, 60% of the respondents which are 33 respondents were the shoppers and formed the majority, 54.55% of the respondents which are 30 respondents and majority were aged between 26-40 years, majority being male gender at 52.5%. Over 24 respondents had been in the small scale business over 5 years and is followed by 2 years, one year and 3 years in that order, which means the rate of new comers is rising, their level of education is secondary level, majority are married at 40 respondents and they operate as sole businesses. The SMEs operate in a stiff competition business environment and majority of the respondents wants the constituency residents to be incorporated in formulating CDF projects and concur with the present approach of balloting selection approach.

There have been studies done into the backgrounds of those who start their own businesses. From this research it is found that the young generation of 18-40years concentrate in small businesses whereas established businesses are relatively owned by older persons o over 40 years.

The study finds that there is almost a gender balance but males are a bit more due to the nature of businesses that require masculine support. The respondents were asked on their marital status and level of formal education. Majority of the respondents are married due to the nature of support the couples give to each other to operate the business. The study also noted that respondents are moderately educated to achieve the necessary aptitude for practical activities.

4.2.2.1 Level of satisfaction

The study finds that there is a relationship between the level of satisfaction on the factors as invested by CDF funding to the start up of SMEs in the constituency. The contribution of

CDF projects in SMEs investment Returns in various categories such as Education, Health, Water/sanitation, Security, Roads, Financial support and Electricity as below.

4.2.2.2 Education

Figurative analysis, Graphical Representation and observations:

Table 4.2: Education

Response	Frequency	Percent	Cumm %
Strongly dissatisfied	1	1.82%	1.82
Dissatisfied	3	5.45%	7.27
Neutral	7	12.73%	20.00
Satisfied	43	78.18%	98.18
Most satisfied	1	1.82%	100
Total	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on the education factor of CDF investment. From the above data analysis, 78.18% of the respondents which are 43 respondents agreed that the level of satisfaction on Educational CDF projects has increased and thus reducing the level of school drop outs due availed facilities and also provision of bursary support to needy cases, Whereas 5.45% were dissatisfied which are 3 respondents and 12.73% were neutral comprising 7 respondents. Due to improved school attendance level, the level of graduates has also increased thus creating huge unemployment levels which has driven the graduates to such informal employments in SMEs.

4.2.2.3 Health

Table 4.3: Health

Response	Frequency Percent		Cumm. %
Strongly dissatisfied	0	0	0
Dissatisfied	4	7.27	7.27
Neutral	14	25.45	32.92
Satisfied	27	49.1	82.02
Most satisfied	0	0	82.02
None	10	18.18	100
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on health factor of CDF investment. From above data analysis, 49.1% of the respondents which are 27 respondents agreed that the level of satisfaction on Health CDF projects has increased and thus enhancing the level of medical healthcare due availed medical facilities and also provision of close proximity to needy cases, Whereas 7.27% were dissatisfied which are 4 respondents and 25.45% were neutral comprising 14 respondents. Due to improved medi-care facility levels, the life expectancy increases thus creating huge workforce which is healthy and which has opted to start SMEs as a form of employment.

4.2.2.4 Water/Sanitation

Table 4.4: Water/Sanitation

Response	Frequency Percent		Cumm. %
Strongly dissatisfied	2	3.63	3.63
Dissatisfied	6	10.92	14.55
Neutral	19	34.55	49.1
Satisfied	28	50.9	100
Most satisfied	0	0	
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on water and sanitation factor of CDF investment. From above data analysis, 50.9% of the respondents which are 28 respondents agreed that the level of satisfaction on water/sanitation number of CDF projects has increased and thus reducing the level of rainy water dependence and for other domestic uses, Whereas 10.92% were dissatisfied which are 6 respondents and 34.55% were neutral comprising 19 respondents. Due to improved water/sanitation services has attracted more people to settle in the constituency and carryout small scale farming and also start small hotel and restaurant businesses as SMEs.

4.2.2.5 Security

Table 4.5: Security

Response	Frequency Percent		Cumm. %
Strongly dissatisfied	2	3.65	3.65
Dissatisfied	3	5.45	9.9
Neutral	14	25.45	35.35
Satisfied	36	65.45	100
Most satisfied	0		
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on security factor of CDF investment. From above data analysis, 65.45% of the respondents which are 43 respondents agreed that the level of satisfaction on Security measures through CDF projects has improved and thus re-assuring any intending investor that personal security and for the business is available by building houses for security officers who can reside within close range, Whereas 5.45% were dissatisfied which are 3 respondents and 25.45% were neutral comprising 14 respondents. Due to improved security the hours of operating businesses has increased and access remote regions to replenish their stocks from other SMEs.

