DETERMINANTS OF LENDING TO SMALL AND MEDIUM ENTERPRISES BY COMMERCIAL BANKS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2015

DECLARATION

I declare that this research project is my original work and has not been presented to any other University for academic award to any examination body.

Signature……..… Date …….

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D63/71984/2014

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

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ACKNOWLEDGEMENTS

This work is the result of many who invested their time, energy, interest for the success of this project.

I am grateful to my supervisor Dr. Mirie Mwangi for his encouragement, motivation and constructive criticism all through the difficult time of this research project.

The staff of the Jomo Kenyatta Library of the University of Nairobi for granting me an opportunity to use the Library especially the Electronic Library section. I was able to access research reports from earlier scholars' research findings and scholarly publication from the wider academic sphere.

I am also grateful to my fellow classmates for their positive criticism of my work. I believe their criticisms added some value in this work.

Finally I would wish to thank my family for their constant encouragement throughout the study.

DEDICATION

I wish to dedicate this research project to my loving Mum, Mrs. Alice Khatolwa for overwhelming support and encouragement during this study.

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LIST OF ABBREVIATIONS

CBK	-	Central Bank of Kenya
FSD	-	Financial Sector Deepening
Mfls	-	Micro Finance Institutions
SACCOs	-	Savings and Credit Cooperative Societies
SMEs	-	Small and Medium Enterprises
SMMEs	-	Small, Micro and Medium Enterprises
SPSS	-	Statistical Package for Social Studies

ABSTRACT

The availability of external finance for small and medium enterprises (SMEs) is a topic of significant research interest to academics and an important issue to policy makers around the globe. Majority of entrepreneurs in the SME sector are still considered not credit worthy by most commercial banks because of their inability to fulfill certain banking terms and conditions. Hence, the aim of this study was to investigate the determinants of lending to small and medium enterprises by commercial banks in Kenya. To achieve the study objectives used a descriptive research was used. The study undertook a census of the 43 commercial banks in Kenya. The study used secondary data from the annual published report of commercial banks in Kenya for a period of 5 years from 2010-2014. The data collected was analyzed through the multiple linear regression using the Statistical Package for Social Studies version 20. The study findings established that bank size; credit risk and banks liquidity significantly influences lending to SMEs by commercial banks in Kenya. In addition the study established that the volume of deposits and interests rates have no significant influence on lending to SMEs. Further, the study established that liquidity and the volume of deposits have a negative relationship with lending to SMEs while bank size, credit risk and interest rates have a positive relationship with lending to SMEs. The study concluded that bank size, credit risk, liquidity, deposits and interest rates are major determinants of lending to small and medium enterprises by commercial banks in Kenya and recommended that effective policies should be developed to ensure commercial banks advance more credit to small and medium enterprises.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Commercial banks play a very important role in the economic resource allocation of countries. They channel funds from depositors to investors continuously after generating the necessary income to cover their operational cost they incur in the due course of their business (Ongore and Kusa, 2013). Commercial banks are the most important savings mobilization and financial resources allocation institution. Eventually, those roles make them an important phenomenon in economic growth and development (Olusanya, 2012). Additionally, commercial banks exist because of the various services they provide to sectors of the economy, e.g., information services, liquidity services, transaction cost services, maturity intermediation services, money supply transmission, credit allocation services, and payment services. Failure to provide these services or a breakdown in their efficient provision can be costly to both the ultimate sources (households) and users (firms) of savings, as well as to the overall economy (Cornetta & Tehranian, 2004).

Commercial banks lending significantly plays crucial roles in igniting industrialization in every economy, by facilitating the mobilization of capital, which oils the wheels of economic production. Well functioning banks spur technological innovations by identifying and funding entrepreneurs assessed to have brighter chances of successful implementing innovative products and production process (Olusanya, 2012). Commercial banks constitute the anchor of the growth of other sectors by providing them access to credit facilities in the form of loans (Asantey and Tengey, 2014). Banks are the main

providers of financing and have the capacity to generate higher and better information than other financial intermediaries (Abdesamed and Wahab, 2014). The objective of bank lending is to improve the private sector business activity to enhance their contribution to economic growth. However, banks have basic lending principles to act as a check in their lending activities.

In most of the developing economies, banks are often unable or unwilling to give term loans to small and medium enterprises. Instead, they prefer lending to large established businesses with well-developed balance sheet and credit histories for the collateral required in conventional bank financing which in turn obstructs formal finance to SMEs. This can be attributed to the firm's size and age, lack of business strategy, collateral, financial information, bank requirements as well as the owners or manager's educational background and business experience (Abdesamed and Wahab, 2014). Commercial banks prefer firms with proven financial records and sufficient collateral in form of tangible assets, which are difficult for SMEs to obtain. SMEs also suffer financing shortage due to information asymmetry. Inaccessibility to finances forces SMEs to use internal capital, which is insufficient for expansion.

1.1.1 Lending to SMEs

Lending is one of the major activities from which commercial banks make their profit and a greater proportion of the profit of commercial banks comes from lending (Asantey and Tengey, 2014). Banks, the world over, thrive on their ability to generate income through their lending activities. The lending activity is made possible only if the banks can mobilize enough funds from their customers (Obamuyi, 2013). However, lending activities by commercial banks pose the most serious credit risks. Credit risk constitutes

the tendency that a creditor would suffer a default, fails to make the expected interest, or encounter a loss of money to a debtor or group of debtors (Obamuyi, 2007). Credit risk has been a concern to all financial institutions that are involved in lending money because the risk of default by clients can jeopardize the business of the lending institution (Ojiambo, 2012).

Bank lending is the most common source of external finance for many SMEs and entrepreneurs, which are often heavily reliant on traditional debt to fulfill their start-up, cash flow and investment needs. While it is commonly used by small businesses, however, traditional bank finance poses challenges to SMEs, in particular to newer, innovative and fast growing companies, with a higher risk-return profile (OECD, 2015). Despite the fact that financial institutions have identified the SME sector as a fast growing sector in the country, there are several constraints serving as bottlenecks to SMEs in accessing finance from financial institutions (Kwaning et al., 2015). However, according to IFC (2011), SMEs often have great difficulty accessing financial services in many emerging markets.

The small business sector is an increasingly important source of profitability for the banks. When lending to small businesses, the major task of lenders in reducing or avoiding credit risk is to overcome the problem of asymmetric information (Agyapong et al., 2011). Banks that finance SMEs usually face lack of accurate and reliable information on the financial condition and performance of small firms. Thus, in order to extend credit to SMEs, banks lending decision is based on the strength of income statements, strength of the balance sheet, long histories, quality of accounts receivable and inventory, history of the principal owner and transparency of firms through provision of certified financial

statements (Chepkorir, 2013) most of which SMEs do not have. The survival rate of SMEs is considerably lower than that of larger firms. Thus, lenders (commercial banks) usually face serious challenges when there is a collapse in SMEs that they granted credit since reclaiming back funds provided is usually a problem because of the informal nature of most SMEs (Alhassan and Sakara, 2014).

Hall and Fang (2004) established that lending to SMEs is generally more risky than larger firms. Thus, most financial institutions and non-financial institutions require collateral in the form of land or buildings in addition to other stringent requirements to reduce default. Thus, SMEs find it difficult to obtain external financing from banks and capital markets given their size and characteristic opaqueness. Banks financing SMEs face difficult financial constraints due to the lack of accurate reliable information on the financial condition and performance of small firms. In particular, banks usually hesitate to finance startups and young firms, those with insufficient collateral, or firms, which demonstrate the possibilities of high returns but at a significant risk of loss (Kravchenko, 2011). Commercial banks also monitors the company receiving the credit to determine whether it is acting in accordance with the initial contract and the firms progression to ensure the user of funds respects the interest of the provider of funds. Doing this effectively is more problematic for SMEs than for larger firms hence banks are likely to engage in credit rationing to SMEs than to larger companies (Alhassan and Sakara, 2014).

Calice et al (2012) established that banks consider that the SME lending market is large, not saturated and with a very positive outlook in East Africa. However, obstacles are constraining commercial banks further engagement with the SME segment, including SME-related factors, macroeconomic factors, business regulation, the legal and

contractual environment, the lack of a more proactive government attitude towards the segment some areas of prudential regulation and some bank-specific factors. Ngige (2013) also established a relatively strong negative relationship between lending to small and medium enterprises and nonperforming loans for commercial banks in Kenya and posited that poor credit risk assessment, information asymmetry, business profile among other factors led to reduced lending to small and medium enterprises. Nkuah (2013) posits that very demanding requirements, in addition to the bureaucratic lending procedures by the formal financial institutions is the biggest challenge to credit access by SMEs. This makes SMEs to resort to informal financial institutions such as savings and loans companies, traditional moneylenders, friends and relatives.

1.1.2 Factors Influencing Lending to SMEs

Available literature has revealed several factors that influence lending on both the supply and demand side. Small and medium size enterprises lie on the demand side while commercial banks lie on the supply side. Bank size, credit risk, bank liquidity, deposit volume and the rate of interest have been found to affect the ability of commercial banks to advance funds to small and medium enterprises. Calice et al (2012) posited that obstacles to SME lending are perceived differently across the countries and perceptions are influenced by the nature and ownership structure of the bank concerned.

Bank size is considered as one of the major determinant of bank lending decisions. Large-sized banks have the advantage of providing a larger menu of financial services to their customers and there by mobilize more funds. A study by Ladime et al (2013) established that that bank size and capital structure have a statistically significant and positive relationship with bank lending behaviour and that bigger banks seem to be in a

better position to lend more than otherwise. Studies have established that large, complex banks tend to lend few loans to small-scale enterprises, and that small banks have comparative advantages in producing soft information whereas large banks also have comparative advantages in lending based on hard information (Ladime et al., 2013). Malede (2014) also established that bank size has a positive and statistically significant influence on commercial bank lending.

Lending to SMEs is considered riskier since they provide no or less collateral and banks may be more unwilling to accept credit risk. According to Financial Sector Deepening Kenya (2008), one major reason why lenders are reluctant to lend to SMEs is that they lack cost-effective ways to quantify credit risk. This is because SMES do not have standardized data procedures and the available data may be of unreliable quality and accuracy. Studies point out that banks charge high interest premium for the borrowers who have higher credit default risk to repay the loan. Malede (2014) established that credit risk is statistically significant determinant of commercial bank lending. Credit risk is critical since the default of a small number of important customers can generate large losses, which can lead to insolvency, and variation in credit risk may reflect a change in the health of a banks' loan portfolio, which in turn may influence the performance of the institution (Malede, 2014).

