

**STRATEGIES EMPLOYED BY BUSINESS PARTNERS INTERNATIONAL
KENYA LIMITED TO PROVIDE TAILOR MADE LOANS TO BUSINESS
WOMEN IN THE SMALL AND MEDIUM ENTERPRISES SECTOR IN
NAIROBI**

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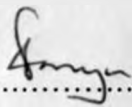
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS OF THE MASTER OF BUSINESS
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DECLARATION

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

Student

Signed 

..... 10/11/2009

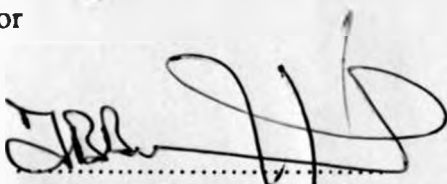
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This project has been submitted for examination with my approval as a university supervisor.

Supervisor

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DATE

SUPERVISOR

DEDICATION

To my parents and siblings, you inspire me everyday to achieve more and to do more without you completion of this project would not have been possible.

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ABSTRACT

While access to finance is an obstacle to all firms, women have consistently rated it as the single biggest constraint preventing them from growing their businesses. Research findings indicate that female entrepreneurs are fast becoming significant contributors to the African economy as business owners and job creators. This study sought to find out the strategies employed by Business Partners International Kenya limited to provide tailor made loans to business women in the small and medium enterprises sector in Nairobi. The objective of the study was to identify the strategies used by Business Partners International Kenya Limited to provide tailor made loans to business women in the SME sector in Nairobi. The research design used in this study was a case study method. The study used both primary and secondary data. Primary data was collected through an interview guide which was administered to the investment team at BPI – Kenya Limited. Secondary data was also obtained from various policy documents. In this study, the informants were all investment officers with diverse ranks. The company is managed by a specialist investment team who understand the various businesses needs be it a need for finance, information, markets, a network base or mentors. With regard to strategies employed, all the informants confirmed the existence of a strategic plan at BPI Kenya Limited. Potential investments or loans are assessed on the viability of a business. This means that the company does not have the same security requirements that commercial banks do. BPI structures its products to suit women entrepreneurs in the SME sector by advancing unsecured loans where collateral does not exist, while at the same time ensuring the products suit the business cycles and cash flows. In addition, applicants who qualify for investment financing under the BPI fund are able to benefit from a technical assistance program that has been especially set up for this fund.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises (SMEs) in Kenya experience a myriad of challenges that limit their growth. These include inadequate business capital, stiff competition in saturated markets, poor infrastructure and an inappropriate legal framework. However, women entrepreneurs suffer more than men due to socio-cultural factors for example, lack of ownership and access to resources like land which are required as collateral to secure loans.

McCormick (2001) noted significant differences in the performance of women's enterprises as compared to those owned by men. Their enterprises are smaller, less likely to grow, less profitable, and begin with less capital investment than those owned by men. In addition, there is a great deal of gender segregation by sector (with women dominating in food processing, beer brewing, hair dressing and dressmaking while men dominate metalwork, carpentry, vehicle repair, shoe making, construction and transport).

Business Partners International Kenya (BPI Kenya) Limited has identified women owned Small and Medium Enterprises (SMEs) as a target niche that requires support. It is expected that financial and technical support to this sector will trigger economic development of African countries, given that 90% of the private sector initiative focuses on SMEs of which 50% are women owned.

1.1.1 Strategic Management Process

To deal efficiently with all that affects the ability of the company to grow profitably, executives design strategic management processes that will facilitate the optimal positioning of the firm in its competitive environment. Robinson and Pearce (2001), defines strategic management as a set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve objectives of an organization. Strategy involves coming up with large scale, future oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. Thus, a strategy represents a firm's game plan. Although it does not precisely detail all future developments, it does provide a framework for managerial decisions. It reflects a company's awareness of how to compete against whom, when, where and for what

purpose. A company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. Thompson, Strickland and Gamble (2007) defines a company's strategy as being all about how – how management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how each functional piece of the business will be operated, and how performance will be boosted.

In the corporate world there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies. The lowest level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria.

1.1.2 SME Sector in Kenya and Women in the Sector

Stevenson and St. Onge, (2005) describe the Small and Medium Enterprise (SME) sector in Kenya based on employment size (and include both paid and unpaid workers). A micro-enterprise is defined as having no more than 10 employees; a small enterprise with 11 – 50 employees; and a medium/large enterprise with more than 50 employees. It is believed that financial and technical support to this sector will trigger economic development of African countries, given that 90% of the private sector initiative focus on SMEs of which 50% are women owned. According to the 1999 National Baseline Survey, there were approximately 1.3million SMEs employing 2.4million people. About 64.1% of SMEs were in the trade sector involving buying and selling, manufacturing and services accounted for 13% and 15% respectively.

The sector has recorded growth and the population of enterprises is estimated to be 2.8million employing about 6 million people. According to the Economic Survey 2005, employment in the sector grew by 37.2% from 4,668,700 in 2001 to 6,407,200 in 2005. SME sector plays a vital role in the development of the Kenyan economy through creating the bulk of the jobs, providing goods and services, democratizing the economy by providing an avenue for the majority to

contribute to economic development, creating a market for local raw materials and acting as a vehicle for country industrialization. In spite of the important role played by the SME sector, its growth has been hampered by various constraints including: limited access to finance and markets, poor infrastructure, inadequate technical and managerial skills, inappropriate legal and policy framework, inadequate access to information and gender inequality. The 1999 baseline survey indicates that Micro Small and Medium Enterprises (MSMEs) owned by women comprise 612,845 which was 47.7% of the total enterprises. Of these enterprises, 75% were involved in trade activities mainly in textile and leather. Women enterprises were found to be smaller in size (only 0.3% are in small and medium size category), and were less likely to employ others. They were less profitable and started with less capital compared to male counterparts.