4.2.2.6 Roads

Table 4.6: Roads

Response	Frequency Percent		Cumm. %
Strongly dissatisfied	0	0	0
Dissatisfied	4	7.27	7.27
Neutral	15	27.28	34.55
Satisfied	36	65.45	100
Most satisfied	0		
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on road infrastructure factor of CDF investment. From above data analysis, 65.45% of the respondents which are 36 respondents agreed that the level of satisfaction on roads maintenance and building of bridges using CDF Funds has increased the number of regions within the constituency which are accessible and thus creating new areas for the SMEs to expand their businesses to the new frontiers, Whereas 7.27% were dissatisfied which are 4 respondents and 27.28% were neutral comprising 15 respondents. Due to improved road network even the interior farmers and pastoralists can transport their goods and animals to better and rewarding markets which has driven the residents to such informal employments in SMEs.

4.2.2.7 Financial Support

Table 4.7: Financial Support

Response	Frequency Percent		Cumm. %
Strongly dissatisfied	5	9.1	9.1
Dissatisfied	6	10.9	20
Neutral	23	41.82	61.82
Satisfied	19	34.55	96.37
Most satisfied	0	0	96.37
None	2	3.63	100
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on financial support factor as provided by CDF kitty. From above data analysis, 34.55% of the respondents which are 19 respondents agreed that the level of satisfaction on financial support on Educational Bursaries as form of CDF project and thus reducing the level of school drop outs due to school fees and also provision of bursary support to needy cases, Whereas 10.9% were dissatisfied which are 6 respondents and 41.82% were neutral comprising 23 respondents due to the reason that the Bursary funding is poorly managed and attracts a lot of favoritism from the political class.

4.2.2.8 Electricity

Table 4.8: Electricity

Response	Frequency	Percent	Cumm. %
Strongly dissatisfied	1	1.81	1.81
Dissatisfied	6	10.9	12.71
Neutral	14	25.45	38.16
Satisfied	33	60.03	98.19
Most satisfied	0	0	98.19
None	1	1.81	100
	55		

Source: Research Findings (2013)

The respondents were asked on their level of satisfaction on electricity factor of CDF investment. From above data analysis, 60.03% of the respondents which are 33 respondents agreed that the level of satisfaction on Electricity diversification in the constituency through CDF support has increased and thus reducing the level of dependence on only urban centers to operate electricity driven machinery and also to use modern telecommunication gadgets like mobile phones and computers to access internet, Whereas 10.9% were dissatisfied which are 6 respondents and 25.45% were neutral comprising 14 respondents due to reason that not so many families can afford installation charges. Due to improved electricity availability in most shopping centers, the level of small scale investors has also increased to tap on new opportunities and thus creating employment openings which has driven new investors to such informal businesses as SMEs.

4.3 Ranking Order from most important to not important

The study finds that there is a relationship between the ranking level and level of satisfaction on the factors as invested by CDF funding to start up the SMEs in the constituency. The contribution of CDF projects in SMEs investment Returns in various categories such as Education, Health, Water/sanitation, Security, Roads, Financial support and Electricity as below.

4.3.1 Education

Table 4.9: Education

education			
Level	Frequency Percent		Cumm.
importance			%
Most important	35	60	60
Important	7	10.77	70.77
Neutral	4	6.15	76.92
Less important	7	10.77	87.69
Least important	5	7.69	95.38
Not important	1	1.55	96.93
Other	1	3.07	100
	60		

Source: Research Findings (2013)

The respondents were asked to rank the education factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 70.77% of the respondents which are 42 respondents agreed that the level of education facilities and support using CDF Funds was most important and important(combined) which has increased

the number of regions with high literacy levels in the constituency and has increased the number of unemployment of the educated and that have created the new avenues of employment in the SMEs, Whereas 1.55% were responded that education is not important in expanding SMEs investments and with better returns which is one respondent and 6.15% were neutral comprising 4 respondents. Due to improved literacy levels even the interior farmers and pastoralists can engage themselves in small scale businesses for their goods and animals to better and rewarding markets to better their success in SMEs.