According to Laidroo (2012) liquidity and funding activity measures are highly correlated, these are included in the model one at a time. Banks with higher liquidity ratio should be better protected from shocks to their deposit size (bank runs), indicating that they should be able to expand lending and be less vulnerable to economic shocks. According to Malede (2014), liquidity ratio as measured by (Liquid asset / Total Deposit)

has a positive and statistically significant relation with commercial banks lending decision.

A study by Akinyomi (2014) established that the higher the deposit volume, the greater the probability of granting loans and advanced to prospective borrowers and that there is a positive and significant relationship between deposit volume and loan and advances in the selected banks. The volume of deposit has positive and statistically insignificant relationship with commercial bank lending (Malede, 2014). Laidroo (2012) posits that banks with higher deposit ratio are expected to expand the supply of loans more than banks with lower deposit ratios i.e. there should be a positive association between them. A study by Eze and Okoye (2014) in Nigeria established that the volume of deposit was one of the major determinants of lending behaviour by commercial banks in Nigeria.

Interest is a payment for the services of capital or the price of hiring capital. Interest is the price that guides commercial banks in making business decisions and borrowing and lending in the financial market depends on significant extent of the rate of interest. According to Malede (2014), lending interest rate has positive statistically insignificant relationship with commercial bank lending. Eze and Okoye (2014) also established that the lending rate was one of the major determinants of lending behavior of deposit money banks in Nigeria and concluded that it was necessary to reduce the level of lending rate in the economy.

1.1.3 Commercial Banks in Kenya

Commercial banks are the most dominant players making Kenya a bank dependent economy. The banking sector in Kenya is among the financial services sectors that is

expected to contribute greatly to the realization of Kenya`s Vision 2030. Banks are a very important source of funds for the operation and growth of businesses in Kenya. Amongst Kenyan banks, the lack of quality information is one of the biggest SME-specific hindrance and obstacle to SME lending. Family management hindrance is also another obstacle towards SME financing in Kenya, since most SMEs are family-owned. Further, the inability to standardize scoring models is also another challenge especially amongst those, which have automated their SME lending systems (Calice et al. 2012).

Currently there are 43 registered commercial banks in Kenya, which are regulated by the Central Bank of Kenya. Recently, the banking industry in Kenya is characterized by increasing competition and innovation. This phenomenon has led to most banks adopting innovative technology and creating more tailor made products in different sectors especially SME sector to improve the quality of their loan portfolio (Wambani, 2014). Most of the commercial banks in Kenya have established separate units to be more responsive to the needs of their SME clients, in recognition of the inherent differences between SMEs and consumer and corporate clients. Majority of the Kenyan banks have sought out SMEs relationship since they consider the sector unsaturated hence profitable. Despite the risk involved in lending to SMEs there is intense competition among Kenyan banks for SMEs clients. Some of the Kenyan banks are allocating resources to provide training to their SMEs clients to improve their management skills and financial reporting (Calice et al., 2012).

1.2 Research Problem

In developing countries and Africa in particular, small businesses (SMEs) lack access to capital and money markets. Despite efforts by financial institutions and public sector

bodies to close funding gaps, Small and Medium Enterprises continue to experience difficulties in obtaining capital (Kiama, 2012). The ability of SMEs to grow depends highly on their potentials to invest in restructuring, innovation etc. All of these investments need capital, and therefore access to finance. Access to credit is important for the growth and development of Small and Medium-sized Enterprises (SMEs). As such, access to credit remains the greatest challenge to most small and medium enterprises especially those in developing economies and it is still a key issue within both the private and public sectors (Nkuah, 2013) particularly in Kenya.

The availability of external finance for small and medium enterprises (SMEs) is a topic of significant research interest to academics and an important issue to policy makers around the globe (Berger and Udell, 2005). Most commercial banks do not define all SMEs in the same way, since this depends on the operational criteria and business strategy used by each institution (Padilla-Perez and Ontanon, 2013). In addition, majority of entrepreneurs in the SME sector are still considered not credit worthy by most commercial banks because of their inability to fulfill certain banking terms and conditions (Alhassan and Sakara, 2014). Thus, SMEs in Kenya have been forced to consider other informal financing options, whose lending conditions are not stringent but the amounts usually obtained are way too little to finance their expansion and growth. Therefore, to identify a way out, it is important to identify the determinants of lending to small and medium enterprises by commercial banks in Kenya.

Several studies have been carried out internationally and locally on the determinants of lending by commercial banks. For example, internationally Haron et al (2013) examined the factors influencing small medium enterprises in obtaining loan and established that

getting the collateral, good relationship with financial institution and having a good financial record where some of the factors that influence lending to SMEs. Sun, Cen and Jiang (2013) also established that SMEs financing verifies the severity of credit constraints in small businesses and that bank lending policies using fixed assets as the collateral exacerbate the plight of small business financing. However, these studies are based on SMEs in different countries whose lending policies are different with the Kenyan context.

In Kenya, a study by Langat (2013) examined the determinants of lending to farmers by commercial banks in Kenya and established that banks give out loans to farmers that have reliable sources of income but the study focused on the farming sectors hence its findings cannot be generalized to the SME sector. Siyad (2013) also investigated the effect of microfinance institutions lending on the growth of SMEs and established that lending effects to the growth of SMEs and most of the requirements such as collateral, loan processing time, payment terms discouraged most SMEs, hence opting for cheaper sources of capital hence the low adoption of the loan services. However, the study was inclined to the microfinance industry and not the banking sector.

Most studies on SMEs performance, growth and development acknowledge that lack of credit is the greatest constraint that SMEs face. Majority of the studies focus on the factors influencing the performance of SMEs and conclude that access to credit is utmost problem, which if solved can help mitigate the other factors. As such, most of these studies deviate from an in-depth analysis of the financial challenge facing SMEs. Instead, the studies give recommendations to SMEs and other stakeholders how to mitigate or solve financing problem without determining the factors that influence access to credit.

Moreover, there is no comprehensive study that has been conducted on the determinants of lending to SMEs by commercial banks in Kenya. Thus, this study intends to investigate: What are the determinants of lending to SMEs by Commercial banks in Kenya?

1.3 Research Objective

To investigate the determinants of lending to small and medium enterprises by commercial banks in Kenya.

1.4 Value of the Study

This study will be of significance to commercial banks since the Small and medium enterprises sector is one of the largest, competitive and unbanked sectors in Kenya with a positive outlook for further growth. Thus, this study will help commercial banks to understand SMEs sector and develop mechanism to tap into the untapped SMEs sector with a view of improving their performance and that of the SMEs. In addition, the study will be beneficial to small and medium enterprises owners since the aim of this study is to establish the core factors that influence SMEs access to credit from commercial banks. SMEs can use the study findings to improve on the respective areas so that banks can grant then credit.

Additionally, the study will be of value to policy makers since the SME sector remains the greatest employer and its improvement can help reduce unemployment in Kenya. Thus, the government through the relevant line ministries and other policy makers can use the study findings to generate new policies and revise the current policies on SMEs financing and development. Lastly, the study will be of value to future researchers and

scholars as the study will add on to the existing literature and may be used by future researchers and scholars who are interested in the study area. The study will also identify the existing knowledge gap and open more areas for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical review, the determinants of lending to Small and medium enterprises, the empirical review and finally the summary of literature review.

2.2 Theoretical Review

This study will explore the credit rationing theory, the financial intermediation theory, the information asymmetry theory and the adverse selection theory to explain the concepts of commercial banks lending.

2.2.1 Credit Rationing Theory

The credit-rationing model emanated from the revolutionary work of Stiglitz and Weiss (1981). According to Stiglitz and Weiss (1981) lenders seek to impose quantitative restrictions on the amount of debt the borrower can obtain, so-called "equilibrium quantity rationing of credit", because higher interest rates may give a further stimulus to adverse selection and risk taking. The model is based on imperfect credit markets characterized by information asymmetry, which makes it too costly for banks to obtain accurate information on the borrowers and to monitor the actions of the borrowers. The model assumes the existence of many banks that seek to maximize their profits through their choice of interest and collateral (thereby reducing the probability of default on their loans) and many potential borrowers who seek to maximize their profits through the choice of projects (Okurut, Olalekan and Mangadi, 2012).

Helsen and Chmelar (2014) posit that in order for banks to protect themselves and the credit market from the adverse selection problem of rising prices and ever-worsening quality of borrowers and decreasing net returns, banks limit the supply of credit and offer this credit at a low interest rate. Consequently, demand will exceed supply without the price being able to help, causing the market to fail in order to function (Helsen and Chmelar, 2014). There are a number of different types of credit rationing depending on how excess demand is defined, on whether the excess demand is temporary or continuing, and most importantly, on the factors that cause the loan rate to be depressed. Higher costs of credit, quantitative credit rationing or lack of collateral will have adverse effects on overall economic performance, since SMEs' investment will tend to be limited to what is available from holdings of liquidity and flows of internal finance (Campello et al., 2010). In addition, financial markets are not perfect in the presence of adverse selection banks are more likely to opt for credit rationing than to adjust their lending rates in a situation where there has been an upward adjustment of interest rates by the central bank (Ladime et al., 2013).

Credit is essential in all economies, as it is required to finance working capital and investment in fixed capital, particularly among small and medium enterprises to accumulate much saving. Access to credit is especially restricted for the small and medium enterprises, owing to their inability to provide collateral. Collateral both reduces default risk (for incentive reasons) and lender exposure in the event of default (Ghosh, Mookherjee and Ray, 2000). However, banks exercise caution in their lending behaviour and are risk averse in an environment of uncertainty. The SME sector is considered risky

and banks employ credit rationing which worsens the financial crises of SMEs that may in turn affect the performance of SMES.

2.2.2 Financial Intermediation Theory

The theory of financial intermediation was developed it the 60's in the 20th century, the preliminary position being the work of Gurley and Shaw (1960). The financial intermediation theory is based on the theory of agency theory and the informational asymmetry. In principle, the existence of financial intermediaries is explained by the existence of the following categories of factors: high cost of transaction, lack of complete information in useful time; and the method of regulation. The theory financial intermediation analyzes, mainly, the functions of financial intermediation, the way in which the financial intermediation influences the economy and the effects of government policies on the financial intermediaries (Andries & Cuza, 2009).