Waweru (2007), states that a number of factors perpetuate gender inequality such as: women's lower level of education compared to men leading to limited managerial and technical skills to manage businesses; women, spend less time in the business due to family commitments, limited access to (markets as majority of the enterprises are located in close proximity to their residential areas to manage both the family and the business), and limited access to finance as ownership and control of property required by financiers is traditionally vested in men. In essence, women entrepreneurs face more constraints than men hence, need technical managerial and financial support to effectively grow their enterprises, be economically empowered and contribute to poverty alleviation.

1.1.3 The History of Access to Financial Support for Business Women in Kenya

While access to finance is an obstacle to all firms, women have consistently rated it as the single biggest constraint preventing them from growing their businesses. Research findings indicate that female entrepreneurs are fast becoming significant contributors to the African economy as business owners and job creators. According to the World Bank's International Finance Corporation (IFC), women own about 48 per cent of all enterprises in Africa but they have the hardest time gaining access to finance, Kimani, (2009). In Kenya, 61 per cent of household entrepreneurs are women, but two decades ago getting the necessary financing to expand businesses was difficult for them. Since Kenyan women own only about 1 percent of registered land titles, with 5 to 6 percent of titles held in joint names, few women are able to provide the collateral needed for loan requests. Thus even though women entrepreneurs make up nearly half

of all Micro and Small and Medium Enterprises (MSME) owners, they have less than 10 percent of the available credit. Women's businesses tend to be small and informal and are therefore more likely to face problems in accessing finance. The government's 2005 MSE Sessional Paper recognizes this issue, noting that lack of access to credit is a major constraint inhibiting the growth of the MSME sector, and more so for women entrepreneurs.

Women have access to informal savings mechanisms and microfinance institutions. However, even though microfinance is a great poverty reduction tool, it offers only limited support for women who wish to grow their enterprises beyond the micro level. Women business owners who have outgrown the maximum loan limits from microfinance institutions have great difficulties obtaining loans as small as Ksh 1million from commercial banks. But as commercial banks have realized that lending to women can be profitable, a number of financial institutions are employing strategies of supporting business women in the SME sector by developing financial solutions tailored for women entrepreneurs. To this end, Equity Bank Limited – a microfinance institution that has turned itself into a commercial bank; has partnered with the UN Development Programme (UNDP) to set up a fund to provide \$81 million in loans exclusively to women. The loans are called *fanikisha* (“make successful”). While the African Development Bank (ADB) and the International Labour Organization have jointly created a \$10 million guarantee scheme called Growth-Oriented Women Entrepreneurs (GOWE), with the ADB and IFC managing the operation. GOWE is intended to help about 400 women entrepreneurs in Kenya and other parts of Africa to secure access to financing by 2011. A third institution is Business Partners International – Kenya which is providing individually structured loans to businesses with a greater emphasis on women-owned enterprises.

1.1.4 Access to Credit for Business Women in other parts of Africa

In Nigeria, until recently, enterprising and capable women with solid businesses could not get loans because they lacked collateral requirements or credit histories. Most commercial banks, which had little familiarity with women's businesses or the market niches they occupy, believed that it was too risky to give them loans. But one such bank, Access Bank, thought it could finance women's businesses profitably. It approached the IFC, which provided it with a 15 million dollar line of credit for lending specifically to businesses owned by women. The loans were accompanied by business development advice and training to help women improve their business skills and operations; Kimani (2009). In South Africa, women entrepreneurs faced

challenges in reaching their full economic potential in a society which had previously discriminated against them on the basis of gender and race. Many women are now starting and expanding sustainable businesses through the assistance of financiers such as Business Partners. The Business Partners' Women Fund is enabling women through finance and mentoring. By dedicating a fund that assists women entrepreneurs to own and grow their own small and medium businesses, Business Partners wants to unlock economic growth and empower women.

1.1.5 Business Partners International Kenya Limited

The Business Partners International Kenya SME Fund is a local Kenya Investment Fund established by five institutional investors (International Finance Corporation, European Investment Bank, the CDC Group Plc, Transcentury Group and East African Development Bank) to provide funding or loans and added value solutions for SMEs from single owner businesses to partnerships and multi-owner ventures.

The fund is managed by Business Partners International Kenya Limited (BPI Kenya Limited) – a wholly owned subsidiary of Business Partners Limited, South Africa's leading Investment Company for small and medium enterprises. BPI Kenya Limited understands the unique needs of SMEs and does not impose the same capital or security requirements that many other financial institutions have. The right financial and added value services solution will be tailor made to meet the client's needs. Loan applicants may qualify for financing of between four (4) million Kenya Shillings and forty (40) million Kenya Shillings if they have a viable business proposition, integrity, drive and experience to manage a successful independent enterprise.

Should the proposed business plan be considered viable, a customized investment and added value solution is then developed for the business, taking into account whether the entrepreneur has a capital contribution or any other form of security to offer. Loan applications are considered from entrepreneurs who have capital or security to contribute to the venture as well as from those who do not, and individual loans are structured accordingly.