4.3.2 Health

Table 4.10: Health

health			
Level importance	Frequency	Percent	Cumm. %
Most important	2	3.33	3.33
Important	12	20.00	23.33
Neutral	15	25.00	48.33
Less important	8	13.33	61.67
Least important	10	16.67	78.33
Not important	8	13.33	91.67
Other	5	8.33	100.00
	60		

Source: Research Findings (2013)

The respondents were asked to rank the health factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 23.33% of the respondents which are 14 respondents agreed that the level of health facilities and support using CDF Funds as most important/important and has increased the number of regions with high healthy inhabitants in the constituency which has increased the productive unemployment citizens and thus have created new avenues of employment in the SMEs, Whereas 13.33% were responded that health is not important in expanding SMEs investments returns which are 8 respondent and 25% were neutral comprising 15 respondents. Due to improved healthcare levels even the interior farmers and pastoralists can use modern methods of farming and animal rearing as small scale businesses and satisfy existing markets to better their success in SMEs.

4.3.3 Water/Sanitation

Table 4.11: Water/Sanitation

Water/sanitation			
Level importance	Frequency	Percent	Cumm. %
Most important	1	1.67	1.54
Important	11	18.33	19.87
Neutral	7	11.67	31.54
Less important	8	13.33	44.87
Least important	8	12.31	57.18
Not important	10	16.67	73.85
Other	15	25.00	98.85
	60		

Source: Research Findings (2013)

The respondents were asked to rank the water and sanitation factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 20% of the respondents which are 12 respondents agreed that the level of water/sanitation facilities and support using CDF Funds as most important/important and has increased the number of regions with highly healthy inhabitants in the constituency which has increased the number of productive unemployed citizens and who have created new avenues of employment in the SMEs, Whereas 16.67% were responded that water/sanitation is not important in expanding SMEs investments returns which are 10 respondent and 11.67% were neutral comprising 7 respondents. Due to improved water/sanitation even the interior farmers and pastoralists can use modern methods of farming and animal rearing as small scale businesses without depending on rain waters and to satisfy the existing markets and better their success in SMEs.

4.3.4 Security

Table 4.12: Security

security			
Level importance	Frequency	Percent	Cumm. %
Most important	7	11.67	10.77
Important	20	33.33	44.10
Neutral	3	5.00	49.10
Less important	13	21.67	70.77
Least important	5	8.33	79.10
Not important	2	3.33	82.44
Other	10	16.67	99.10
	60		

Source: Research Findings (2013)

The respondents were asked to rank the security factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 45% of the respondents which are 27 respondents agreed that the level of security facilities and support using CDF Funds as most important/important and has increased the number of regions with highly secure environment to inhabitants in the constituency which has increased the number of productive unemployed citizens to create new avenues of employment in the SMEs, Whereas 3.33% were responded that security is not important in expanding SMEs investments returns which are 2 respondent and 5% were neutral comprising 3 respondents. Due to improved security even the interior farmers and pastoralists can invest in farming and animal rearing as small scale businesses without fear of thieves and satisfy the existing markets and better their success in SMEs.

4.3.5 Roads

Table 4.13: Roads

roads			
Level importance	Frequency	Percent	Cumm. %
Most important	3	5	5
Important	9	15	20
Neutral	13	21.67	41.67
Less important	10	16.67	58.34
Least important	12	20	78.34
Not important	3	5	83.34
Other	10	16.67	100.01
	60		

Source: Research Findings (2013)

The respondents were asked to rank the roads factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 20% of the respondents which are 12 respondents agreed that the level of road network through the financing and support using CDF Funds as most important/important and has increased the number of regions which accessible to all inhabitants in the constituency and has increased the number of productive investing citizens to create new avenues of employment in the SMEs, Whereas 5% were responded that road network is not important in expanding SMEs investments returns which are 3 respondent and 21.67% were neutral comprising 13 respondents. Due to improved road network investors can replenish their stocks and the interior farmers and pastoralists can invest in farming and animal rearing as small scale business to satisfy the existing markets and better their success in SMEs.

4.3.6 Financial Support

Table 4.14: Financial Support

Financial support			
Level importance	Frequency	Percent	Cumm. %
Most important	2	3.33	3.33
Important	7	11.67	15.00
Neutral	1	1.67	16.66
Less important	1	1.67	18.33
Least important	1	1.67	20.00
Not important	12	20	40.00
Other	36	60	100.00
	60		

Source: Research Findings (2013)

The respondents were asked to rank the financial support factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 15% of the respondents which were 9 respondents agreed that the level of financing through the financing and support using CDF Funds as most important/important and has increased the number of investors or students as inhabitants in the constituency being assisted and has increased the number of productive investing citizens to expand their investments and create employment in the SMEs, Whereas 20% were responded that financing is not important in expanding SMEs investments returns which are 12 respondent and 1.67% were neutral comprising 1 respondents. Due to improved financing investors can replenish their stocks and the interior farmers and pastoralists can invest in farming and animal rearing as small scale business to satisfy the existing markets and better their success in SMEs.