Financial intermediaries are financial institutions specialized in the activity of buying and selling (at the same time) assets and financial contracts. Financial intermediaries mediate between the providers and users of financial capital. Financial intermediaries do not resell the assets they buy, but create new assets, which they sell on the market; they are debts of clients to the banking institutions and not to the savers who initially owned the assets bought by the intermediary (Andries & Cuza, 2009). However, SMEs have traditionally encountered problems when approaching providers of finance for funds to support fixed capital investment and to provide working capital for the firm's operations (Lean and Tucker, 2001). Thus, there exist a finance gaps for SMEs due to their disadvantaged position in the market for bank finance and the incomplete financial intermediation process between financial institutions and SMEs.

2.2.3 Information Asymmetry Theory

The theory of asymmetric information was introduced in Akerlof's (1970) paper "The Market for Lemons, Quality Uncertainty and the Market Mechanism". The Information asymmetry arises when one group of participants has better or timelier information than other groups. Theories based on asymmetric information assume that firm managers and insiders possess private information about the firm's characteristics of return stream or investment opportunities that are rarely known by outsiders (Niu, 2008). The nature of the asymmetric information in this case of SMEs lending is that insiders (SME owners and managers) know more about the enterprises prospects, risks and values than commercial banks. Banks know the credit risk breakdown among their borrowers, but due to information asymmetry, they are not able to identify individual amounts of default costs for particular borrowers (Slazak, 2011).

According Lean and Tucker (2001) the general problem of information asymmetry can manifest in different ways in the banking sector which may include acceptance of the loan application but at a higher than risk-adjusted interest rate; acceptance but with strict collateral requirements; or outright rejection of the loan application. The information asymmetry problem may not only result in good lending prospects being rejected by providers, but also poor prospects being accepted by providers (Lean and Tucker, 2001). The impact of informational asymmetry is critical for SMES, since they tend to be informational opaque compared to larger firms. The lack of hard information about SMEs creates asymmetry of information between banks and small enterprises. For instance, lack of audited financial statements prevents banks from engaging in financial-statement lending which the loan contract terms are set based on the company's expected future

cash flow and current financial condition as reflected in audited statements (Kravchenko, 2006).

2.2.4 Adverse Selection Theory

The adverse selection theory of credit markets emanated from the works of Stiglitz and Weiss (1981). The theory is based on two main assumptions: that lenders cannot distinguish between borrowers of different degrees of risk, and that loan contracts are subject to limited liability (i.e, if project returns are less than debt obligations, the borrower bears no responsibility to pay out of pocket). The analysis is restricted to involuntary default, i.e., it assumes that borrowers repay loans when they have the means to do so (Ghosh et al., 2000). Helsen and Chmelar (2014) points out that the adverse selection quality of the credit market becomes apparent when looking at the negative effects of allowing interest rates to rise under market influence. Rising interest rates will reduce the quality of the pool of borrowers by pushing out low-risk, low-yield borrowers and attracting riskier borrowers instead.

With relation to SMEs, the adverse selection problem arises due to incomplete information regarding the underlying quality of the project and the management of the small firm. Small business finance market is characterized by risk and uncertainty regarding future conditions and information is distributed asymmetrically between the bank and the firm (Stiglitz and Weiss, 1981). Further, the problem of information asymmetry and the resulting adverse selection problem is further compounded by certain trends like competition, centralizing business lending decisions and strict policy guidelines which are evident in the banking sector (Lean and Tucker, 2001).

2.3 Empirical Review

A study Obamuyi (2007) examined the exploratory insights into the level of loan delinquency among the small and medium enterprises (SMEs) in Ondo State of Nigeria, and the lending practices of the country's bankers towards the SMEs. The study used a sample of 9 commercial bank managers and 115 SMEs that have been borrowers and those who had active loans from the banks. The study findings revealed that several factors were responsible for banks' altitude of not expanding loan portfolio, principal of which are poor credit worthiness, lack of collateral security and the constraint imposed on banks' capital by regulations. The study also established that loans delinquency rate was low among SMEs in the Ondo State, which could be attributed to the fact that sound-lending policy demands that for those small and medium enterprises that the bankers believe they have high probabilities of default, loan applications are not approved.

In addition, Torre, Peria and Schmukler (2008) investigated the factors banks perceive as drivers and obstacles to finance small and medium enterprises with particular attention to the role of competition, institutions, and macroeconomic factors. The study used a survey of banks in Argentina and Chile. The study established that despite differences in the countries' environments, SMEs are strategic segment for most banks in both countries. Further, the study found out that given significant competition in the corporate and retail sectors, banks have come to perceive the SME market as highly profitable, large, and with good prospects. However, the study revealed that although institutional and macroeconomic factors still matter, banks are developing coping mechanisms to overcome the particular obstacles present in each country and to compete for SMEs. Banks' interest in SMEs, which is not based on government programs in the two

countries, was found to be yet policy action that might help to reduce the cost in providing financing, especially long term lending.

Agyapong, Agyapong and Darfor (2011) investigated the criteria for assessing Small and Medium Enterprises' Borrowers in Ghana. The study focused on developing an insight into the decision making process which lenders employ in granting loans to SME borrowers. Questionnaires were used to collect data from the selected bank branch managers of conventional banks, rural banks and savings and loans companies. The study findings indicated that when loan managers are deciding on whether to accept or reject an SME loan application, the intended purpose of loan, repayment of previous loan, repayment schedule, type of business activity, size of loan relative to size of business and availability of collateral, ranked highest on their criteria list. Conversely, the study established that Curriculum Vitae of clients, government guarantee of loans, charges on assets and gearing ranked lowest on the criteria list in terms of importance. The study revealed that lenders took particular interest in risk when dealing with SMEs.

Hwarire (2012) analyzed loan repayment and credit management of Small, micro and medium enterprise in a South African financial institution. Factors such as age, bank balance, relationships (personal, business and new customer), interest rate, loan size, loan term, product type, gender and race were analyzed to determine their relationship and impact on default. The dichotomous nature of the dependent variable (default) led the researcher to use the binary Logit model to assess the relationship and impact of the determinant factors affecting loan repayment. The study analyzed 169 loans granted to small businesses by a South African commercial bank. The study findings established that 39 per cent of loan repayments by SMMEs were not made on time, while 28 per cent

actually defaulted. In addition, the study established that race, gender and negative bank balance were found to be statistically significant in relation to defaults in loan repayment and credit management.

Nguyen (2014) explored the use of soft and hard information for bank lending decisions to small and medium enterprises (SMEs) in Vietnam. The study aimed at investigating to what extent different types of information were used for loan approval, whether the two types of information were used in a complementary manner, and what factors determined the banks' lending decisions. Descriptive statistics for was used for overall assessment, principal component analysis and confirmatory factor analysis to establish and test the scales, and logistic regression to examine determinants of lending decisions. The study findings indicated that although collateral based lending was the most widespread method and could substitute for other lending technologies, usually a combination of lending information types were utilized in the decision making process. This suggests that both complementarity and substitutability were found in the use of the various information types by Vietnamese banks for such decision-making.

Abdesamed and Wahab (2014) examined financing of small and medium enterprises. The study aimed at determining which factors influence SMEs to apply for a bank loan and to develop a bank loan model based on applicability. The model was developed using quantitative methods coupled with a hypothetical – deductive testing approach applied on primary data on loan applications gathered from questionnaires. Logistic regression tests indicated that business experience of the firm's owner has no significant relation with the firm's tendency to apply for a bank loan. However, the study found that educational

background of the owner; firm size; collaterals and loans with interest were negatively related to its tendency to apply for bank loans.

Gondwe et al (2014) investigates empirically if social capital affects access to formal finance for small and medium enterprises using the case of Malawi. The study used a sample of 115 micro, small and medium enterprises in the cities of Blantyre and Lilongwe, an ordered probit model was used to analyze factors affecting the likelihood of getting credit from a bank when a person is known personally by the bank personnel. The study findings indicated that both entrepreneurs and bank officers perceive that when a person is known personally the likelihood of getting a loan changes positively. In addition, firm characteristics and social capital were found to affect perceptions of SMEs.

Kwaning et al (2015) examined the difficulties SMEs face in accessing loan, difficulties financial institutions face in lending to SMEs and the impact of loan on the profitability of SMEs. Questionnaires were administered to SMEs and Credit officers in the selected banks were interviewed. The following major findings came to the fore; interest rate on loan to the SMEs is extremely high, repayment periods on loans to SMEs are too short making it very difficult to embark on any developmental or expansion projects, most SMEs, do not understand terms and conditions, and also oblivious of the interpretation of the percentage charged on the loans. The study also found out that small business owners normally give false information when accessing loan from financial institutions. The study suggested that government should institute some form of tax incentives to financial institutions involved in SME lending and formulate regulatory laws to help loans recovery. SME associations must be established to unite them and serve as guarantors whenever loans are accessed.

Muchiti (2009) examined the institutional risk management strategies applied by commercial banks in lending to SMEs. The study used an exploratory survey and focused on all commercial banks in Kenya who have well established SME products. Data was collected using questionnaires, which were emailed and drop picked to sample credit officers. The study findings established that there were three distinctive institutional risk management strategies that are applied by Kenyan banks in lending to SME borrowers. These are risk-pooling strategies, the risk control strategies and risk avoidance strategies. The research indicated that the institutional context in Kenya has determined how the banks handle the three risk strategies.

Omboi and Wangai (2011) analyzed factors that may influence demand for credit among the small-scale entrepreneurs in Meru Central District, Kenya. The study used sample survey data collected from Meru Central District, descriptive statistics and logistic regression models were used to analyze the data. The study established that education level of an entrepreneur, the number of dependants, and household income are significant factors that influence small-scale entrepreneurs to borrow credit from formal credit institutions. Further, the study revealed that the demand for credit among women entrepreneurs in the MSE sector was found to be lower compared to their male counterparts. The study recommended that MSE operators can improve their participation in credit market by improving their business skills and knowledge plus maintaining proper accounting and book-keeping systems.

Wachira (2011) investigated the factors that influence the use of microcredit amongst the SMEs based at Mutindwa market of Buru Buru estate. The study adopted a descriptive survey approach and a questionnaire to the SMEs was used to collect data. The study

found out that there is a strong relationship between MFI loan use and the loan terms and conditions. As such, the study established that MFls loans were noted to be popular because of their group-lending model where security was by group guarantee demonstrating the fact that a majority of the loan consumers who are commonly women lacked tangible collateral. The study concluded that improving the lending terms and conditions especially through exploring a wide range of security options, pursuing a gender parity client-base and offering diversified business knowledge in favor of small-scale enterprises would provide an important avenue for facilitating their access to credit and accelerate the use of MFI loans and the subsequent enterprises.