BPI Kenya recognizes that female entrepreneurs are fast becoming significant contributors to the country's economy and aims to help women reach their full economic potential in a society that previously discriminated against them. Women who propose sustainable business ideas or want to expand their existing enterprises are considered based on their individual vision and strength

and can expect favourable criteria such as limited own contribution or security, flexible interest rates as well as individually structured negotiated repayment terms. Women with a 25.1% - 49.9% business ownership (female engendered) or 50% - 100% ownership (female owned) who require a loan ranging from Ksh. 4million – Ksh. 40 million can apply for funding.

1.2 Statement of the Problem

Certain barriers in the business environment have a disproportionate effect on women entrepreneurs. One of the most important barriers is women's unequal access to property and land which makes them unable to secure loans for their businesses. Not surprisingly therefore, women rate access to finance as their key constraint. Without financing, women are unable to grow their businesses, and they remain stuck at the micro-enterprise level. The main source of finance for women entrepreneurs has been informal savings mechanisms and microfinance institutions. However, these offer limited support for women who want to grow their enterprises beyond the micro level to the SME level. Commercial banks have now realized that lending to women can be profitable, hence a number of financial institutions are employing strategies of supporting business women in the SME sector by developing financial solutions tailored for women entrepreneurs.

Various studies have been carried out on the SME sector in Kenya and women in business. However, these studies such as Chemengich and Gale (2005) touch on the Impact of AGOA (African Growth and Opportunity Act) on women owned and operated businesses in East and Central Africa. Waweru (2007) focused on providing baseline information for the purposes of designing a monitoring and evaluation system and to facilitate the design of a financing program aimed at women in business in various parts of Africa. Another study previously done on women entrepreneurs is Cutura (2007) which reviewed the various challenges faced by women in business in Kenya. The study focused on key challenges being access to land, property rights and finance; business entry and licensing; access to justice; impact of international trade; networking and advocacy.

From the foregoing, it is clear that previous studies have looked at the various challenges facing women in business. However, there is a gap in these studies as they have not reviewed the available financing or loans aimed at women in the SME sector and the impact of having special financing targeted especially and specifically to women entrepreneurs in the sector. Our research

is different from previous studies and is aimed at establishing the extent to which women entrepreneurs who own Small and Medium Enterprises in Nairobi have access to finance and whether this financing/loans are tailor made for women in business. This study aims to answer the research question:

'What are the strategies employed by Business Partners International Kenya Limited to provide tailor made loans to business women in the SME sector in Nairobi?'

1.3 Research Objective

To identify the strategies used by Business Partners International Kenya Limited to provide tailor made loans to business women in the SME sector in Nairobi.

1.4 Importance of the Study

The findings of the study are expected to be of particular importance to credit departments and financial analysts in the banking and financial services sector to assist them in developing practical lending policies as regards disbursement of loans to women-run businesses. Women entrepreneurs in the SME sector will also benefit by developing an understanding of how the financing options aimed at them actually work and how they can qualify for the same. Furthermore, BPI-Kenya may use this information to market their products and create greater awareness of their product offering to women entrepreneurs. In addition, this information is important to women associations as they can use this information to educate and train their members on how to access finance for their businesses. Finally, Business Consultants and Trainers may be able to identify mentoring and training opportunities available to them in women-run businesses.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the concept of strategy in detail and delves into strategic management and its importance. Various definitions of strategic management by the scholars in this field are reviewed in-depth. The chapter then goes further to address the link between strategy and the achievement of competitive advantage for companies as they operate in their environment.

2.2 Concept of Strategy

The concept of strategy is multi-dimensional. Strategy has been defined as organizational purpose, goals, objectives and priorities. It has also been defined as how an organisation positions itself in the environment. Igor Ansoff a world-renowned scholar in the field of strategic management sees strategy as a link between an organisation and its environment. According to him a firm has to match its strategy and supporting capability with the environment, if it is to optimise its capability. Mintzberg (1988) sees strategy as a plan, a ploy, pattern, position and perspective. As a plan strategy is a consciously intended course of action. It is designed in advance of the actions it governs and it is developed deliberately. As a ploy, strategy is a specific manoeuvre intended to outwit a competitor. As a pattern strategy is seen as a pattern that emerges from a stream of actions. It is developed in the absence of intentions and without pre-conception. Strategy as a position shows how an organization will develop a sustainable competitive advantage. Lastly strategy as a perspective is what gives an organization an identity and a perspective and reveals the way an organization perceives the outside world. Barney (1991) defined strategy as assembling the optimum mix of resources, including human, technology, and suppliers, and then configuring them in unique and sustainable ways. Strategy consists of competitive moves and business approaches to produce successful performance.

2.3 Strategic Management

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization achieve its objectives David (1989). Strategic management is also defined as the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement

the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. Lamb (1984) states that strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment. Strategic management has five basic tasks. The key tasks of strategic management include defining the business, stating a mission and forming a strategic vision. It also includes, crafting a strategy to achieve objectives, implementing and executing strategy, evaluating performance and reviewing new developments and initiating corrective adjustments.