4.3.7 Electricity

Table 4.15: Electricity

Electricity			
Level importance	Frequency	Percent	Cumm. %
Most important	6	10	10
Important	6	10	20
Neutral	7	11.67	31.67
Less important	9	15	46.67
Least important	17	28.33	75
Not important	10	16.67	91.67
Other	5	8.33	100
	60		

Source: Research Findings (2013)

The respondents were asked to rank the electricity factor in the order of most important to least important for CDF funding and satisfaction. From above data analysis, 20% of the respondents which are 12 respondents agreed that the level of electricity circulation through the financing and support using CDF Funds is most important/important and has increased the number of investors in the constituency and increased the number of investing citizens to expand their investments in electric-powered machinery and create employment in the SMEs, Whereas 16.67% responded that electricity is not important in expanding SMEs investments returns which are 10 respondent and 11.67% were neutral comprising 7 respondents. Due to improved electrification, investors can replenish their store their stocks in refrigerators and the interior farmers and pastoralists can invest in farming and animal rearing as small scale business to satisfy the existing markets and better their success in SMEs.

4.4 Correlation and Regression Analysis

4.4.1 Coefficient of variation

If the predictor variables are correlated then the coefficient of correlation is greater than 0.5, thus if it happens to be greater than 0.5 then one of the predictor variables must be dropped or removed from the model. Thus within seven variables more of the predictor variables none of the predictor variables is greater than 0.5.

<u>Correlation Coefficient</u>							
<u>Table</u>							
	X	X1	X2	X3	X4	X5	X6
X	1						
X1	-0.49116	1					
X2	-0.07295	-0.11364	1				
X3	-0.59356	-0.32153	-0.2648	1			
X4	-0.56514	-0.20247	0.29879	-0.39147	1		
X5	-0.35123	-0.09501	0.29077	0.115218	0.18397	1	
X6	-0.09552	-0.25013	-0.1572	-0.23787	-0.1728	-0.0902	1

Regression Statistics Table		
Multiple R		0.902
R. Square		0.813
Adjusted R. Square		0.774
Standard Error		16.378
Observations-		
Raw data from research		60

4.4.2 Strength of the Model

The table shows coefficients of determination which explains the percentage of variation in dependent variable (factors of CDF financing that influence SMEs investment growth and returns) being explained by the changes in independent variables e.g. technical capacity, CDC & PMC nomination, Monitoring and Evaluation, Political and Social stability, natural calamities, the state of the world economy, Rules and Regulation etc.

4.5 Interpretation of the findings

The major factors influencing SMEs to venture investments vary with individuals' goals. There are those classified into internal and external environmental factors. The internal factors include motivation, perception, learning and beliefs. Motivation is the force that activates some needs and provides direction of behavior towards fulfillment of these needs- e.g. Maslow hierarchy of needs. The external factors assist SMEs to evaluate their external environment and identify an opportunity to invest in.

SMEs operate like market intermediaries playing a critical role of linking the end users of products to the producers and classified as retailers or wholesalers. Retailers are business that buy and resell goods/services to end users, usually buying the goods from wholesalers or agents on a small or large scale.

From above data analysis, 60% of the respondents which are 33 respondents were the shoppers and formed the majority, 54.55% of the respondents which are 30 respondents and majority were aged between 26-40 years, majority being male gender at 52.5%. Over 24 respondents had been in the small scale business over 5 years and is followed by 2 years, one year and 3 years in that order, which means the rate of new comers is rising, their level of education is secondary level, majority are married at 40 respondents and they operate as sole businesses. The SMEs operate in a stiff competition business environment and majority of the respondents wants the constituency residents to be incorporated in formulating CDF projects and concur with the present approach of balloting selection approach.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The analytical framework in business isolates the three primary driving forces behind the success of SMEs; the founders, the recognized opportunity and the resource requirement. Experience shows that these forces can be assessed and influenced to improve the chances of succeeding. The key to success in SMEs is continual, careful and realistic assessment.

Due to the limited financial capacities it hinders the national government to fully cater for all the public service/goods as business support investments from all constituencies at ago. In order to achieve the goals and aspirations it created a fiscal decentralization approach such as CDF to bridge the gap for the constituency economic development. A clear investment choice framework as investments of priority must be in place to create harmony on choice selection and remove the barriers or misunderstandings.