Barasa (2013) examined competition among lending institutions and accessibility to credit by small and medium enterprises in Nakuru, Kenya. Using a survey study of banking institutions and SMEs in Nakuru town, this study sought to determine the impact of recent competition on Kenyan SMEs. The study objectives were to determine the rate of interest charged by financial institutions, types of products and to evaluate how competition among lending institutions have influenced availability of credit to the SMEs. A sample of 30 financial institutions and 50 SMEs were selected using stratified random sampling technique to obtain a representative sample. The study established that MFIs and SACCOs were the preferred sources of credit for SMEs. further, the study found that access to long term credit in banks is still very low and their exists a positive significant correlation between recent competition in financial market of Kenya and access to credit in SMEs which has led to favorable rate of interest, lending policies and increased credit products and services.

Kimutai and Jagongo (2013) examined the factors influence credit rationing by commercial banks in Kenya. A descriptive research design was used in the study and the target population from which the sample was drawn was commercial banks within Nairobi region. A representative sample was drawn using the proportionate stratified random sampling. The study used both primary and secondary data. The study findings established that the key factors that influenced credit rationing by commercial banks in Kenya are loan characteristics, firm characteristics and observable characteristics. The study recommended that it is beneficial for banks to ration credit but it should be done with professionalism and with no biasness and the factors, that influence rationing of credit should be evaluated thoroughly by the person in charge and given priority before issuing credit.

2.4 Summary of Literature Review

Several studies have been carried out internationally, regionally and locally of Small and medium enterprises financing. Internationally, studies by Torre et al. (2008), Nguyen (2014) and Abdesamed and Wahab (2014) and established different drivers of SME financing by commercial banks in their respective countries some of them being banking policies, educational background of the owner, firm size; collaterals and interest rates. Regionally studies by Obamuyi (2007), Agyapong et al. (201) Hwarire (2012) and Gondwe et al (2014) also established different factors that influence lending to SMEs by commercial banks which included purpose of loan, repayment of previous loan, repayment schedule, type of business activity, size of loan relative to size of business and availability of collateral.

Locally, studies by Muchiti (2009), Omboi and Wangai (2011), Wachira (2011), Barasa (2013) and Kimutai and Jagongo (2013) established various factors which influence credit granting to SMEs by commercial banks in Kenya including interest rates, lending policies, business characteristics among others. Empirical evidence show that most of the studies considered single variables like loan characteristics, lender characteristics and lending technology independently as opposed to combing them and examining their impact. Therefore, this study aims at grouping the different variable based on their characteristics to determine whether they influence lending to SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, the study population, data collection procedure and data analysis technique.

3.2 Research Design

A research design is a detailed plan of research specifying the methods and procedures for collecting and analyzing data on a given subject and reporting the results (Beri, 2008). This study used a descriptive research to achieve its objectives. A descriptive design aimed at describing systematically a situation or area of interest factually and accurately. As such, a descriptive research is concerned with the present and attempts to determine the status of the phenomenon under investigation (Singh, 2006). This study aimed at establishing the determinants of lending to small and medium enterprises in Kenya. Thus a descriptive study helped in describing the determinants of lending and establish which are they and when are they used by commercial banks.

3.3 Population of the Study

A population is the entire collection of all observations of interest (people, objects or events) as defined by the researcher (Burns and Burns, 2008). Currently in Kenya, there are 43 banks thus the target population comprised of the 43 commercial banks in Kenya (CBK, 2015). Thus, the study undertook a census of the 43 commercial banks in Kenya.

3.4 Data Collection

The study used secondary data from the annual published report of commercial banks in Kenya. The data was extracted from the statement of financial position and the statement of income as at 31 December 2014. The data covered a period of 5 years from 2010 – 2014. Additional secondary data was sourced from journals, CBK bulletins, newspapers, magazines and from the internet.

3.5 Data Analysis

The data collected was analyzed through the multiple linear regression using the Statistical Package for Social Studies version 20. Regression analysis was used to analyze the relationship between the independent and the dependent variables.

3.5.1 Analytical Model

. The regression equation took the following form

$$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where;

Y = Lending measured using Natural logarithm of Net loans and advances to SMEs

X_1 = Bank Size measured using Natural logarithm of total asset

$$X_2 = \text{Credit risk} = \frac{\text{Non performing loans}}{\text{Total Asset}}$$

$$X_3 = \text{Liquidity ratio} = \frac{\text{Liquid asset}}{\text{Total Deposit}}$$

$X_4 = \text{Volume of Deposit} = \frac{\text{Deposit}}{\text{Capital}}$

$X_5 = \text{Interest rate} = \text{Annual average bank lending rate}$

$\beta_o = \text{Constant}$

$\beta_1 - \beta_5 = \text{Regression Coefficients}$

$\varepsilon = \text{Error term}$

3.5.2 Test of Significance

The F – test and the t – test was used at 95% confidence level to establish the statistical significance of the whole model and the independent variables respectively. In addition, the coefficient of determination was used to establish the reliability of the regression model.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the response rate, descriptive statistics and correlation analysis. In addition, the chapter presents regression analysis and a discussion of research findings.

4.2 Analysis of Data and Presentation of Findings

4.2.1 Response Rate

A census of the 43 commercial banks in Kenya was carried out but complete data was obtained from only 36 commercial banks hence a response rate of 83.72%. The 83.72% response rate was considered adequate for the study.

4.2.2 Descriptive Statistics

Table 4.1 shows the descriptive statistics from the research findings. The table shows the number of observations, the minimum and maximum values, the mean and standard deviation.

Table 4.1 Summary Statistics

	Minimum	Maximum	Mean	Std. Deviation	Kurtosis
Lending to SMEs	5.79	8.45	7.194	.6003192	-.742
Bank size	6.21	8.69	7.479	.5765069	-.981
Credit risk	.000	4.25	.1140	.5154962	49.976
Liquidity ratio	.002	6.19	.175	.7623509	39.866
Volume of Deposits	2.064	168.67	3.310	34.0454	2.586
Interest Rate	13.00	24.00	17.308	2.18126	-.772

Source: Research Findings

According to the findings on table 4.1, lending to SMEs had a mean of 7.19 and a standard deviation 0.60 with minimum and maximum values of 5.79 and 8.69 respectively. Bank size had a mean of 7.5 and a standard deviation of 0.58 with maximum and minimum values of 6.21 and 8.69 respectively. Credit risk had a mean of 0.114 and standard deviation of 0.52 with maximum and minimum values of 0.00 and 4.25 while liquidity ratio had a mean of 0.76 and a standard deviation of 0.52 and minimum and maximum values of 0.002 and 6.19 respectively.

In addition, the volume of deposits had a mean of 3.31 and a standard deviation of 35.05 with minimum and maximum values of 2.064 and 168.67 whereas interest rate had a mean of 17.31 and a standard deviation of 2.18 with minimum and maximum values of 13 and 24 respectively. The highest mean value was 17.31 indicating that interest rates are the major determinants of lending while the lowest mean was 0.114 indicating that credit risk is the least determinant of lending to SMEs.

4.2.3 Correlation Studies

Correlation analysis was under taken to measure of the strength of a linear association between the dependent and the independent variables. Table 4.2 shows the results obtained

Table 4.2 Correlation Matrix

	Lending	Bank size	Credit risk	Liquidity ratio	Volume of Deposits	Interest Rate
Lending	1					
Bank size	.963**	1				
Credit risk	-.101	.062	1			
Liquidity ratio	-.127	.045	.934**	1		
Volume of Deposit	.446**	.434**	-.122	-.108	1	
Interest Rate	.215**	.192**	.047	.015	.076	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Findings

According to the results on table 4.2, lending to SMEs is positively correlated to the bank size with a correlation coefficient of 0.963 which indicates a strong relationship which is significant. This indicates that bank size influences lending to SMEs by commercial banks in Kenya. Lending to SMEs has a weak negative relationship with credit risk and liquidity as indicated by correlation coefficients of -0.101 and -0.127 which are both statistically insignificant respectively. This indicates that credit risk and commercial banks liquidity slightly influencing lending to SMEs. As such, lending to

SMEs has a fairly weak positive relationship with the volume of deposits and a week positive relationship with interest rates as indicated by correlation coefficients of 0.446 and 0.215 respectively which are significant in both cases. This is an indication that the volumes of deposits and interest rates have a positive correlation with lending to SMEs by commercial banks in Kenya.

4.2.4 Regression Analysis

Regression analysis was also carried out to establish the relationship between the dependent and the independent variables. The following results were obtained

4.2.4.1 Model Summary

Table 4.3 shows the model summary indicating the values of R, R-square, adjusted R square and the standard error of estimate.

Table 4.3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.978[a]	.957	.956	.1261778

a. Predictors: (Constant), Interest Rate, Liquidity ratio, Volume of Deposit, Bank size, Credit risk

Source: Research Findings

As per the results on Table 4.3, the coefficient of determination (R^2) = 0.957 which indicates that 95.7% of the variation in the lending to SMEs in explained by the study variables while 4.3% of the variation is explained by other factors outside the model and the error term. In addition, the 95.7% value of R^2 indicates that our model is reliable. The

correlation coefficient of 0.978 indicates that there is a strong positive relationship between lending to SMEs and the determinants of lending to SMES by commercial banks in Kenya.

4.2.4.2 ANOVA

ANOVA (Analysis of Variance) was also carried out to establish the significance of the model. Table 4.4 shows the results obtained

Table 4.4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.738	5	12.348	775.567	.000[a]
	Residual	2.770	174	.016		
	Total	64.509	179			

a. Predictors: (Constant), Interest Rate, Liquidity ratio, Volume of Deposit, Bank size, Credit risk

b. Dependent Variable: Lending

Source: Research Findings

Table 4.4 indicates that the f value of 775.567 is significant at 95% confidence level since the p-value (0.000<0.05) an indicator that the model was fit and a good predictor. Additionally, the regression sum of squares (61.738) is more the residual indicating that the study variables explain a greater proportion of the variation in the model.