Strategic management has its roots in America. As a discipline it started in the 1950s and 60s. The most influential pioneers in the field were Alfred D. Chandler, Jr., Philip Selznick, Igor Ansoff and Peter Drucker. Alfred Chandler recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this the various functions of management were separate with little overall coordination or strategy. Chandler (1962) shows that long-term coordinated strategy is necessary to give a company structure, direction and focus. According to him structure follows strategy. Selznick (1957) introduced the idea of matching the organization's internal factors with the external environment or what is now known as SWOT analysis. Ansoff (1965) developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. Based on what he referred to as the gap analysis he argued that a company must understand the gap between where it currently is and where it would like to be, and then take steps to reduce the gaps. Drucker (1954) stressed the importance of objectives in strategic management. According to him an organisation without clear objectives is like a ship without a rudder. He developed the theory of management by objectives which state that the procedure of setting objectives and monitoring progress towards them should permeate the entire organization from top to bottom. Drucker also predicted the rise of the "knowledge-worker" and explained the consequences of this for management. He argued that with the advent of the knowledge-worker, work would be carried out in teams with the most knowledgeable person in the team leading the team. Strategic management in the 1970s changed

its focus. The emphasis was now on size, growth and portfolio theory. The Profit Impact of Marketing Strategies (PIMS) for example conducted in the 1960s and lasted for 19 years was aimed at understanding the Profit Impact of Marketing Strategies, particularly the effect of market share. It was started at the General Electric and moved to Harvard in the early 1970s. Buzzell (1987) states that the findings of the studies revealed that the greater the market share, the greater their rate of profit. The high market share provides volume and economies of scale. It also provides experience and learning curve advantages resulting in increased profits. The 1970s also saw the rise of the marketing oriented firm. From the beginnings of capitalism it was assumed that the key requirement of business success was a product of high technical quality.

In the 1950s it became obvious that products were not selling as easily as they had been. The 1970s also saw more attention directed to Japanese companies, which were surpassing American and European companies. The Japanese challenge shook the confidence of the western business elite. Many theories on how to overcome the Japanese came up in the 1980s and early 1990s. Peters and Waterman (1982) responding to the Japanese challenge looked at what makes an excellent company. They came up with eight key factors to excellence namely a bias for action, customer focus, productivity through people, value-oriented CEOs, stick to the knitting, keep things simple and lean, have tight centralized control while also allowing maximum individual autonomy.

Hamel and Prahalad (1990) introduced terms like strategic intent and strategic architecture. They introduced the idea of core competency. Peters and Austin (1985) showed how important it was to know the one or key things that your company does better than the competition. Michael Porter was perhaps the most influential strategist of this decade however was. Porter (1980) concept of 5 forces of analysis identified the forces that shape a firm's strategic environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. These forces include the threat of substitute products, the threat of entry of new competitors, the intensity of competitive rivalry, the bargaining power of customers and lastly the bargaining power of suppliers. Over the years many other scholars have contributed to the field of strategic management. The field is relatively new but its popularity has grown significantly. More and more firms are practising strategic management. Critics however argue that many theories of strategic management tend to undergo brief periods of

popularity. Another argument is that although a sense of direction is important, it can also stifle creativity, especially if it is rigidly enforced.

2.3.1. Importance of Strategic Management

Several studies have been conducted to establish whether strategic management pays off. Research conducted in 1980 by Kallman and Shapiro and Kudla, and Leontiades and Tezel found no positive relationship between planning and performance. However, the overwhelming number of studies conducted has supported the need for strategic management. In 1957 the Stanford Research Institute analyzed some 400 firms and concluded that those that plan outperform those that do not in terms of sales and profit growth. Thune and House (1970) identified two groups, formal planners and informal planners, among eighteen matched pairs of companies in six industries. The two groups were then compared by sales, return on stockholders' equity and total capital, earnings per share and stock prices. One result is that the formal planners were significantly better performers on the three profit-related ratios that were the informal planners. Another test of the formal planners compared their performance before planning with their performance after planning was begun. After-planning performance was superior to preplanning performance. Eastlack and MacDonald (1970) found that there is a correlation between planning and performance.

Rue and Fulmer (1973) often cited study also supports the planning-performance relationship, at least for producers of durable goods. However, for businesses in service and non-durable product industries, planners were not significantly better performers than non-planners. Wood and LaForge (1979) found that banks that planned formally performed better than those that did not. Krager and Malik (1975) supported this further, when they showed the same results for the machinery, chemicals, drugs, and electronics industries. However, drug and electronic firms in their sample did not show as strong a relationship between planning and performance as did the other two types. Thinking about the future, setting of objectives, planning and monitoring accordingly can positively influence organizational performance and can contribute to a greater sense of purpose, progress and accountability Bryson (1995).

2.4 Strategy and the Quest for Competitive Advantage

The heart and soul of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long-term competitive

position, and gain a competitive edge over rivals. A creative, distinctive strategy that sets a company apart from rivals and yields a competitive advantage is a company's most reliable ticket for earning above average profits. Competing in the marketplace with a competitive advantage tends to be more profitable than competing with no advantage. And a company is almost certain to earn significantly higher profits when it enjoys a competitive advantage as opposed to when it is hamstrung by competitive disadvantage. Furthermore, if a company's competitive edge holds promise for being durable and sustainable (as opposed to just temporary), then so much the better for both the strategy and the company's future profitability. It is nice when a company's strategy produces at least a temporary competitive edge, but a sustainable competitive advantage is plainly much better. What makes a sustainable competitive advantage as opposed to temporary actions and elements in the strategy that cause an attractive number of buyers to have a lasting preference for a company's products or services as compared to the offering of competitors. Competitive advantage is the key to above average profitability and financial performance because strong buyer preferences for the company's product offering translate into higher sales volumes and/or the ability to command a higher price, thus driving up earnings, return on investment, and other measures of financial performance.

Four of the most frequently used and dependable strategic approaches to setting a company apart from rivals, building strong customer loyalty, and winning a sustainable competitive advantage are first, striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage over rivals. Second is outcompeting rivals based on such differentiating features as higher quality, wide product selection, added performance, value-added services, more attractive styling, technological superiority, or unusually good value for the money. The third approach is focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche. The final approach is developing expertise and resource strengths that give the company competitive capabilities that rivals cannot easily imitate or trump with capabilities of their own.