5.2 Summary

The CDF was established through the enactment of CDF Act 2003 by the 9th Parliament of Kenya. The CDF Act requires that 2.5% of the ordinary Revenue to be decentralized by dividing 75% of the amount budgeted by Parliament to be equitably distributed amongst the 210 constituencies and the remaining 25% be based on the poverty index of each constituency, with the poorest constituency being allocated more the funds.

The study intended to determine the impact or influence the CDF projects has had on SMEs investment growth and returns in Kajiado North constituency. Due to a high unemployment rate in youths who are educated has to the establishment of SMEs in most townships within the constituency boundaries. Also due to new settlements the consumers who are to be served

by the SMEs has grown. The improved road network has opened new regions that were initially inaccessible and also enabled the small scale farmers and pastoralist to deliver their produce to markets where they fetch better prices

From the data analysis, 70.77% of the respondents which are 42 respondents agreed that the level of education facilities and support using CDF Funds was most important and important(combined) which has increased the number of regions with high literacy levels in the constituency and has increased the number of unemployment of the educated and that have created the new avenues of employment in the SMEs, Whereas 1.55% were responded that education is not important in expanding SMEs investments and with better returns which is one respondent and 6.15% were neutral comprising 4 respondents.

From the data analysis, 23.33% of the respondents which are 14 respondents agreed that the level of health facilities and support using CDF Funds as most important/important and has increased the number of regions with high healthy inhabitants in the constituency which has increased the productive unemployment citizens and thus have created new avenues of employment in the SMEs, Whereas 13.33% were responded that health is not important in expanding SMEs investments returns which are 8 respondent and 25% were neutral comprising 15 respondents. Due to improved healthcare levels even the interior farmers and pastoralists can use modern methods of farming and animal rearing as small scale businesses and satisfy existing markets to better their success in SMEs.

From the data analysis, 20% of the respondents which are 12 respondents agreed that the level of water/sanitation facilities and support using CDF Funds as most important/important and has increased the number of regions with highly healthy inhabitants in the constituency

which has increased the number of productive unemployed citizens and who have created new avenues of employment in the SMEs, Whereas 16.67% were responded that water/sanitation is not important in expanding SMEs investments returns which are 10 respondent and 11.67% were neutral comprising 7 respondents. Due to improved water/sanitation even the interior farmers and pastoralists can use modern methods of farming and animal rearing as small scale businesses without depending on rain waters and to satisfy the existing markets and better their success in SMEs.

From the data analysis, 45% of the respondents which are 27 respondents agreed that the level of security facilities and support using CDF Funds as most important/important and has increased the number of regions with highly secure environment to inhabitants in the constituency which has increased the number of unemployed citizens to create new avenues of employment in the SMEs, Whereas 3.33% were responded that security is not important in expanding SMEs investments returns which are 2 respondent and 5% were neutral comprising 3 respondents. Due to improved security even the interior farmers and pastoralists can invest in farming and animal rearing as small scale businesses without fear of thieves and satisfy the existing markets and better their success in SMEs.

From the data analysis, 45% of the respondents which are 27 respondents agreed that the level of security facilities and support using CDF Funds as most important/important and has increased the number of regions with highly secure environment to inhabitants in the constituency which has increased the number of unemployed citizens to create new avenues of employment in the SMEs, Whereas 3.33% were responded that security is not important in expanding SMEs investments returns which are 2 respondent and 5% were neutral comprising 3 respondents. Due to improved security even the interior farmers and pastoralists

can invest in farming and animal rearing as small scale businesses without fear of thieves and satisfy the existing markets and better their success in SMEs.

From the data analysis, 15% of the respondents which are 9 respondents agreed that the level of financing through the financing and support using CDF Funds as most important/important and has increased the number of investors or students as inhabitants in the constituency being assisted and has increased the number of productive investing citizens to expand their investments and create employment in the SMEs, Whereas 20% were responded that financing is not important in expanding SMEs investments returns which are 12 respondent and 1.67% were neutral comprising 1 respondents. Due to improved financing investors can replenish their stocks and the interior farmers and pastoralists can invest in farming and animal rearing as small scale business to satisfy the existing markets and better their success in SMEs.

From above data analysis, 20% of the respondents which are 12 respondents agreed that the level of electricity circulation through the financing and support using CDF Funds is most important/important and has increased the number of investors in the constituency and increased the number of investing citizens to expand their investments in electric-powered machinery and create employment in the SMEs, Whereas 16.67% responded that electricity is not important in expanding SMEs investments returns which are 10 respondent and 11.67% were neutral comprising 7 respondents. Due to improved electrification, investors can replenish their store their stocks in refrigerators and the interior farmers and pastoralists can invest in farming and animal rearing as small scale business to satisfy the existing markets and better their success in SMEs.