4.5.3 Regression Coefficients

The regression coefficients were calculated to show whether they were significant or insignificant. Table 4.5 shows the regression coefficients

Table 4.5 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.432	.143		-3.015	.003
Bank size	1.001	.019	.961	53.815	.000
Credit risk	-.031	.052	-.026	-.597	.551
Liquidity ratio	-.114	.035	-.144	-3.283	.001
Volume of Deposits	.001	.000	.008	.431	.667
Interest Rate	.009	.004	.033	2.082	.039

a. Dependent Variable: Lending to SME

Source: Research Findings

As per the study results, the following regression equation was obtained

$$Y = -0.432 + 1.001X_1 - 0.031X_2 - 0.114X_3 + 0.01X_4 + 0.009X_5 + \varepsilon$$

Table 4.5 shows that bank size and interest rates have a significant positive relationship with lending to SMEs while the volume of deposits positive insignificant relationship

with lending to SMEs by commercial banks. The results also show that credit risk has a negative insignificant relationship with lending while liquidity ratio has a negative significant relationship with lending. This indicates that the larger the bank the more it is likely to lend to SMEs while interest positively influences lending to SMEs. In addition the results show that that an increase in the volume of deposits increases lending to SMEs. Further, the results indicate that credit risk and liquidity have an inverse relationship with lending to SMEs.

4.3 Interpretation of the Findings

The study established that bank size, interest rates and banks liquidity significantly influences lending to SMEs by commercial banks in Kenya. In addition the study established that the volume of deposits and credit risk have no significant influence on lending to SMEs. As such, the study established that credit risk and the volume of deposits have a negative relationship with lending to SMEs while bank size, volume of deposits and interest rates have a positive relationship with lending to SMEs. This indicates that lending to SMEs is influence by various factors either positively or negatively.

The above findings are similar to those of Ladime et al (2013) who established bank size and capital structure have a statistically significant and positive relationship with bank lending behavior and that bigger banks seem to be in a better position to lend more than otherwise. Malede (2014) also established that bank size has a positive and statistically significant influence on commercial bank lending and that credit risk is statistically significant determinant of commercial bank lending. Laidroo (2012) also established that liquidity and funding activity measures are highly correlated, these are included in the

model one at a time hence banks with higher liquidity ratio should be better protected from shocks to their deposit size (bank runs), indicating that they should be able to expand lending and be less vulnerable to economic shocks.

Additionally, a study by Eze and Okoye (2014) in Nigeria also established that the volume of deposit was one of the major determinants of lending behavior by commercial banks in Nigeria. Akinyomi (2014) also established that the higher the deposit volume, the greater the probability of granting loans and advanced to prospective borrowers and that there is a positive and significant relationship between deposit volume and loan and advances in the selected banks. Further, Eze and Okoye (2014) also established that the lending rate was one of the major determinants of lending behavior of deposit money banks in Nigeria and concluded that it was necessary to reduce the level of lending rate in the economy.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, conclusions, recommendations, limitations of the study and suggestions for future research.

5.2 Summary

The aim of this study was to investigate the determinants of lending to small and medium enterprises by commercial banks in Kenya. The study undertook a census of the 43 commercial banks in Kenya however complete data was obtained from 36 commercial banks thus a response rate of 83.7% which was considered adequate for the study. The dependent variable for the study was lending to SMEs while the independent variables included bank size, credit risk, liquidity, volume of deposits and interest rates.

The study used a regression model which had a coefficient of determination of 0.957 which indicated that 95.7% of the variation in the lending to SMEs was explained by the study variables while 4.3% of variation was explained by other factors outside the model. The model also had a correlation coefficient of 0.978 which was an indication that there was a strong positive relationship between lending to SMEs and the determinants of lending to SMES by commercial banks in Kenya. As such, the model was found to be significant at 95% confidence level since the p-value (0.000<0.05).

The study findings also established that bank size and interest rates have a significant positive relationship with lending to SMEs by Commercial banks in Kenya. In addition,

the findings established that banks liquidity has a negative and statistically significant relationship with lending to SMEs while credit risk had a negative insignificant relationship with lending to SMEs by commercial banks in Kenya. In addition the study established that the volume of deposits has an insignificant positive relationship with lending to SMEs by commercial banks in Kenya.

5.3 Conclusions

The study established that bank size and interest rates have a statistically significant and positive relationship with bank lending behavior, thus the study concludes that bank size and interests rates positively influences lending to Small and Medium Enterprises by commercial banks in Kenya. The study also concludes that the volume of deposits positively influences lending to SMEs by commercial banks in Kenya. This is because banks use deposits to lend thus the volume of deposits would greatly determine the amount to lend to SMEs.

In addition, the study and liquidity negatively influences lending to SMEs by commercial banks in Kenya, thus the study concludes that banks liquidity influences the amount of credit commercial banks would advance to SMES. Liquidity also indicates the cash available at the bank and this would also determine whether to advance credit to SMEs. In addition, the study established that credit risk had an inverse relationship with lending to SMEs, thus the study concludes credit risk is also a major determinant of lending to SMEs by commercial banks in Kenya. Further, the study concludes that bank size, credit risk, liquidity, deposits and interest rates are major determinants of lending to small and medium enterprises by commercial banks in Kenya.

5.4 Recommendations for Policy

Based on the study findings, the study recommends that effective policies should be developed to ensure commercial banks advance more credit to the small and medium enterprises sector. This is because the SME sector is important in terms of job creation and economic development and effective lending policies on SMEs financing would greatly reduced the financial constraints which is faced by most of the SMEs in Kenya.

The study also recommends that commercial banks should come up with an alternative financing policy which would reduce bottlenecks of lending to SMEs. This is because SMEs facing stringent terms and conditions from the banking sectors which makes them seek alternative sources of financing which may not be adequate to finance their operations.

The study also recommends that commercial banks should have special interest rate considerations when lending to small and medium enterprises to encourage them to obtain loan. This would in turn increase the loan portfolios of commercial banks hence profitability and on the other hand boost the growth of SMEs.

Based on the study findings credit risk have been found to have a significant influence on lending to SMEs by commercial banks in Kenya thus the study recommends that Commercial banks should come up with appropriate risk mitigations measures to ensure that SMEs honour their loan repayment obligations.

5.5 Limitations of the Study

This study investigated the determinants of lending to small and medium enterprises in Kenya thus the study findings may not be generalized to other countries since each

country has specific rules which govern the banking sector in those countries. In addition, the study findings may not be generalized to other financial institutions like Sacco's, microfinance's and other lending institutions since the banking sectors each of the sector operates differently and is governed by different rules and regulations.

The study also used secondary data from the commercial banks annual reports and covered a period of five years which may not be adequate enough to investigate the determinants of lending by commercial banks in Kenya. In addition, the study covered quantitative aspects of lending and left out the qualitative aspects like lending policies, lending technology, lending standards, credit scoring and other forms of lending technologies which also influence lending to small and medium enterprises.

5.6 Suggestions for Further Research

This study was limited to the determinants of lending to SMEs by commercial banks in Kenya hence an assessment of determinants of lending by other financial institution to SMEs like microfinance's, Sacco's and credit bureaus would be highly recommended. This is because microfinance's, Sacco's and credit bureaus are also part of the financial system and small and medium enterprises also seek loan and other credit services from those institutions.

In addition, this study was based on secondary data which is historical in nature any may not reflect the day to day lending practices. Addition, some of the commercial banks data on lending was not available hence this study suggests an investigation on the other determinants of lending to SMEs by seeking the direct views from credit managers in the various commercial banks in Kenya.

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APPENDICES

Appendix I: List of Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India.
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd.
9. Citibank N.A Kenya.
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Co-operative Bank of Kenya
13. Credit Bank Ltd.
14. Development Bank of Kenya
15. Diamond Trust Bank Kenya
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd.
18. Equatorial Commercial Bank
19. Equity Bank Ltd.
20. Family Bank Limited.
21. Fidelity Commercial Bank
22. Fina Bank Ltd.
23. First community Bank.
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd.
26. Gulf African Bank Limited.
27. Habib Bank A.G Zurich.
28. Habib Bank Ltd.
29. Imperial Bank Ltd.
30. I & M Bank Ltd.
31. Jamii Bora Bank Limited.
32. Kenya Commercial Bank.
33. K-Rep Bank Ltd.
34. Middle East Bank (K) Ltd.
35. National Bank of Kenya Ltd.
36. NIC Bank Ltd.
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank Ltd.
40. Standard Chartered Bank Kenya Ltd.
41. Trans-National Bank Ltd.
42. UBA Kenya Bank Limited.
43. Victoria Commercial Bank

Appendix II: Panel Data of the Sampled Commercial Banks

Bank No.	Year	Lending	Bank size	Credit risk	Liquidity ratio	Volume of Deposit	Interest Rate
Bank 1	2014	8.254	8.455	0.027	0.043	45.171	19
Bank 1	2013	8.137	8.364	0.023	0.051	43.163	22
Bank 1	2012	8.076	8.303	0.027	0.044	38.930	20
Bank 1	2011	8.039	8.226	0.025	0.042	41.380	15
Bank 1	2010	7.938	8.188	0.025	0.042	36.230	14
Bank 2	2014	8.453	8.690	0.032	0.085	129.435	18
Bank 2	2013	8.357	8.593	0.035	0.049	107.669	17
Bank 2	2012	8.326	8.566	0.035	0.050	100.113	21
Bank 2	2011	8.298	8.519	0.033	0.057	92.097	15
Bank 2	2010	8.171	8.400	0.051	0.048	70.005	14
Bank 3	2014	8.331	8.537	0.024	0.034	132.648	17
Bank 3	2013	8.234	8.444	0.027	0.041	105.239	17
Bank 3	2012	8.133	8.386	0.013	0.046	90.696	20
Bank 3	2011	8.056	8.293	0.014	0.050	77.869	15
Bank 3	2010	7.894	8.155	0.027	0.081	56.677	13
Bank 4	2014	8.098	8.354	0.020	0.042	60.719	20
Bank 4	2013	8.073	8.316	0.017	0.040	57.301	19
Bank 4	2012	8.018	8.267	0.020	0.048	51.418	22
Bank 4	2011	8.000	8.224	0.033	0.040	45.781	18
Bank 4	2010	7.940	8.237	0.038	0.044	46.739	15
Bank 5	2014	8.089	8.347	0.040	0.024	86.384	20
Bank 5	2013	8.113	8.343	0.014	0.025	88.334	19
Bank 5	2012	8.052	8.291	0.009	0.022	78.891	21
Bank 5	2011	7.983	8.215	0.004	0.023	75.821	16
Bank 5	2010	7.781	8.155	0.006	0.025	61.046	15
Bank 6	2014	7.817	8.090	0.057	0.027	15.521	18
Bank 6	2013	7.597	7.966	0.045	0.044	11.140	17
Bank 6	2012	7.453	7.827	0.033	0.051	7.837	20
Bank 6	2011	7.448	7.837	0.017	0.040	8.040	15
Bank 6	2010	7.319	7.778	0.015	0.041	6.867	14
Bank 7	2014	8.009	8.164	0.028	0.014	33.080	19
Bank 7	2013	7.922	8.083	0.037	0.015	35.898	18
Bank 7	2012	7.855	8.035	0.019	0.012	32.027	20
Bank 7	2011	7.753	7.898	0.021	0.011	33.974	16
Bank 7	2010	7.610	7.771	0.023	0.012	27.424	15
Bank 8	2014	8.007	8.188	0.009	0.011	40.233	18
Bank 8	2013	7.963	8.150	0.005	0.015	35.799	18