The key to successful strategy making is to come up with one or more differentiating strategy elements that act as a magnet to draw customers and yield a lasting competitive edge. Without a strategy that leads to competitive advantage, a company risks being outcompeted by stronger rivals and/or locked in mediocre financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design used in this study along with the types of data to be collected. Case study method was used while both primary and secondary data was obtained. This data was further analyzed via the content analysis method.

3.2 Research Design

The research design used in this study was a case study method. This was considered the most suitable method since it provided an in-depth understanding of BPI Kenya Limited. According to Young (1960) the case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit.

3.3 Data Collection Method

The study used both primary and secondary data to determine the strategies employed by BPI Kenya to provide loans that are customized for women entrepreneurs in the SME sector. The primary data was collected through an interview guide which was administered to the investment team at BPI – Kenya Limited. Secondary data was also obtained from various policy documents.

3.4 Data Analysis

Once data was collected it was analyzed using content analysis technique. Where data is qualitative in nature, it calls for content analysis of data. Nachmias and Nachmias (1996) define content analysis as the technique of making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends.

CHAPTER FOUR:

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter gives a detailed analysis of the data collected and presents the findings. The data has been analyzed using the content analysis technique because the data sought was qualitative in nature. Furthermore, the case study was conducted in a single organization where all the informants were drawn from. This type of analysis was suitable as it did not set barriers on the informants' answers. The data collected has been presented in form of descriptions. The informants in this study were all investment officers with diverse ranks. They form a specialist investment team who understand the various businesses needs be it a need for finance, information, markets, a network base or mentors. The findings presented in this chapter relate to the objective of this study.

4.2 Designation of Informants

This section was to find out the position of the informants in the organization. The study was able to interview informants who were all investment officers with diverse ranks. There was a chief investment officer, a post investment officer, an investment analyst and finally an investment officer. Two of these respondents were previously employed in the banking sector while the other two were from the financial and insurance sectors.

4.3 About the fund

Business Partners International Kenya Limited operates as a Private Equity Fund and is managed by a specialist team of investment officers who understand finance as well as the challenges that women entrepreneurs experience on a daily basis. Women who propose sustainable business ideas or want to expand their existing enterprises on an independent level can apply. Each woman is considered on her individual vision and strength and can expect favourable criteria such as limited own contribution, flexible interest rates as well as individually negotiated repayment terms. Whether it be a need for finance, information, markets, a network base or mentors, the fund creates a friendly environment where business women in the SME sector receive assistance.

Women with a 25.1% - 49.9% ownership (female engendered) or 50% - 100% ownership (female owned) who require an investment ranging from Ksh. 4million to Ksh. 40million can apply for funding. BPI Kenya facilitates the process of producing a business plan to be submitted as part of an application and offer valuable advice where needed. Applications for investment financing through the fund are assessed primarily on business viability and risk, as well as on the vision, integrity, drive, skills and experience of the entrepreneur. Should a business be considered to be viable, a customised investment structure and added-value solution is developed. Investment finance applications are considered from women who show full commitment by way of their personal contribution towards the business venture. Each application is structured on an individual deal by deal basis with the principal criterion being a fair deal for both parties.

4.3.1 Repayment of Investments

In consultation with the entrepreneur, the appropriate repayment period is established during the initial negotiations. The repayment period is usually five years with an option for round two financing upon further review. A realistically projected and agreed cash flow for the business determines the individualized repayment terms of interest, capital and royalties. Sometimes in structuring a deal, Business Partners acquires a minority shareholding. Upon full repayment of the loan, Business Partners will exit and will give the entrepreneur the right of first refusal to acquire these shares at market value.

4.3.2 Services Offered

BPI Kenya Limited has an enviable database of industry information due to the fact that its parent company Business Partners Limited in South Africa has been investing in entrepreneurs for more than twenty six years and is the investment partner of choice for women in the SME market. BPI Kenya's due diligence process is thorough, tried and tested, gender sensitive and often exposes inherent risks in a deal. However, this is no guarantee for success and it is ultimately the skills and dedication of the entrepreneur that determines the level of success.

Some of the many services on offer to assist and enable women include a free initial consultation for entrepreneurs with a viable business plan at the company's offices. Each entrepreneur is

personally served by a dedicated portfolio manager who facilitates the entire lending process up to disbursement. A follow up is carried out on each business that is funded for the period of the loan, this is done through visits to the business premises, meetings and review of the financial records. The women clients further benefit from networking opportunities whereby they are introduced to other female players in the industry in order to share and exchange the best business practices. The women entrepreneurs further enjoy the benefit from a Technical Assistance Programme that provides value added services to the entrepreneur ranging from some accounting support, problem solving, marketing plans, recruitment and turnarounds.

4.4 Strategies employed by BPI Kenya Limited

All the respondents confirmed the existence of a strategic plan at BPI. The company is managing a five year, fourteen (14) million dollar fund with the objective of making approximately 180 investments locally. The final result expected is for the fund to be successful in achieving its goal and therefore transform into an evergreen fund. In terms of the strengths of BPI, the informants mentioned its lending model, the working culture, and also the fact that it is associated with strong institutional investors. The company has a flexible lending model that allows the investment officers to be creative and tailor make or structure individual investments for each client. This depends on the individual risk factors in the respective loan proposal. Other strengths mentioned include the presence of experienced staff, proper monitoring systems, flexibility of products, transparent pricing and presence of a pool of experts who network with the company.