The 60 respondents based their responses on the kind of SME they are pursuing. There are four categories; Butchers, Shoppers, Transporters and Farmers. By using a multiple regression model the test for the contribution of independent variables towards the influencing the SMEs' growth and returns due to the implementation of CDF projects.

5.3 Conclusion

The variation of divisional growth in terms of education, health, water/sanitation, security, roads, financial support and electricity can influence the SMEs growth and returns. SMEs that are near the CDF projects find it easier and cost-effective to operate in terms of access to goods/services and consumers.

The aim of this research work was twofold; mainly to analyze the SMEs investment returns as a form of economical empowerment in Kajiado North constituency and uncover the factors that influence the growth in investment returns and expansion. This study was conducted on a limited scale in Kajiado North constituency and the questionnaire tool was used in data collection and also through observations and review of the secondary documents. The researcher selected 75 participants based on their specialty in the subject areas but only 60 responded.

In conclusion current SMEs operating platform is not properly regulated and legislated and that is why they fail to keep proper books of accounts and meet expectations of the business. Some of the common problems fiscal decentralization like CDF include, lack of technical capacity and criteria of project formulation and selection. From this study it is evident that not only has SMEs investment returns improved but has also created an informal employment avenue. This will policy formulators to come up with better ways of managing CDF funds and also design good ways of meeting the SMEs financing needs.

5.4 Recommendations-Policy

This study on fiscal decentralization and its impact on SMEs investment returns is a fairly new area is interesting and rewarding, so is the case of the SMEs growth and employment alternative. As mentioned in the literature review there are several independent variables that have a greater influence in establishing SMEs in the constituency development strategy. There is need to enhance CDF budgetary allocations in order for CDF to embark on bigger investment roles.

This research focused on analyzing the needs of SMEs in the constituency, it would be interesting to conduct the similar research on all constituencies to establish the overall impact of fiscal decentralization. The CDF Act (2007) should be restructured to address the changing political and economical set-ups. There is great potential of success of SMEs through the support and financing by CDF resources, if only there are proper monitoring and evaluation mechanisms in the project system design and election of CDC and PMc teams to be done in a more transparent manner.

5.5 Limitations of the Study

Every research has its own weakness and limitations. The limitations found in this research include the following:-

Firstly, the researcher applied the questionnaire approach for data collection, this proved time consuming and expensive in order to reach the dispersed target groups. Further the researcher met with respondents who were lacking the technical know-how to respond to the questions and portrayed reluctance to cooperate. Respondents with vital information like heads of parent ministries were reluctant to avail crucial data and used official secrecy of government to shield vital information

Secondly, the management teams lacked both the technical/expert and educational capacities to clearly articulate the agendas of CDF projects, some were even unable to link the growth of SMEs was due to CDF investment approach. The SMEs too lacked basic know to keep proper business records which hampered the researcher to come up with financial statements which were both qualitative and quantitative.

Thirdly, initial study centered on fiscal decentralization was done on a global basis but research study on CDF approach in Kenya is still at infancy stage. This leads to scarcity of reference materials and journals.

5.6 Suggestions for further Research

Harmonization of all devolved funds: The fiscal decentralization is a new concept in Kenya and its not CDF alone, others are like LATF, Education bursaries given by the ministry, rural electrification fund, women and youth funds, all these must be brought into one armpit for purposes of pulling all this availed resources to carry out a common approach investments. Government should design a better and viable system.

Regulation and legislation of SMEs: SMEs have proved to be a major employment avenue, and by regulating and legislation of their activities, it would be easy to access financial institutions loans/support. The government should encourage the SMEs expansion and how best the other devolved resources can go to benefit the inhabitants further. Other viable sources of finances like CDF-approach projects should be emphasized and properly coordinated. A further researcher should be done to unearth such new approaches.

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APPENDICES

Appendix I: Questionnaires for CDC and Head of Department

Section A: (To be filled by CDC members and Head of Department)

This questionnaire is meant to collect information on; **(The impact/benefits of Constituency Development Fund (CDF) on small and medium-size entrepreneurs' investment returns in Kajiado North constituency)**

This information is being sought for academic purposes and will be treated with strict confidence. Kindly answer the following questions by either writing a brief statement or ticking the appropriate box provided or both as will be applicable.