Bank 8	2012	7.944	8.161	0.003	0.014	40.825	21
Bank 8	2011	7.822	8.034	0.006	0.009	30.469	15
Bank 8	2010	7.701	7.939	0.010	0.011	24.250	14
Bank 9	2014	8.139	8.325	0.008	0.026	168.671	18
Bank 9	2013	8.045	8.221	0.007	0.027	151.643	18
Bank 9	2012	7.943	8.132	0.007	0.024	124.605	21
Bank 9	2011	7.853	8.032	0.006	0.023	112.617	15
Bank 9	2010	7.710	7.922	0.008	0.094	105.198	14
Bank 10	2014	7.287	7.659	0.027	0.023	25.674	18
Bank 10	2013	7.254	7.564	0.029	0.036	24.335	18
Bank 10	2012	7.152	7.402	0.013	0.057	29.740	20
Bank 10	2011	7.073	7.355	0.020	0.042	37.169	17
Bank 10	2010	7.007	7.321	0.077	0.105	34.412	16
Bank 11	2014	8.005	8.258	0.023	0.074	65.470	19
Bank 11	2013	8.016	8.257	0.014	0.073	65.914	18
Bank 11	2012	7.821	8.125	0.011	0.022	28.891	21
Bank 11	2011	7.977	8.177	0.008	0.066	78.690	15
Bank 11	2010	7.876	8.146	0.022	0.064	62.623	14
Bank 12	2014	7.579	7.791	0.089	0.117	37.855	19
Bank 12	2013	7.446	7.639	0.100	0.126	31.042	18
Bank 12	2012	7.252	7.491	0.139	0.176	44.189	20
Bank 12	2011	7.213	7.415	0.071	0.086	44.289	17
Bank 12	2010	7.009	7.305	0.094	0.120	32.490	16
Bank 13	2014	7.093	7.487	0.002	0.004	62.476	17
Bank 13	2013	7.028	7.536	0.003	0.003	56.608	17
Bank 13	2012	7.001	7.396	0.006	0.002	45.869	19
Bank 13	2011	6.955	7.069	0.004	0.033	44.216	15
Bank 13	2010	6.645	6.999	0.002	0.025	44.122	15
Bank 14	2014	6.743	6.948	0.051	0.026	6.558	18
Bank 14	2013	6.636	6.864	0.034	0.023	5.160	17
Bank 14	2012	6.493	6.807	0.045	0.024	5.097	19
Bank 14	2011	6.460	6.732	0.058	0.033	5.117	14
Bank 14	2010	6.285	6.656	0.082	0.025	4.221	15
Bank 15	2014	6.964	7.178	0.155	0.043	6.900	18
Bank 15	2013	7.036	7.225	0.082	0.029	11.592	19
Bank 15	2012	7.003	7.255	0.064	0.030	11.997	15
Bank 15	2011	6.964	7.185	0.053	0.023	11.877	15
Bank 15	2010	6.782	7.020	0.070	0.023	7.300	15
Bank 16	2014	7.758	8.038	0.023	0.049	7.985	19
Bank 16	2013	7.617	7.896	0.013	0.027	9.001	18
Bank 16	2012	7.473	7.696	0.021	0.142	8.955	20

Bank 16	2011	7.261	7.562	0.012	0.082	12.876	16
Bank 16	2010	7.047	7.340	0.019	0.076	13.945	14
Bank 17	2014	7.026	7.199	0.045	0.043	10.587	18
Bank 17	2013	6.949	7.121	0.052	0.064	8.525	18
Bank 17	2012	6.842	6.980	0.086	0.075	5.835	20
Bank 17	2011	6.830	6.969	0.083	0.097	5.656	16
Bank 17	2010	6.720	6.885	0.137	0.085	4.786	14
Bank 18	2014	6.931	7.229	0.067	0.006	32.497	17
Bank 18	2013	6.909	7.192	0.065	0.009	31.788	19
Bank 18	2012	6.841	7.127	0.076	0.009	24.330	17
Bank 18	2011	6.771	7.061	0.092	0.010	18.833	15
Bank 18	2010	6.631	7.103	0.072	0.009	16.868	15
Bank 19	2014	7.003	7.220	0.152	0.016	6.136	19
Bank 19	2013	6.956	7.192	0.069	0.017	5.981	18
Bank 19	2012	6.877	7.149	0.040	0.016	7.522	20
Bank 19	2011	6.822	7.111	0.037	0.014	6.627	17
Bank 19	2010	6.681	7.017	0.101	0.013	5.916	15
Bank 20	2014	6.990	7.184	0.096	0.084	36.614	19
Bank 20	2013	6.858	7.053	0.045	0.071	33.107	18
Bank 20	2012	6.737	6.890	0.047	0.070	29.443	16
Bank 20	2011	6.630	6.769	0.073	0.067	25.666	15
Bank 20	2010	6.420	6.885	0.137	0.065	24.806	15
Bank 21	2014	6.887	7.178	0.016	0.010	10.886	18
Bank 21	2013	6.839	7.134	0.027	0.010	14.273	18
Bank 21	2012	6.742	7.089	0.013	0.010	13.828	21
Bank 21	2011	6.803	7.074	0.012	0.008	13.488	15
Bank 21	2010	6.693	7.010	0.013	0.068	14.173	14
Bank 22	2014	6.983	7.163	0.043	0.011	28.073	17
Bank 22	2013	6.935	7.108	0.040	0.012	24.826	20
Bank 22	2012	6.854	7.070	0.039	0.015	23.081	15
Bank 22	2011	6.788	6.898	0.023	0.018	25.217	15
Bank 22	2012	6.542	6.770	0.021	0.017	24.421	15
Bank 23	2014	7.140	7.296	0.045	0.039	44.234	17
Bank 23	2013	7.028	7.206	0.039	0.063	36.334	20
Bank 23	2012	6.975	7.132	0.023	0.043	46.850	15
Bank 23	2011	6.872	7.111	0.037	0.049	45.780	15
Bank 23	2010	6.797	6.982	0.015	0.037	32.973	15
Bank 24	2014	7.491	7.753	0.033	0.012	29.345	18
Bank 24	2013	7.418	7.634	0.032	0.010	38.988	17
Bank 24	2012	7.328	7.580	0.021	0.019	26.236	21
Bank 24	2011	7.195	7.436	0.024	0.013	18.394	17

Bank 24	2010	7.047	7.293	0.032	0.037	12.688	14
Bank 25	2014	6.665	6.895	0.037	0.109	3.787	19
Bank 25	2013	6.606	6.846	0.035	0.085	3.307	18
Bank 25	2012	6.538	6.794	0.042	0.159	2.924	20
Bank 25	2011	6.447	6.702	0.050	0.098	2.257	16
Bank 25	2010	6.389	6.659	0.037	0.127	2.064	15
Bank 26	2014	7.538	7.740	0.008	0.009	15.587	20
Bank 26	2013	7.427	7.694	0.010	0.008	14.337	19
Bank 26	2012	7.325	7.638	0.014	0.009	15.558	24
Bank 26	2011	7.265	7.546	0.019	0.010	15.373	16
Bank 26	2010	7.171	7.511	0.017	0.008	19.643	15
Bank 27	2014	6.790	7.010	0.045	0.038	8.024	19
Bank 27	2013	6.724	6.985	0.064	0.046	7.512	18
Bank 27	2012	6.627	6.945	0.058	0.132	10.500	21
Bank 27	2011	6.520	6.863	0.052	0.113	8.531	16
Bank 27	2010	6.287	6.678	0.113	0.126	4.900	15
Bank 28	2014	6.030	6.441	0.253	0.364	135.158	19
Bank 28	2013	5.972	6.422	0.071	0.323	134.726	17
Bank 28	2012	5.819	6.344	0.006	0.402	107.804	21
Bank 28	2011	5.839	6.283	0.009	0.296	90.632	17
Bank 28	2010	5.800	6.209	0.021	0.053	98.549	15
Bank 29	2014	7.041	7.237	0.000	0.011	21.955	19
Bank 29	2013	6.922	7.135	0.000	0.004	16.429	17
Bank 29	2012	6.724	7.014	0.000	0.005	13.562	20
Bank 29	2011	6.614	6.883	0.000	0.004	15.933	16
Bank 29	2010	6.542	6.793	0.000	0.005	12.687	14
Bank 30	2014	6.5398	6.7735	0.169	0.023	9.1396	15
Bank 30	2013	6.5695	6.7609	0.109	0.047	8.9227	15
Bank 30	2012	6.432	7.215	0.010	0.034	10.292	14
Bank 30	2011	6.321	7.114	0.008	0.035	11.362	14
Bank 30	2010	6.111	6.993	0.005	0.014	12.328	15
Bank 31	2014	6.6653	6.8953	0.0369	0.1088	3.7869	19
Bank 31	2013	6.6059	6.8455	0.0350	0.0850	3.3072	18
Bank 31	2012	6.5382	6.7938	0.0421	0.1591	2.9237	20
Bank 31	2011	6.4470	6.7016	0.0496	0.0978	2.2574	17
Bank 31	2010	6.3893	6.6588	0.0367	0.1266	2.0644	14
Bank 32	2014	6.999	8.598	4.150	6.197	8.725	16
Bank 32	2013	6.8609	7.7774	4.2468	5.2962	7.0533	21
Bank 32	2012	6.8221	7.2540	3.0099	4.2455	6.0302	19
Bank 32	2011	6.721	7.215	2.253	3.439	6.820	15
Bank 32	2010	6.556	7.114	0.008	3.481	6.034	15