Potential investments are assessed on the viability of a sound business plan and on the levels of contribution that the entrepreneur may be able to offer. Each application is considered on its merits and on the potential profitability of the enterprise. Viability of a business comprises of two important elements: the business and the entrepreneur. The business evaluation includes matters such as the product or service (market acceptability, market size, gearing of the business, ability to exist and grow, history, the stage of its development and medium- to long-term profit potential, technical aspects and the location). In evaluating the entrepreneur aspects such as the ability to run a successful business, integrity, drive, vision and appropriate experience are considered. Furthermore, the marketability of the product or service offering is reviewed.

The lending process begins with the receipt of a business plan whereby the company provides a guide to writing a business plan on its website which is www.businesspartners.co.za. Upon receipt, the business proposal is evaluated and a principle decision provided within seven days. The principle decision is followed by negotiations, due diligence and a submission to the investment committee for approval. The terms and conditions (such as interest rates, security, repayment term and own contribution) of investments vary from business to business as each investment is individually structured.

4.4.1 Risk Management

Enterprise Risk Management is a process effected by an entity's board of directors, management and other personnel, applied in a strategic manner across the enterprise, and designed to identify and manage potential risks and events that may affect the entity. This process is aimed at providing reasonable assurance that the entity will be able to achieve its objectives. The Risk Management process of BPI Kenya involves risk identification, risk monitoring and response and performance management. Through its business monitoring efforts the company is able to quickly identify investments or loans that are at risk and institute counter measures to rescue the clients where possible. Technical Assistance may be utilized in such scenarios to assist the business enterprises to turnaround. Through monthly and quarterly reports, BPI measures the performance of each entity funded by the company. Business Partners' activities involve acceptance and management of a range of risks.

Risks may be defined as uncertain future events that may influence the achievement if the company's strategic, operational and financial objectives. The management of these risks requires that they be identified and that appropriate procedures be put in place to mitigate them. The risk identification process is undertaken during the due diligence and after care phases of investment to pinpoint inherent risks in transactions. These risks are usually found in the various businesses that approach BPI Kenya for loans. Examples of the risks in small and medium enterprises are market risks, credit risks, operational risks, legal risks, environmental risks, financial risks and human resource risks. Many SMEs are run informally such that they require greater effort to mitigate the risks in them. Regular risk monitoring provides the management and the advisory board with the assurance that investments made will achieve and produce the projected monetary returns.

4.4.2 Women-owned SMEs

The respondents were unanimous that the service sector was full of women owned SMEs in Nairobi. The respondents added that most women will venture into industries that they have knowledge about either through training or have strength at it. Many women owned and run SMEs began as cottage businesses in the women's homes. This is because the majority of women prefer to venture into areas that they are good at such as catering, dress making, cleaning and education. In order to attract women entrepreneurs as its clientele, BPI advertises in women magazines, attends women forums, and organizes workshops and seminars specifically for women in business. In addition, the company utilizes its network through its staff to identify potential women entrepreneurs who can benefit from funding. An additional source of business is whereby the company gets referrals from its existing women clientele.

4.4.3 BPI Products

The study sought to determine how BPI Kenya Limited products were structured to suit women entrepreneurs in the SME sector. The company advances unsecured loans where collateral did not exist, while at the same time ensures the products are suited to the business cycles and cash flows and where necessary, technical assistance is advanced to women to improve their systems and operations. In principle, technical assistance is provided to investees interest free, but the investee or client is expected to repay the capital cost of the technical assistance.

Technical assistance services come in the form of financial management systems, training, recruitment, automation of operating processes and marketing strategy. Others include website development, ISO certification and mentorship by industry experts. The company also structures its products based on the viability of the business as opposed to security with pricing determined on a risk assessment basis.

BPI invests in private small and medium enterprises, using equity, quasi-equity and debt instruments. The main products offered by BPI are as follows:

First, the Royalty partner product. This is designed to meet the needs of smaller, high-risk ventures, where the cost of converting to equity participation is not practical or justified. It provides for the investment to be structured as a loan with a risk portion, and for this portion to be covered by a royalty fee. The royalty fee is obtained as a percentage of the client's monthly turnover. The second product is the Risk partner. This caters for the needs of the entrepreneur with a viable lifestyle business, who has limited capital and limited security to contribute, but whose business is able to generate sufficient cash flow to afford regular loan repayments. The Property Risk Partner is the third product. It has been designed for the entrepreneur who wishes to purchase business premises, but who either wishes to protect cash resources or has a limited own contribution to make, and is therefore unable to raise the normal deposit required by other financial institutions. BPI Kenya Limited provides one hundred percent (100%) of the finances required in such a transaction.

Finally, the fourth product is the Equity Partner product. This is designed for the entrepreneur who has an exceedingly profitable venture, has own capital to contribute to the venture and requires additional capital for expansion. The majority of the assets of all client companies that can qualify for funding by BPI Kenya Limited must be held in Kenya, and the majority of their revenues must be earned in the country. No more than 20% of the fund's capital will be invested in any one industrial or business sector, and the investment in any single client company may not exceed 10% of this capital.