Questions:

1. Name of CDC member/Head of Dept.....
2. Name and Physical address of Project (Optional)
Name-----
Address----- Mobile Number-----
3. Beneficiary Group: Butcher [☐] Transporter [☐] Shopper [☐] Farmer [☐] Other [☐]
4. Age [☐]
5. Gender: Male [☐] Female [☐]
6. What is your role in the CDC (tick appropriately)
Chairman [☐] Secretary [☐] Treasurer [☐] Member [☐]
Other (specify)-----

7. Kindly answer the following questions by ticking the appropriate box.

- a. Does your committee prepare any budgets? Yes() No()
- b. Does your committee prepare materials/purchases budget? Yes() No()
- c. Does your committee prepare labor cost budget? Yes() No()
- d. Does your committee prepare capital expenditure budget? Yes() No()
- e. Does your committee prepare cash budgets? Yes() No()
- f. Do you prepare other types of Budgets? Specify-----

8. What range do your budgets cover from the overall Budget allocation (%)? []

9. Are the functions of CDC being duplicated by other bodies? Yes () No()

Please specify-----

CDF Board [] CDF Executive Office[] Other (specify)-----

10. Is the number of CDC members appropriate? Yes() No()

If no, please specify-----

11. How should the CDC members be appointed

CDF Board[] CDF Executive Officials [] MP []

Councillors[] Minister [] Elected []

12. The CDC can play a great role in promoting CDF projects in a cost effective and accountable manner in your constituency.

Do you agree with this statement?

Where, (5=most effective, 4=effective, 3=neutral, 2=ineffective, 1=strongly ineffective

- a. Assist in planning CDF projects 5() 4() 3() 2() 1()
- b. Appraisal of CDF projects 5() 4() 3() 2() 1()
- c. Receiving of feedback on CDF projects 5() 4() 3() 2() 1()
- d. Accountability of CDF projects 5() 4() 3() 2() 1()

- e. Maintenance of Accounts policies 5() 4() 3() 2() 1()
- f. Ensuring proper book-keeping (enforce) 5() 4() 3() 2() 1()
- g. Reviewing and evaluation of BQs 5() 4() 3() 2() 1()
- h. Pursuing feasibility studies on projects 5() 4() 3() 2() 1()
- i. Enhancing Management capability 5() 4() 3() 2() 1()
- j. Advance warning on CDF projects fail 5() 4() 3() 2() 1()
- k. Project performance evaluation 5() 4() 3() 2() 1()
- l. Others, Please specify----- 5() 4() 3() 2() 1()

13. CDF projects have a number of purposes in supporting and enhancing SMEs investment returns in the constituency.

Do you agree? Please indicate the roles using appropriate scale;

5=strongly agree, 4=agree, 3=neutral, 2=disagree, 1=strongly disagree

- a. Prioritizing projects to be funded 5() 4() 3() 2() 1()
- b. Allocation of project funds on priority 5() 4() 3() 2() 1()
- c. Aware of the expectations of the project 5() 4() 3() 2() 1()
- d. Aware of the goals and aspirations of SMEs 5() 4() 3() 2() 1()
- e. Have authority to finance SMEs 5() 4() 3() 2() 1()

14. Should CDC appointment and remuneration be included in the contract?

Yes () No ()

If yes, how frequent should it be reviewed? 1yr [] 2 yrs [] 3 yrs []

15. Should committee members have knowledge on accounting, finance and industry?

Yes () No ()

16. Should committee members engage outside experts?

Yes () No ()

Other, Please specify the role of expert-----

17. How frequent should CDC committee be meeting in a year?

On need arising [☐] monthly [☐] semi-annually [☐] annually [☐] Other, specify

18. How frequent should the CDC be carrying out the monitoring and review of the CDF

project's implementation processes, work-in-progress and performance?

On need arising[☐] monthly[☐] semi-annually [☐] annually[☐] Other, specify

19. Are there any delays in disbursement of finances? Yes (☐) No (☐)

If Yes, specify the impact on the project implementation and cost escalation.

20. Can the project's final cost be called cost-effective as compared to other projects of similar nature being handled by other development agencies?

Yes (☐) No (☐)

If yes, please specify how-----

Many Thanks for your Time and Cooperation to generate this information.

God bless.

Appendix II: Questionnaire for SMEs

Section A: (To be filled by SMEs)

This questionnaire is meant to collect information on; **(The impact/benefits of Constituency Development Fund (CDF) on small and medium-size entrepreneurs' investment returns in Kajiado North constituency)**

This information is being sought for academic purposes and will be treated with strict confidence. Kindly answer the following questions by either writing a brief statement or ticking the appropriate box provided or both as will be applicable.