Bank 33	2014	7.361	7.662	0.044	0.020	2.658	19
Bank 33	2013	7.266	7.567	0.039	0.022	3.222	21
Bank 33	2012	7.145	7.502	0.149	0.399	3.736	17
Bank 33	2011	7.046	7.065	0.133	0.028	2.120	17
Bank 33	2010	7.139	7.129	0.036	0.025	2.129	16
Bank 34	2014	7.070	7.038	0.015	0.006	52.257	18
Bank 34	2013	7.373	7.716	0.010	0.006	44.446	19
Bank 34	2012	7.781	8.155	0.006	0.025	61.046	15
Bank 34	2011	7.817	8.090	0.057	0.027	15.521	18
Bank 34	2010	7.597	7.966	0.045	0.044	11.140	17
Bank 35	2014	7.666	7.887	0.029	0.033	10.203	19
Bank 35	2013	7.579	7.823	0.027	0.043	10.227	20
Bank 35	2012	7.233	7.838	0.020	0.040	11.235	17
Bank 35	2011	7.042	7.617	0.025	0.025	10.941	16
Bank 35	2010	7.156	7.650	0.019	0.036	13.990	15
Bank 36	2014	7.136	7.344	0.031	0.012	16.369	19
Bank 36	2013	7.060	7.315	0.026	0.011	16.038	19
Bank 36	2012	7.006	7.294	0.017	0.013	15.411	20
Bank 36	2011	6.850	7.099	0.019	0.016	9.993	17
Bank 36	2010	6.723	7.015	0.020	0.017	7.967	16

Appendix III: Data Collection Worksheet

	000"	000"	000"	000"	000"
Bank 1	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	179,486,355	137,087,227	119,087,748	109,408,815	86,618,311
Total assets	285,396,067	231,215,359	200,886,582	168,311,601	154,339,991
Non Performing loan	7,669,784	5,426,485	5,333,610	4,137,157	3,816,545
Liquid Assets	9,455,086	9,196,193	7,170,048	6,072,339	5,298,211
Total deposits	220,857,767	180,887,458	163,148,882	144,513,592	126,527,469
Capital	4,889,317	4,190,844	4,190,844	3,492,370	3,492,370
Annual interest rate	19	22	20	15	14
Bank 2	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	283,732,205	227,721,781	211,664,226	198,724,919	148,113,364
Total assets	490,338,324	391,479,179	368,428,285	330,716,159	251,356,200
Non Performing loan	15,815,858	13,520,722	12,934,151	11,002,669	12,786,852
Liquid Assets	33,275,231	15,759,310	14,941,781	15,697,286	10,009,715
Total deposits	391,567,505	321,310,166	297,370,956	273,413,998	206,532,023
Capital	3,025,213	2,984,228	2,970,340	2,968,746	2,950,260
Annual interest rate	18	17	21	15	14
Bank 3	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	214,170,424	171,363,429	135,692,125	113,823,792	78,301,921
Total assets	344,571,649	277,728,818	243,170,458	196,293,896	143,018,114
Non Performing loan	8,230,243	7,530,243	3,055,329	2,688,757	3,903,568
Liquid Assets	8,440,563	7,965,319	7,703,654	7,166,639	8,500,359
Total deposits	245,582,271	194,838,677	167,912,783	144,164,861	104,930,426
Capital	1,851,388	1,851,388	1,851,388	1,851,388	1,851,388
Annual interest rate	17	17	20	15	13
Bank 4	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	125,423,371	118,361,911	104,204,295	99,900,633	87,146,982
Total assets	226,118,124	207,009,618	185,101,570	167,304,940	172,690,915
Non Performing loan	4,554,426	3,579,909	3,771,579	5,482,310	6,539,338
Liquid Assets	6,956,130	6,294,488	6,733,037	5,032,012	5,642,799
Total deposits	164,899,855	155,617,244	139,639,472	124,329,931	126,931,442
Capital	2,715,768	2,715,768	2,715,768	2,715,768	2,715,767
Annual interest rate	20	19	22	18	15
Bank 5	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	122,749,233	129,672,004	112,694,523	96,097,823	60,336,829
Total assets	222,495,824	220,391,180	195,352,756	164,046,624	142,746,249
Non Performing loan	8,887,564	3,106,826	1,692,193	676,746	791,667
Liquid Assets	3,742,061	3,991,672	3,158,221	2,926,464	2,663,148
Total deposits	157,718,875	161,280,021	144,039,090	130,062,036	104,716,745

Capital	1,825,798	1,825,798	1,825,798	1,715,386	1,715,386
Annual interest rate	20	19	21	16	15
Bank 6	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	65,641,491	39,566,678	28,346,668	28,068,218	20,844,635
Total assets	123,091,996	92,555,717	67,154,805	68,664,516	60,026,694
Non Performing loan	7,048,129	4,169,649	2,196,072	1,154,675	906,634
Liquid Assets	2,980,344	3,501,986	2,845,876	2,250,352	1,988,893
Total deposits	109,811,334	78,817,678	55,446,119	56,883,776	48,584,810
Capital	7,075,000	7,075,000	7,075,000	7,075,000	7,075,000
Annual interest rate	18	17	20	15	14
Bank 7	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	102,042,135	83,493,313	71,540,092	56,624,621	40,754,979
Total assets	145,780,504	121,062,739	108,348,593	78,984,005	59,013,922
Non Performing loan	4,032,008	4,520,926	2,050,874	1,625,565	1,383,193
Liquid Assets	1,472,964	1,470,152	1,081,131	718,687	581,101
Total deposits	105,846,618	97,461,339	86,950,856	67,081,700	49,225,676
Capital	3,199,728	2,714,921	2,714,921	1,974,488	1,794,989
Annual interest rate	19	18	20	16	15
Bank 8	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	101,610,562	91,882,664	87,835,118	66,365,870	50,272,886
Total assets	154,163,487	141,364,216	144,725,073	108,063,712	86,897,691
Non Performing loan	1,407,884	704,900	490,761	684,015	861,349
Liquid Assets	1,255,152	1,498,209	1,640,169	762,300	773,190
Total deposits	115,880,696	103,109,198	117,586,497	87,758,964	69,602,183
Capital	2,880,245	2,880,245	2,880,245	2,880,245	2,870,245
Annual interest rate	18	18	21	15	14
Bank 9	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	137,654,551	110,945,439	87,707,243	71,297,721	51,260,068
Total assets	211,539,412	166,520,351	135,461,412	107,765,064	83,600,177
Non Performing loan	1,603,182	1,210,827	957,054	636,967	689,775
Liquid Assets	4,209,824	3,660,226	2,614,455	2,027,630	6,465,148
Total deposits	163,348,180	133,506,710	109,702,558	88,131,356	68,604,930
Capital	968,440	880,400	880,400	782,578	652,148
Annual interest rate	18	18	21	15	14
Bank 10	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	19,347,818	17,955,308	14,180,269	11,835,689	10,165,285
Total assets	45,554,406	36,609,606	25,260,846	22,645,013	20,943,933
Non Performing loan	1,238,556	1,069,775	329,810	450,666	1,619,268
Liquid Assets	768,299	1,052,323	1,240,381	831,558	1,915,445
Total deposits	32,771,731	29,498,462	21,747,603	19,636,629	18,180,318
Capital	1,276,480	1,212,171	731,249	528,308	528,308

Annual interest rate	18	18	20	17	16
Bank 11	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	101,210,110	103,847,691	66,149,841	94,884,596	75,224,630
Total assets	180,998,985	180,511,797	133,378,181	150,171,015	140,080,202
Non Performing loan	3,023,730	1,784,847	1,048,363	861,523	1,887,696
Liquid Assets	9,555,580	9,466,550	2,147,711	7,104,647	5,444,892
Total deposits	129,409,143	130,285,985	98,563,403	107,681,320	85,694,598
Capital	1,976,608	1,976,608	3,411,549	1,368,421	1,368,421
Annual interest rate	19	18	21	15	14
Bank 12	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	37,925,476	27,943,360	17,868,745	16,332,359	10,208,137
Total assets	61,834,403	43,513,903	30,989,337	26,001,753	20,188,378
Non Performing loan	2,389,674	2,013,706	2,445,891	1,824,592	1,000,180
Liquid Assets	5,532,611	4,356,675	4,320,688	1,835,028	1,894,335
Total deposits	47,136,480	34,582,587	24,613,302	21,443,927	15,731,247
Capital	1,245,186	1,114,046	556,995	484,185	484,185
Annual interest rate	19	18	20	17	16
Bank 13	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	12,375,611	10,672,752	10,014,941	9,014,841	8,014,942
Total assets	30,721,440	34,370,422	24,876,824	21,876,824	18,876,825
Non Performing loan	69,208	107,078	157,653	143,653	133,640
Liquid Assets	112,354	88,363	42,260	41,260	37,280
Total deposits	28,114,148	25,473,537	20,641,237	18,641,237	16,541,233
Capital	450,000	450,000	450,000	450,000	450,000
Annual interest rate	17	17	19	15	15
Bank 14	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	5,527,640	4,328,080	3,112,099	2,883,261	1,926,918
Total assets	8,864,537	7,308,855	6,407,485	5,394,064	4,530,094
Non Performing loan	455,550	249,298	288,723	315,368	373,111
Liquid Assets	193,068	135,964	121,162	141,090	89,235
Total deposits	7,541,480	5,934,134	5,096,506	4,252,711	3,507,829
Capital	1,150,000	1,150,000	1,000,000	831,063	831,063
Annual interest rate	18	17	19	14	15
Bank 15	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	9,212,581	10,855,492	10,077,068	9,197,024	6,047,276
Total assets	15,077,051	16,778,631	18,000,858	15,318,148	10,478,682
Non Performing loan	2,330,985	1,382,349	1,149,632	813,243	732,918
Liquid Assets	477,031	379,851	402,168	301,412	187,781
Total deposits	11,175,461	12,977,300	13,431,204	13,296,266	8,173,072
Capital	1,619,530	1,119,530	1,119,530	1,119,530	1,119,530
Annual interest rate	18	19	15	15	15

Bank 16	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	57,236,098	41,429,897	29,742,477	18,243,804	11,131,009
Total assets	109,158,624	78,768,838	49,672,063	36,449,609	21,858,603
Non Performing loan	2,500,471	1,025,693	1,051,508	432,440	417,848
Liquid Assets	3,891,840	1,726,833	5,720,150	2,647,808	1,479,404
Total deposits	79,853,887	63,003,553	40,298,792	32,190,493	19,522,748
Capital	10,000,000	7,000,000	4,500,000	2,500,000	1,400,000
Annual interest rate	19	18	20	16	14
Bank 17	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	10,608,254	8,892,085	6,954,783	6,754,243	5,252,438
Total assets	15,798,777	13,199,239	9,546,050	9,318,715	7,670,049
Non Performing loan	707,316	688,071	820,982	771,943	1,053,670
Liquid Assets	521,364	622,949	497,309	627,453	463,988
Total deposits	12,065,178	9,714,983	6,649,643	6,446,016	5,454,468
Capital	1,139,613	1,139,613	1,139,612	1,139,612	1,139,612
Annual interest rate	18	18	20	16	14
Bank 18	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	8,527,632	8,108,467	6,931,620	5,901,794	4,801,794
Total assets	16,944,142	15,574,646	13,411,458	11,517,988	10,317,981
Non Performing loan	1,140,051	1,008,380	1,015,588	1,055,195	955,194
Liquid Assets	73,145	94,186	76,263	68,131	56,132
Total deposits	11,292,787	11,046,404	8,454,744	6,544,356	4,544,316
Capital	347,500	347,500	347,500	347,500	347,500
Annual interest rate	17	19	17	15	15
Bank 19	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	10,067,792	9,029,000	7,538,422	6,635,194	4,792,435
Total assets	16,589,359	15,562,476	14,108,996	12,926,902	10,404,500
Non Performing loan	2,525,326	1,076,258	560,305	475,805	1,046,034
Liquid Assets	239,458	232,387	211,378	161,337	111,314
Total deposits	14,849,807	13,856,428	12,962,847	11,420,217	8,892,470
Capital	2,420,035	2,316,756	1,723,238	1,723,238	1,503,238
Annual interest rate	19	18	20	17	15
Bank 20	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	9,765,509	7,211,504	5,452,627	4,352,621	4,052,631
Total assets	15,278,026	11,305,398	9,958,767	9,158,787	8,858,783
Non Performing loan	1,470,474	503,978	768,055	608,055	508,255
Liquid Assets	1,117,328	705,724	622,309	522,309	501,319
Total deposits	13,338,591	9,932,242	8,832,862	7,832,862	6,872,862
Capital	364,300	300,000	300,000	300,000	300,000
Annual interest rate	19	18	16	15	15
Bank 21	**2014**	**2013**	**2012**	**2011**	**2010**

Net loan and Advances	7,716,949	6,908,548	5,519,203	6,360,245	4,933,235
Total assets	15,082,199	13,623,296	12,279,809	11,846,372	10,233,964
Non Performing loan	247,393	374,602	164,146	142,100	137,243
Liquid Assets	122,154	111,314	103,713	84,096	591,670
Total deposits	12,518,565	11,461,667	10,426,360	10,169,683	8,719,273
Capital	1,150,000	803,010	754,000	754,000	615,200
Annual interest rate	18	18	21	15	14
Bank 22	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	9,626,964	8,604,312	7,153,027	6,153,000	5,253,001
Total assets	14,570,598	12,834,687	11,745,364	10,655,364	9,555,323
Non Performing loan	625,077	508,826	460,664	440,661	300,664
Liquid Assets	138,360	137,637	151,549	151,549	121,550
Total deposits	12,643,341	11,181,138	10,395,080	9,495,080	8,235,023
Capital	450,375	450,375	450,375	450,375	450,375
Annual interest rate	17	20	15	15	15
Bank 23	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	13,790,646	10,665,498	9,446,582	7,439,551	6,270,884
Total assets	19,749,862	16,053,971	13,561,818	12,915,174	9,594,061
Non Performing loan	896,328	621,550	317,562	474,399	142,004
Liquid Assets	638,856	819,806	503,686	563,083	308,349
Total deposits	16,203,933	13,022,210	11,712,542	11,445,021	8,243,312
Capital	366,324	358,400	250,000	250,000	250,000
Annual interest rate	17	20	15	15	15
Bank 24	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	30,997,838	26,171,720	21,292,362	15,659,319	11,152,828
Total assets	56,599,361	43,006,228	38,048,609	27,278,185	19,642,199
Non Performing loan	1,847,430	1,385,878	784,324	663,001	620,580
Liquid Assets	455,056	497,261	606,489	302,343	581,573
Total deposits	36,633,791	48,673,191	32,752,833	22,963,404	15,839,364
Capital	1,248,400	1,248,400	1,248,400	1,248,400	1,248,400
Annual interest rate	18	17	21	17	14
Bank 25	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	4,627,523	4,035,281	3,452,899	2,798,853	2,450,600
Total assets	7,857,515	7,006,528	6,219,906	5,030,090	4,558,349
Non Performing loan	289,970	244,988	261,741	249,666	167,256
Liquid Assets	678,037	462,709	764,759	363,033	429,510
Total deposits	6,231,436	5,442,010	4,806,224	3,710,871	3,393,661
Capital	1,645,513	1,645,513	1,643,896	1,643,896	1,643,896
Annual interest rate	19	18	20	16	15
Bank 26	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	34,481,269	26,751,542	21,150,662	18,393,706	14,836,692

Total assets	54,917,674	49,460,889	43,462,888	35,184,677	32,444,424
Non Performing loan	461,601	499,434	589,701	669,992	544,606
Liquid Assets	434,470	346,135	348,378	319,455	228,684
Total deposits	46,761,910	43,010,943	38,894,595	30,746,400	27,500,155
Capital	3,000,000	3,000,000	2,500,000	2,000,000	1,400,000
Annual interest rate	20	19	24	16	15
Bank 27	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	6,162,672	5,297,179	4,238,908	3,308,068	1,937,580
Total assets	10,239,922	9,657,867	8,801,382	7,286,906	4,761,852
Non Performing loan	458,197	614,668	512,061	380,716	536,624
Liquid Assets	307,857	342,414	849,079	590,497	378,979
Total deposits	8,023,621	7,512,233	6,451,636	5,241,741	3,010,470
Capital	1,000,000	1,000,000	614,432	614,432	614,432
Annual interest rate	19	18	21	16	15
Bank 28	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	1,071,859	937,620	658,922	689,625	630,626
Total assets	2,762,573	2,642,296	2,209,360	1,920,435	1,617,696
Non Performing loan	698,865	187,935	13,439	16,936	33,963
Liquid Assets	812,359	716,803	714,115	434,218	68,056
Total deposits	2,228,891	2,221,764	1,777,788	1,465,332	1,274,627
Capital	16,491	16,491	16,491	16,168	12,934
Annual interest rate	19	17	21	17	15
Bank 29	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	10,979,238	8,363,452	5,291,220	4,110,436	3,484,944
Total assets	17,244,092	13,644,242	10,322,819	7,645,235	6,215,384
Non Performing loan	0	0	0	0	0
Liquid Assets	137,289	41,992	38,015	24,659	24,199
Total deposits	12,925,214	9,573,638	7,903,039	6,359,548	5,064,169
Capital	588,721	582,721	582,721	399,149	399,149
Annual interest rate	19	17	20	16	14
They write off their non performing loans					
Bank 30	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	3,466,021	3,711,305	3,411,302	2,911,411	2,911,411
Total assets	5,936,601	5,765,799	5,565,777	4,865,232	4,865,232
Non Performing loan	1,003,280	627,939	600,949	589,256	589,256
Liquid Assets	107,349	210,303	211,343	201,865	201,865
Total deposits	4,632,220	4,522,281	4,112,281	3,912,281	3,912,281
Capital	506,831	506,831	506,831	506,831	506,831
Annual interest rate	15	15	14	14	15
Bank 31	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	4,627,523	4,035,281	3,452,899	2,798,853	2,450,600

Total assets	7,857,515	7,006,528	6,219,906	5,030,090	4,558,349
Non Performing loan	289,970	244,988	261,741	249,666	167,256
Liquid Assets	678,037	462,709	764,759	363,033	429,510
Total deposits	6,231,436	5,442,009	4,806,224	3,710,871	3,393,661
Capital	1,645,513	1,645,513	1,643,896	1,643,896	1,643,896
Annual interest rate	19	18	20	17	14
Bank 32	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	9,258,703	7,258,702	6,638,611	6,238,622	5,838,300
Total assets	14,785,000	12,785,019	11,772,322	11,002,322	10,002,345
Non Performing loan	690,220	590,227	686,338	612,337	62,347
Liquid Assets	207,801	197,808	161,576	159,576	157,511
Total deposits	13,306,000	11,306,274	10,528,699	10,528,699	9,828,647
Capital	1,000,182	1,000,182	1,000,182	1,000,182	1,000,182
Annual interest rate	16	21	19	15	15
Bank 33	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	22,982,094	18,459,837	13,968,266	12,177,266	11,256,267
Total assets	45,934,458	36,907,136	31,771,339	30,121,330	28,121,445
Non Performing loan	2,002,062	1,436,297	707,595	6,889,521	6,158,222
Liquid Assets	905,034	819,380	595,391	591,312	491,231
Total deposits	32,413,989	25,350,566	21,475,301	20,475,311	18,275,320
Capital	12,194,050	7,869,050	5,748,050	5,648,000	5,008,000
Annual interest rate	19	21	17	17	16
Bank 34	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	28,388,852	23,578,560	22,578,411	22,578,411	20,578,232
Total assets	61,944,650	52,021,524	48,561,511	46,561,521	39,561,333
Non Performing loan	945,880	525,160	511,160	511,160	512,023
Liquid Assets	307,935	265,970	225,925	225,925	211,923
Total deposits	51,719,539	43,988,598	41,988,540	41,988,540	40,012,525
Capital	989,717	989,717	989,717	989,717	989,717
Annual interest rate	18	19	15	18	17
Bank 35	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	46,372,306	37,938,349	37,587,836	29,982,267	19,557,600
Total assets	77,075,795	66,537,981	62,659,045	52,867,650	36,453,619
Non Performing loan	2,202,666	1,767,371	1,231,274	388,574	317,586
Liquid Assets	1,771,254	2,089,048	1,943,903	1,390,457	1,097,407
Total deposits	53,829,350	48,756,842	48,323,528	37,944,571	30,777,931
Capital	5,275,991	4,167,663	3,400,000	3,400,000	2,200,000
Annual interest rate	19	20	17	16	15
Bank 36	**2014**	**2013**	**2012**	**2011**	**2010**
Net loan and Advances	13,679,881	11,491,145	10,133,792	7,073,553	5,288,180
Total assets	22,073,123	20,643,733	19,697,835	12,566,087	10,348,739

Non Performing loan	693,254	543,837	335,095	238,138	208,305
Liquid Assets	203,012	186,527	215,514	167,708	144,246
Total deposits	17,186,956	16,839,803	16,181,260	10,492,501	8,365,790
Capital	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Annual interest rate	19	19	20	17	15