4.4.4 Challenges Faced by BPI Kenya Limited When Lending to Women Entrepreneurs

The key challenges experienced by BPI in lending to women entrepreneurs include the fact that women are risk averse and are not confident when it comes to decision making. Women also prefer to borrow small amounts of money as they prefer slow or organic growth for their enterprises. In addition, most women seek consent from their husbands even if the husbands are not shareholders in their business. They therefore delay decision making and are many times found to be indecisive. A further challenge arises from the fact that many women entrepreneurs have poor financial management systems in their businesses resulting in poor record keeping. This then makes it difficult to access funds or to borrow from financial institutions as they lack the financial statements to present for review.

The solutions to these challenges include advancing technical assistance to these women entrepreneurs. This will assist them in areas where they may have a need for example by providing accounting support to ensure proper record keeping. Furthermore some of these women need to be exposed to successful women entrepreneurs who are running large enterprises so that they can believe that their businesses can grow and be successful too. Where women-owned SMEs face challenges but have a potential to be profitable, BPI can take an equity stake in these businesses so as to provide overall business direction as shareholders.

4.5 Competition

BPI Kenya Limited's major competitors in funding women entrepreneurs in the SME sector include, the IFC Growth Oriented Women Enterprises (GOWE) program, K-rep Bank, Fina Bank and Bank of Africa. These have been noted to be targeting female entrepreneurs for their loans. In addition, large banks have developed products specifically targeting women in business such as one created by Equity Bank. BPI's main advantage over its competitors is that it has risk capital funds (\$14.1 million) which have already been contributed and locked in the fund. The company's funds are therefore always available and does not depend on customer deposits like the traditional commercial bank. Business Partners is a viability-based investment company and does not have the same security requirements that the commercial banks do.

Business Partners' systems and processes have earned the group ISO 9001:2000 accreditation – the first investment company in the country to be accredited in this way. Business Partners believes that people are its real business and is committed to investing in entrepreneurs in every sense of the word. By doing this, the company believes that it will not only create individual wealth, but also fuel the growth of the economy and the creation of jobs. It also has the advantage of offering technical advice to its clients and flexibility of its products and services. Another advantage is that BPI's parent company has the experience of many years of lending to the SME sector. The company therefore has a large database of useful information and contacts for different industries. Business Partners Limited has been investing in entrepreneurs for more than twenty-six years and offers both investment and added-value solutions, catering for the entrepreneur every step of the way. Entrepreneurs are the company's exclusive and only focus and, as such, it is able to offer products and services specifically tailored to meet their unique

needs. Other factors that make Business Partners edge out its competitors in the banking sector include the fact that Business Partners specialises in investing in entrepreneurs. Its people have in-depth knowledge of the small and medium enterprise sector, as well as experience of and insight into the challenges facing independent businesses. Business Partners' range of investment and added-value services provide an integrated solution for entrepreneurs, catering for all aspects of their needs. Business Partners is a one-stop business shop for small and medium enterprises.

Every Business Partners client is assigned a Business Advisor, who is dedicated to providing professional advice and superior client service on an on-going basis. The company's risk financing model is regarded as one of the most innovative in the world and has even been presented at World Bank conferences as a potential model for use in other developing countries. Finally, the Business Partners due diligence process is thorough, tried and tested, often exposing the extent of inherent risk in a deal.

4.6 Impact and Challenges

4.6.1 Impact

The major impact BPI has had on women entrepreneurs in the country include: business growth, increased networking, proper systems have been instituted and the women entrepreneurs have become more professional in the management of their businesses. BPI has seen the profitability of its client's businesses increase tremendously with a general rise in other performance indicators, as well as the overall increase in the size of their businesses. BPI has instituted a mechanism for making follow ups on women entrepreneurs supported by the company. These are in form of meetings, visits, phone calls, regular review of financial accounts and discussions.

4.6.2 Financial Challenges faced by Women Entrepreneurs

The key financial challenges facing women entrepreneurs include lack of security, spousal consent, being risk averse and the lack of confidence in the business arena. In addition, women are discriminated against by financiers so that advancing loans to them becomes difficult. One major way to solve this is for the women to have a mindset that they can be successful too in business just like their male counterparts. BPI also considers risk capital financing and viability based funding which minimizes the challenges revolving around lack of collateral.

4.6.3 Suggestions for Improvement

The Informants had plenty of advice with regard to how women in the SME sector can easily access credit facilities from financial institutions. These include the introduction or creation of more women structured funds in Kenya. These should be set up with preferential rates provided for women in business.

Financial institutions should also consider providing technical support for women so that they can be able to keep proper financial records. Furthermore, the fact that women have a better credit rating should be considered. It has been noted that women are better payers and will rarely default on their loans.

Another initiative involves sensitizing women entrepreneurs on the availability of various financial products in the market specifically tailored for them. More women entrepreneurs should further be encouraged to borrow and not fear taking risks. For women in business, the main issue is cultural re-orientation as they remain timid and prefer to remain in small businesses.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, conclusions and recommendations into the strategies employed by Business Partners International Kenya Limited to provide tailor made loans to business women in the small and medium enterprises sector in Nairobi.

5.2 Summary of the Findings

The study was able to interview informants who were all investment officers with diverse ranks. Business Partners International Kenya Limited is managed by a specialist investment team who understand the need for finance, information, markets, a network base or mentors for various businesses with an emphasis on women entrepreneurs.

The loan repayment period is up to a maximum of five years based on a realistically projected and agreed cash flow for the business which determines the individualized repayment terms of interest, capital and royalties. Business Partners' due diligence process is thorough, tried and tested, gender sensitive and often exposes inherent risks in a deal. However, this is no guarantee for success and it is ultimately the skills and dedication of the entrepreneur that determines the level of success. With regard to strategies employed all the respondents agreed to the existence of a strategic plan at BPI. BPI Kenya Limited's major strengths include its lending model, the working culture, and also the fact that it is associated with strong investors.