Questions:

1. Nature of Business: Butcher [] Transporter [] Shopper [] Farmer[]

2. Name and Physical address of Business (Optional)

Name-----

Address----- Mobile Number-----

3. Your Name (Optional)-----

4. Age []

5. Gender []

6. Number of years in the Business

1 yr []

2 yrs []

3 yrs []

4 yrs []

5 yrs []

Above 5 yrs[]

7. Level of Education: Less than 5 yrs [] 5-13yrs []
14-20 yrs [] More than 20 yrs []
8. Marital Status: Single [] Married []
Divorced/widowed [] Other []
9. Nature of Business ownership:
Sole [] Partnership [] Company [] Other []
10. Number of Employees: 1() 2() 3() 4() 5() Above 5()
11. Are you aware that CDF project funding exists in your constituency?
Yes [] No [] Other []
12. Have you been a Beneficiary of CDF financing?
Yes [] No [] Other []
- If Yes, How Much? Less than 5000 [] 5000-10000 []
11000-15000 [] 16000-20000 []
None [] Other utilities []
- Name the utilities/projects
13. Any direct impact to your Business from CDF projects
Yes() No()
14. Facing any competition? Yes () No()
15. Indicate the level of your satisfaction with the contribution of CDF to the Projects in your area, (5=most satisfied, 4=satisfied, 3=neutral, 2=dissatisfied, 1=strongly dissatisfied)
- Education [] Health facilities [] Water/sanitation []
Security [] Roads [] Financial support []
Electricity [] Other []

16. In your opinion, who do you think should formulate the CDF projects(tick as appropriate)

MP [] CDC [] County rep [] Budget Committee []

Residents []

Other (specify)-----

17. Indicate the level of satisfaction with formulation of CDF projects in your area,
where,

(5=most satisfied, 4=satisfied, 3=neutral, 2=dissatisfied, 1=strongly dissatisfied)

5() 4() 3() 2() 1()

18. Have you ever been a member of CDF committee on project selection?

Yes() No()

If yes, what role-----

If no, why?-----

Indicate the level of satisfaction with implementation of CDF projects in your area,
where, (5=most satisfied, 4=satisfied, 3=neutral, 2=dissatisfied, 1=strongly
dissatisfied)

5() 4() 3() 2() 1()

19. Are there benefits that you personally get from CDF projects? Yes () No()

If yes, list them in order of importance (1= being most important and last number (8)
as least important):

Education [] Health facilities [] Water/sanitation []

Security [] Roads [] Financial support []

Electricity[] Other []

20. In what other ways could CDF be more beneficial and effective as a form of fiscal decentralization?

Comment-----

21. In what ways/manner has CDF directly or indirectly contributed to your business expansion and returns?

Comment-----

Many Thanks for your Time and Cooperation to generate this information.

God bless.

Appendix III: Mean of Response to the Questions

Question	Q. No.	S.D	Sum	Response Mean
Nature of Business	1	1.2	55	3.62
Age	4	1.2	55	3.33
Gender	5	1.0	55	3.43
Number of years in Business	6	1.2	55	3.30
Level of Education	7	1.2	55	3.54
Marital Status	8	1.4	55	2.69
Business ownership	9	1.2	55	3.10
Number of employees	10	1.2	55	2.92
CDF program awareness	11	1.0	55	3.84
Beneficiary	12	1.2	55	3.72
Direct impact from CDF program	13	1.2	55	3.36
Facing competition	14	1.4	55	3.48
Level of satisfaction by the CDF projects	15	1.2	55	3.33
Who should formulate CDF projects	16	1.2	55	2.92
Satisfaction to the formulation	17	1.2	55	3.03

As a member of CDF	18	1.2	55	3.13
Satisfaction to the implementation of CDF project	18	1.0	55	3.20
Benefits of CDF projects to SMEs	19	1.2	55	3.16
<u>CDC members Questionnaire</u>				3.46
What is the Role of CDC on budgets preparations	7	1.2	5	3.38
Any Duplication of roles	9	1.2	5	3.21
Is the number of CDC members appropriate	10	1.0	5	2.79
CDC members appointment procedure	11	1.2	5	2.7
CDC project implementation mechanism	12	1.0	5	2.75
Role of CDF projects in enhancing the thriving of SMEs	13	1.2	5	2.72
CDC members' terms of reference	14	1.0	5	2.54
CDC members' level of Education	15	1.2	5	3.70
Any use of external experts	15	1.0	5	3.29

Any frequent consultative meetings	17	1.2	5	2.38
Monitoring and Evaluation process	18	1.0	5	3.14
Any delays in funds disbursements from National Board	19	1.2	5	3.58