The company's potential investments are assessed on the viability of a business. This means that the company does not have the same security requirement that commercial banks do. In evaluating the entrepreneur aspects such as the ability to run a successful business, integrity, drive, vision and appropriate experience are considered.

BPI structures its products to suit women entrepreneurs in the SME sector by advancing unsecured loans where collateral does not exist or is insufficient, while at the same time ensuring that the products suit the business cycles and cash flows. In addition, qualifying applicants are able to benefit from a technical assistance program especially set up for this fund. This technical

assistance provides value-added services to the entrepreneur ranging from accounting support, problem solving, marketing plans and turnarounds. The key challenges experienced by BPI in lending to women entrepreneurs include the fact that women are risk averse and are not confident when it comes to decision making. Women also prefer to borrow small amounts of money as they prefer slow growth. Furthermore, most women require consent from their husbands even if the husbands are not shareholders in the business. It is also noted that most women have poor financial management systems resulting in poor record keeping.

5.3 Conclusion

Women entrepreneurs have always had obstacles in obtaining finance to either start off or expand their businesses. With research findings indicating that female entrepreneurs are fast becoming significant contributors to the African economy as business owners and job creators, there is a need to ensure that they obtain the finance they need. Women owned businesses tend to be small and informal and are therefore more likely to face problems in accessing finance. With such statistics Business Partners International Kenya Limited sought to fill this gap.

BPI Kenya recognizes that female entrepreneurs are fast becoming significant contributors to the country's economy and aims to help women reach their full economic potential in a society that previously discriminated against them. Women who propose sustainable business ideas or want to expand their existing enterprises are considered based on their individual vision and strength and can expect favourable criteria such as limited own contribution or security, flexible interest rates as well as individually structured negotiated repayment terms.

BPI's main strategy while lending to women entrepreneurs recognizes the lack of security and therefore advances loans based on the viability of the business. When a business plan is considered viable, a customised investment and added-value solution is developed for the business taking into account whether the entrepreneur has a capital contribution or any other form of security to offer. BPI understands the unique needs of SMEs and does not impose the same capital or security requirements that many other financial institutions have. The right financing and added-value services solution will be tailor-made to suit individual needs.

5.4 Limitations of the Study

Every study inevitably encounters certain levels of limitations due to a variety of factors. Respondents who were senior managers are usually very busy hence the tendency not to give in-depth attention to the interview.

Secondly, this was a case study therefore it focused on one unit of study – BPI Kenya Limited, thus limiting the applicability of findings across other financial institutions that may be lending to women entrepreneurs.

5.5 Recommendations for Further Research

Future studies on the available financing options for women entrepreneurs should not just be restricted to Nairobi but should be carried out on a nationwide scale. This is because women entrepreneurs face unique challenges in different areas of the country that hamper their access to loans for their businesses.

5.6 Implications on Policy and Practice

This study found that a key challenge in lending to women entrepreneurs is the fact that most of their enterprises have poor financial management systems resulting in poor record keeping. BPI should support such enterprises to improve the financial management aspect as it tends to be a hindrance to accessing loans. BPI should further imbed the provision of training services in its lending policies and practices when financing women-run small and medium enterprises. This is because it may be found that such enterprises may be willing to procure such services at a fee as long as it is relevant to their needs and affordable. Such services should be attached to the technical assistance program with further linkages being developed between Business Development Services (BDS) Providers who will deliver specialized services to the enterprises at a fee. The BPI fund should also assist the BDS providers to develop specialized training modules and materials that are relevant to SMEs. The fund should further facilitate Training of Trainer (TOT) trainings and advisory services sessions.

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APPENDICES

APPENDIX 1

INTERVIEW GUIDE

Section A: Background Information

1. Name of Informant _____
2. Position _____
3. Period of employment with BPI Kenya Limited _____
4. In which sector were you previously employed _____

Section B: Strategies Employed

5. Does BPI Kenya Limited have a strategic plan and are you aware of it?
Yes [] No []
6. In your view, what are the strengths of BPI Kenya Limited?

7. In your assessment, what are the key industry sectors in which women-owned SMEs operate in Nairobi?

8. How does the company carry out its marketing activities in order to attract women entrepreneurs as clientele?

9. How are BPI Kenya Limited's products structured to suit women entrepreneurs in the SME sector?

10. List key challenges you encounter when lending to women entrepreneurs and suggest solutions.

Section C: Competition

11. Who are BPI Kenya Limited's key competitors in funding women entrepreneurs in the SME sector in Nairobi?

12. What is the company's advantage against these competitors?

Section D: Impact and Challenges

13. Please state the impact of the loans lent by BPI Kenya Limited to the women entrepreneurs on their businesses.

14. Do you have a system of making follow ups of women entrepreneurs supported by the company? Yes [] No [] If yes, please give details on how it is done.

15. In your assessment, what are the key financial challenges facing women entrepreneurs and the possible solutions?

16. Please give suggestions on what should be done to enable business women in the SME sector to easily access credit facilities from financial institutions.

17. Any other comments?

THANK YOU

APPENDIX 2



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM - LOWER KABETE CAMPUS

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Telegrams "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... August 2009.....

TO WHOM IT MAY CONCERN

The bearer of this letter SIMIYU LILIAN NAFULA.....

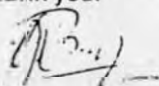
Registration No: D61/7109/2006.....

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

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

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

Thank you. UNIVERSITY OF NAIROBI
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DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM