ASSESSING IMPACT OF LENDING BY TRADE DEVELOPMENT JOINT LOAN BOARD ON TRADERS IN MALINDI DISTRICT

BY

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A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP MANAGEMENT) OF KENYATTA UNIVERSITY.

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DECLARATION

This research project report is my original work and has not been presented for award of a degree in any other university.

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DEDICATION

This research report is dedicated to my father, the late Joel Otieno, my mom, Alice Mtonyi, the Walker's and the Proctor's, for inculcating in me, the desire for academic pursuit, hard work, dedication and always striving to gain more knowledge.

It is also dedicated to all my family members, particularly, my daughters Sonia and Betty, who had to endure fatherly absence during pursuance of this course.

Lastly, to my colleagues and friends, whose encouragement and constructive engagement has made this work possible.
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I am highly indebted to the loanees who willingly and unreservedly, freely responded to the questionnaires. Their response is the outcome of this research work, and to them I say, thank you.

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ABSTRACT

MFIs are a major source of finance to SMEs in Kenya; it is with this in mind that Trade Development Joint Loans Board was identified for study in order to assess the various contributions it has made on SMEs in Malindi.

Many sources of literature were used by the researcher to gain an in-depth knowledge and fully appreciate the contributions MFIs have made to alleviate SMEs problems all over the world, Kenya and Malindi in particular.

Various research methods were used in identifying the research area, target population, and sample to study. Stratified random sampling technique was used to identify the sample for study from the target population. Descriptive statistical methods were used to analyze the data collected. Presentation of the research findings was done through tables, figures and percentages for ease of clarification and understanding.

The results from the study found out that credit acquisition from TDJLB which is an MFI enhances growth of SMEs. This was reflected in 73.33% of the loanees recording various levels of increase in sales volume after loan acquisition from TDJLB.

The results recorded a positive effect recorded by loanees after accessing loan facility from the board as 71.43% of the loanees used the loan to increase stock in their businesses.

Among loanees interviewed, 83.33% reported that the loans issued from the board proved useful in the growth of their businesses.

It was found that most loanees are married and have dependants who depend on them. The businesses they operate supplements the provision of dependants needs and wants without which, life would be difficult.

Most loanees have been able to offer employment opportunities to many unemployed members of the society. Therefore, due to credit facility offered by TDJLB, many loanees have contributed to easing of unemployment crisis in the country, thereby fulfilling the objective for which the board was set.
Various recommendations were forthcoming from the interviewed loanees where most suggested that, due to changed economic scenario, the maximum amount being offered by TDJLB to SMEs should be increased to more than Kenya shillings one hundred thousand, which is the present maximum amount issued by the board.

Areas for further research were identified which, this study could not cover; they included a need to conduct research on why TDJLB loanees default on loans borrowed from the board.

There is also a need to conduct research on the training needs of officers charged with the responsibility of managing TDJLBs.

The research therefore successfully assessed the impact which Trade Development Joint Loans Board which is an MFI, has had on traders in Malindi District.
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ABBREVIATIONS

SMEs  Small and Medium Enterprises
GoK  Government of Kenya
MFIs  Micro Financial Institutions
USAID  United States Agency for International Development
TDJLB  Trade Development Joint Loan Board
MCI  Ministry of Commerce and Industry
MTI  Ministry of Trade and Industry
ROSCAS  Rotating Savings and Credit Association
MRTTT  Ministry of Research, Technical Training and Technology
AMls  Association of Microfinance Institutions
PRIDE-KENYA  Promotion of Rural Initiatives and Development Enterprises Kenya
DTDO  District Trade Development Office/Officer
MABISA  Malindi Biashara Sacco
KIE  Kenya Industrial Estates
NGOs  Non-Governmental Organizations
SEFCO  Small Enterprise Finance Company
ICDC  Industrial and Commercial Development Corporation
BBK  Barclays Bank of Kenya
KIBT  Kenya Institute of Business Training
KTDJLB  Kilifi Trade Development Joint Loan Board
FF  Ford Foundation
K-REP  Kenya-Rural Enterprise Programme
SMEP  Small and Micro-Enterprise Programme
CHAPTER ONE

1.1.0 INTRODUCTION

1.1.1 Background Information

All aspects of Small and Medium Enterprises (SMEs), including other business ventures all over the world, have financial implications (Keith and Gubellini 1975).

Prior to Kenya’s independence, business ventures were dominated by Europeans and Asians. Kenyans of African origin played a minimal role in business operations, ownership and management in the country, due to lack of finances for business start-up, growth, expansion and diversification (GoK 1992).

Labour market entrants during this period, who were Kenyans of African origins, turned to informal sector for self-employment, wealth creation in order to alleviate poverty. Although initially skeptical of the economic development and growth benefits which emanate from the informal sector, many countries, Kenya included have come to the realization and recognition of the informal sector’s importance in generating employment, wealth creation, poverty alleviation and industrialization (Sessional Paper No.1 of 1986 and Sixth National Development Plan 1989 to 1993).

Creating access to reasonably priced financial services through Micro Financial Institutions (MFIs) has been identified as an effective strategy to promote Small and Medium Enterprises in informal sector for economic development and growth (Sessional Paper No.1 of 1986 and Sessional Paper No.2 of 1992)

1.1.2 HISTORICAL PERSPECTIVE OF TDJLB

Indigenous Kenyans of African origins encountered difficulty in accessing credit to finance their SMEs prior to 1963, and as a result, the government of Kenya with initial assistance from United States Agency for International Aid (USAID)
set up a Micro financial Institution (MFI) known as Trade Development Joint Loans Board (TDJLB), operated by Ministry of Commerce and Industry (MCI) as it was known then, through Legal Notice No.265 of 1963, as expounded on in Manual of Instructions (1966) on, how to manage TDJLBs. This was meant to augment the existing MFIs lending schemes such as the Traditional Rotating Savings and Credit Associations (ROSCAS), borrowing from family and friends, or group lending schemes for SMEs with a common bond such as being from one village or clan.

The main objective of extending financial assistance to Kenyans of African origin through MFIs was to enable African industrialists, Artisans and Business men and women engaged in SMEs to gain commercial experience, reach a standard of credit worthiness, generate employment, create wealth, and reduction of poverty (Manual of Instructions 1966, Sessional Paper No.2 of 1992 and MRTTT 1997).

The economic problems, challenges and opportunities that face SMEs are immense; they seem to face unique constraints, which call for urgent remedial actions (Geiger and Armstrong 1969).


Theuri (1998) noted that, SMEs suffer discrimination in the financial markets, banks and other lending financial institutions have traditionally had negative attitude towards lending to SMEs.

It is with this in mind that Sessional Paper No.1 of 1992 Titled “Small Enterprise and Jua Kali Development in Kenya”, extolled the virtues and importance of accessing reasonably priced financial services as an effective strategy to promoting informal sector businesses or Small and Medium Enterprises (SMEs).

Funds to set up MFIs have been hard to come by, and as a result, development funds cannot be squandered on ill-conceived business projects, or in incompetently managed businesses (Morris and Somerset 1971).
Creating access to reasonably priced financial services has been identified as an effective strategy to promote informal sector firms or small and medium enterprise growth (Sessional paper No.1 1992). MFIs are informal financial institutions, which have a bias towards offering financial facilities to SMEs. A majority of MFIs are members of Association of Microfinance Institutions (AMIs), and are mainly Non-governmental organizations such as, Promotion of Rural Initiatives and Development Enterprises-Kenya (PRIDE-KENYA), Kenya Women Finance Trust (KWFT), Small and Micro-Enterprise Programme (SMEP), Kenya –Rural Enterprise Programme (K-REP), (Association of Micro finance Institutions 2004)

It is in view of the above, that the government of Kenya with the financial assistance from United States Agency for International Aid (USAID) established a Micro Financial Institution (MFI) known as Trade Development Joint Loans Board (TDJLB) under Ministry of Commerce and Industry in collaboration with Ministry of Local Government in 1963, with the sole objective of extending financial assistance to Kenyans of African origin, to enable them engage in business, thereby leading to wealth creation, employment generation, gaining of commercial experience, raising their levels of credit worthiness and reduction of poverty in Kenya (GoK 1992).

The government’s involvement in setting up Micro Financial Institution targeted the low income, business oriented members of the public, whose contributions towards economic well being of the country, cannot be understated, as stated by Panos (1997) that, the MFIs have clearly shown that the poor are also worth investing in.

Trade Development Joint Loans Boards (TDJLB’s) are spread in various districts in the country, where they are managed by District Trade Development Offices (DTDOs) on behalf of Ministry of Trade and Industry headquarters who act as the focal point for management and directing of the field offices.
1.1.3 COAST PROVINCE

Coast Province is one of the eight provinces that comprise provinces in Kenya. Coast Province comprises of various districts namely Malindi, Lamu, Tana River, Kilifi, Mombasa, Kwale and Taita Taveta. The province has six Trade Development Joint Loans Boards namely Lamu, Tana River, Kilifi, Mombasa, Kwale and Taita Taveta. Malindi District, which was the most recently up-graded district from a division in Kilifi district to a full-fledged district in late 1996, has its populace being served under Kilifi Trade Development Joint Loan Board (KTDJLB), (GoK 1997).

1.1.4 MALINDI DISTRICT

Malindi District is one of the districts well known in Coast Province, in terms of its tourist attractions such as Palm fringed sandy beaches, Luxurious hotels, and a variety of businesses conducted along the district’s towns such as Malindi, Watamu, Mambrui, Gongoni and Marereni.

Malindi District is a district, which has its District Trade office managing Kilifi Trade Development Joint Loans Board (KTDJLB), and therefore, the town’s business community, is more aware of the operations of the Micro Financial Institution (MFI).

Malindi town is well represented with a variety of business operators, which includes Italians, Germans, Dutch, Swiss, Arabs and Kenyans of African origins. It is notable that Kenyans of African origins are a minority in terms of business ownership in Malindi (GoK 2003).
1.1.5 OTHER MFIs

There are other MFI’s operating in Malindi town, which extend credit facilities to Small and Medium Enterprises (SMEs) in Malindi town. Some of these MFI’s include, Kenya Women Finance Trust (KWFT), Malindi Biashara Sacco (MABISA), Kenya Industrial Estates (KIE) and Commercial Banks (GoK 2003).

1.1.6 BUSINESSES IN MALINDI TOWN

There are a variety of businesses operated in Malindi town such as, Regulated Retail Trade, Caterers, Motor Vehicle Repairs, Boarding and Lodging, Distributors, Wholesalers and Manufacturers (GoK 2003). However, most Small and Medium Enterprises are engaged in Regulated Retail Trade, Caterers and Motor Vehicle Repairs. These are mostly the category, which Trade Development Joint Loans Board focuses on when it considers its loanees.

1.2.0 STATEMENT OF THE PROBLEM

Most Small and Medium Enterprises (SMEs) aspire to start or expand their businesses, this aspiration is shared by Small and Medium Enterprises in Malindi town, however, limitation of finances, and increased need for financial resources by SMEs, has been a major problem to achieving this aspiration, and is therefore, cited as a critical hurdle to SMEs, as stated by (Kenya Management Assistance Program 1994).

Some of the formal financial institutions have in place stringent conditions that are difficult for Small and Medium Enterprise owners to fulfill in order to access their funding (Theuri 1998).

Many of the financial institutions insist on collaterals such as Land Title Deeds to secure loans, however, Coast Province and Malindi town in particular suffers from large tracks of land whose owners do not have land titles, most residents are
squatters, and there is a problem of absentee landlords, hence insistence on land
titles to secure loans, limits SMEs accessibility to credit (GoK 2003)

Some of the financial institutions do not offer Non-Financial services such as,
training, counseling; consultancy services to loan beneficiaries, whose importance
among other factors were highlighted in Sessional Paper No.2 of 1992, as
contributing to the success of SMEs, which if not provided for, limits success of
SMEs.

Despite Trade Development Joint Loan Board being one of the most active, long
serving Micro Financial Institution in Malindi, so far, no research has been carried
out to assess its impact as an MFI on its loan beneficiaries.

There as been no research done in respect of loan beneficiaries to come up with
results regarding success or failures registered by loan beneficiaries after funding
has been obtained from Trade Development Joint Loan Board as per DTDO
Malindi office.

The missing research information has created a knowledge gap in regards to
TDJLB, and the Loanees, on how loans advanced have had an impact on SMEs,
who are Loan beneficiaries from TDJLB. This therefore has proved an obstacle to
Trade Development Joint Loans Board being creative and innovative; in order to
improve on it’s lending policies to SMEs.

1.2.1 PURPOSE OF THE STUDY

The purpose of this study was to critically analyze factors, which impact on loan
beneficiaries from TDJLB, thereby leading to their success or failures in business.

1.3.0 OBJECTIVES OF THE STUDY

The objectives of the study were:
1. To establish whether credit acquisition enhances growth of SMEs.
2. To determine the effect of TDJLB loans on loan recipients.
3. To establish the significant relationship between credit acquisition and business performance.

1.4.0 RESEARCH QUESTIONS.

The research aimed at responding to the following research questions:

1. Do SMEs loan beneficiaries record increased incomes?
2. Do businesses record notable changes in sales volume after accessing credit from TDJLB?
3. Do SMEs record increase in number of employees?

1.4.1 ASSUMPTIONS

The following assumptions were made:

1. SMEs do not access adequate credit to meet their business financial needs.
2. Business success or failure depends on other factors not related to adequate credit.
3. Credit from other sources is not taken into consideration.

1.5.0 JUSTIFICATION

According to KWFT (2004), financial input in business is very important for start up, growth and expansion of businesses. Personal savings are generally inadequate for most Small and Medium entrepreneurs, this leads to most entrepreneurs opting to borrow finances from lending institutions, which enable SMEs to put up new business ventures, execute business growth strategies, expand their businesses, diversify to other businesses (Thuo 2001).

MFIs have been identified as avenues through which SMEs are able to access credit, this being the case, the government set up various MFIs such as Trade Development Joint Loans Board, Kenya Industrial Estates, and Small Enterprise
Finance which is a private company to offer various financial services to SMEs as stated in Sessional Paper No.2 of 1992.

Most of the formal financial institutions found in Malindi such as Commercial Banks, require stringent collaterals such as, Title Deeds to secure loans to SMEs. Most of the SMEs do not possess the collaterals required by these institutions to access their credit facilities, which leads to SMEs not being able to access credit from these formal financial institutions for use in their businesses (Geiger and Armstrong 1969).

Existing informal MFIs operate group based lending schemes modeled along Grameen Bank of Bangladesh, such schemes require SMEs to form groups which can then access credit from these MFIs by guaranteeing each other, this is based on the idea that, the SMEs come from one locality, know each other, have the same aspirations to succeed in business by accessing credit from MFIs (KWFT 2004). Group based lending, is not the best scheme for most SMEs, as borrowers fate in accessing credit is tied to other group members.

Kenya Women Finance Trust is one of the major lending MFI in Malindi; however, their lending scheme is purely restricted to women only, thereby locking out male SMEs to access credit from their MFI. Though useful in extending credit facilities to women traders as per KWFT (2004), some of the women SMEs have not been able to access credit facilities due to group based lending, weekly repayment of loans, and restricted loan amounts (Thuo 2001).

Most of the MFIs are Non-government based financial institutions, while Trade Development Joint Loan Board is a government run and owned institution, which was set up in the sixties to extend credit facilities to SMEs in order to generate employment, alleviate poverty, raise credit worthiness of SMEs, and above all, to Africanize the business environment which had hitherto been dominated by Europeans and Asians (Manual of Instructions 1966). The board charges a favourable interest rate of 12% per annum charged on reducing balance, loan amounts range from Kshs 20,000 to a maximum of Kshs.100, 000, repayable within two years (Manual of Instructions 1966). Over three hundred SMEs have
benefited from the loan facility in Malindi town, however, assessment of impact the loan advanced from the board to SMEs, has not been done or documented (GoK 2000).

This research is therefore intended to; assess the impact the loan facilities offered by TDJLB which is an MFI has had on SME loanees in Malindi town.

Malindi town is endowed with various businesses ranging from Luxurious tourist hotels, restaurants, wholesale and retail businesses. It is this engagement that leads to stiff competition among Small and Medium entrepreneurs, resulting in most entrepreneurs seeking funds through lending institutions, to set up or expand their businesses, in order to counter stiff competition, and be competitive among rivals. Through injection of external funding such as from Trade Development Joint Loan Board, most small and medium entrepreneurs are able to buy enough stock to meet their customers' needs and wants.

There exist other lending institutions in Malindi; however, Trade Development Joint Loan Board operated by Ministry of Trade and Industry through District Trade Development Office in Malindi, has proved to be preferred to other lending institutions in the district, as their lending terms and mode of lending are favourable to most small and medium scale entrepreneurs in Malindi town.

Despite the above information being available, there exists knowledge gap about lending facilities offered by Trade Development Joint Loan Board in the district, and town in general. The existing knowledge gap is hoped to be filled through publication of research results derived from carrying out this research. An in-depth research findings and recommendations aimed at highlighting financial, economic and social impacts by Trade Development Joint Loan Board to Small and Medium Scale entrepreneurs in Malindi town, will be the guiding strategy in carrying out the research, which will be of help to the lending institution, Small and Medium entrepreneurs in Malindi town, potential loan applicants, loan beneficiaries, and the Government of Kenya.
Malindi town is purposefully selected for this study because, it has the highest concentration of loan beneficiaries in Malindi District, the district headquarter, is situated in Malindi town and Trade Development Joint Loans Board, is operated from Malindi town.

1.6.0 SCOPE OF THE STUDY

Scope of the study covered 300 Small and Medium scale traders who are loan beneficiaries from Trade Development Joint Loans Board (TDJLB), carrying out their business operations within Malindi town. The study covered various aspects of Ministry of Trade and Industry’s (MTI) operations, guidelines as effected by the District Trade Development Officer in Malindi District, based in Malindi town, in regards to management of Trade Development Joint Loans Board.
CHAPTER TWO

2.1.0 LITERATURE REVIEW

2.1.1 Introduction

This chapter presents review of literature. First, a theoretical framework of the study is given, followed by literature on MFIs and their roles of which TDJLB is one, lending programs of TDJLB as an MFI, role of SMEs, and then a summary of literature review.

2.1.2 THEORETICAL FRAMEWORK.

According to report proceedings from, a workshop for stakeholders on “Policies and Strategies for Enhancing Growth of Jua Kali Sector”, presented by Ministry of Research, Technical Training and Technology in 1997, problems related to SMEs were highlighted. One of the significant problems identified was inadequate financing to SMEs, and inadequate loanable funds to SMEs among other problems. However, various policies formulated to deal with them, were re-invigorated as earlier stated in Sessional Paper No.2 of 1992.

Most lending institutions have complicated application procedures for loans, which are confusing, complex and even intimidating to people with little formal education. Failure to fill the forms as required by the lenders reduces the chances of the applicants getting the required loan. Most lenders assume that, education of SMEs is a determinant of how effective an SME is likely to utilize the borrowed loan. Tomecko and Dondo (1991) observed that, SMEs with good educational background for instance, minimum of secondary education level, understands and appreciates the dynamics of the economy, hence they stand a better chance of making good use of loans and getting more loans.

Most SMEs lack collaterals, which limit their capacity to borrow, as most financial institutions accept only Land Title Deeds as securities (Sessional Paper No. 2 of 1992). Some MFIs give loans on other forms of security, where land...
titles are missing, such as the case of TDJLB, loanees can also have guarantors who are people in business and who are in a position to repay the loan in case of default (Manual of Instructions 1966).

2.1.3 MFIs AND THEIR ROLES

MFIs are defined as non-formal lending institutions, which provide financial and information services to SMEs in order to stimulate business growth, create employment opportunities, increase incomes and alleviate poverty among the rural poor communities by:

1. Providing non-collateral credit, such as group and guarantee lending schemes.
2. Creating a savings culture whereby SMEs save funds in order to be lent by MFIs.
3. Creating entrepreneurial culture by encouraging more people to start SMEs.
4. Providing business fora where exchange of business ideas takes place.
5. Disseminating business information to SMEs and others through documentation of research findings.
6. Enabling linkages with banks and non-financial institutions such as Association of Micro financial Institutions.
7. Creating a positive attitude towards the SME sector and creating confidence among SMEs operators.

(PRIDE-KENYA Ltd 2004).

Most of the business ventures operating in Kenya before independence were owned by Europeans, Asians and Non-indigenous Kenyans. On attainment of independence, the government instituted a policy of empowering Kenyans of African origins through Africanization of businesses (Manual of Instructions 1966). One of the major reasons for Africans not venturing into business, was due to shortage of finance to invest in their business ventures, or compete with the
foreign owned businesses, as a result, Micro-financial institutions were set up with a bias to offering financial facilities to small and medium African owned enterprises, with an objective to assist SMEs generate employment, create wealth, alleviate poverty through their lending at reasonable price to SMEs (Thuo 2001). Dondo (1994) observed that NGO Micro-finance institutions are newest actors in SMEs lending. He observed that there are over forty NGOs lending to SMEs throughout the country.

The government of Kenya, set-up MFIs such as Trade Development Joint Loan Board (TDJLB), Kenya Industrial Estates (KIE), and Small Enterprise Finance Company (SEFCO a private company) to extend financial services to SMEs, while others include, Industrial and Commercial Development Corporation (ICDC), and Commercial Banks (Sessional Paper No. 2. of 1992).

MFIs have contributed immensely towards the economic development of the country, especially the NGO MFIs such as PRIDE-KENYA, K-REP, and KWFT as they have enabled SMEs access financial services and mobilize savings among members (AMI 2004).

It is through MFIs that the government aims to achieve its goal of industrialization by the year 2020, be able to increase her people’s living standards; create employment opportunities, and availability of a variety of goods and services in the market (Sessional Paper No.1 of 1986).

MFIs source for funds from formal lending institutions, receive grants from international lending institutions, which would otherwise not lend to SMEs. MFIs carry out onward lending to SMEs, thereby, enabling SMEs to access finance or credit.

TDJLB has been receiving funds from central government as grants, contributions from local authorities and the revolving funds. Some MFIs such as KWFT have been able to source for funds in form of grants and subsidized loans from Ford Foundation (FF), K-REP, Barclays Bank of Kenya (BBK) (KWFT, The Pillar No.10 2004).
MFIs face constraints towards lending to SMEs; some of the constraints include, lack of incentives from formal financial institutions to lend to MFIs, thereby making it difficult for MFIs to access credit, grants and subsidized loans for onward lending to SMEs. Incentives should be put in place to enable formal institutions to lend money to MFIs, if they are not able to lend directly to SMEs, in order for industrial transformation to take place by the year 2020 (Sessional Paper No.2 of 1996).

MFIs have inadequate loanable funds to SMEs, this is due to high government borrowing, inadequate levels of savings and, undeveloped informal financial institutions as stated by Brugger and Rajapatirana (1995) that, these are the constraints MFIs in developing countries such as Kenya faces. High levels of poverty prevalence are due to low income and high levels of dependence in developing countries, which leaves little income for saving by SMEs.

From the above discussion, there is little doubt that MFIs major role is to provide credit to entrepreneurs in Small and Medium Enterprises (SMEs) while other roles include:

1. To provide non-financial services to SMEs such as training.
2. To mobilize savings among the SMEs.

2.1.4 TDJLB LENDING PROGRAMS AS AN MFI

TDJLB is one of the MFI, which lend funds to SMEs. This is a unique MFI as it involves the government which contributes funds for onward lending to SMEs, who have had little access to formal lending institutions, such as commercial banks, thereby providing opportunity for indigenous Kenyans to gain commercial experience, generate employment, alleviate poverty and reach a standard of credit worthiness which enables them to play their full part in the commercial and industrial life of Kenya (Manual of Instructions 1966).

Since 1966, TDJLB has received funding in form of grants from the central government of Kenya, initially from United States Agency for International Development (USAID), and various local authorities (GoK 2000).
TDJLB operates credit schemes through branch offices countrywide, which are found in every district, established on attainment of independence. The broad objective of the credit scheme is to issue credit to small and medium enterprise owners in order to enable them develop their businesses, increase their incomes, generate employment and take part in poverty alleviation (Sessional Paper No.2 of 1992).

TDJLB being a government owned institution enforces government policies geared towards promotion of SMEs, as occasionally published in government policy papers. The MFI is instrumental in providing opportunity for indigenous Kenyans to gain commercial experience so that they can graduate from SMEs to big businesses; it enables SMEs to reach a level of credit worthiness, which qualify them to seek funds from formal institutions such as commercial banks. It is envisaged that SMEs through TDJLB loans, will take full part in the commercial and industrialization of the country and implement policies contained in Sessional Paper No.2 of 1996 on Industrial Transformation to the year 2020.

TDJLB is managed in various districts where the boards are located, thus, forming branch network of the headquarters offices at Ministry of Trade and Industry, operated by department of Internal Trade. The district boards are chaired by appointed local Small or Medium Scale entrepreneur within the boarders of the district; the board is managed by Treasurer/Secretary who is the District Trade Development Officer (DTDO). The loans board consists of three appointees as board members appointed by the central government and three appointees from the local government who are generally councillors within the area. All the six board members must be gazetted in the Kenya Gazette for a period of three years (Manual of Instructions 1966).

The board sits to approve loans to loan applicants who are SMEs and during the board’s sittings, the Permanent Secretary, Ministry of Trade and Industry is represented by the Provincial Trade Development Officer of the province where the board is. Loans are given in the range from a minimum of Kshs. 20,000 upto a maximum of Kshs. 100,000, repayment period is two years, and the loan attracts an interest rate of 12% per annum, charged on reducing balance. The loans are
granted for purposes of purchase of machinery, tools, stock-in-trade, and other approved purposes. Before the loans are granted, the applicants must satisfy the board that they are engaged in already existing businesses, industry or trade, must keep simple books of accounts, must devote their full time to the business, have a lockable premises for their exclusive use and provide a security which includes title deeds, share certificates, guarantors, all of whose value should be more than the value of the loan (Manual of Instructions 1966).

The board gives two types of loans, the one explained above is long term loans, the other one is short term loans which is a seasonal loan, this loan is repayable in six months and is mostly applicable in areas where seasonal agricultural produce buying, is an important commercial activity. The funds carry the normal interest rate of 12% per annum.

TDJLB provides other non-financial services such, as provision of training in collaboration with Kenya Institute of Business Training (KIBT), which is the training arm of Ministry of Trade and Industry, on Business Management. The board also provides counseling and consultancy services to SMEs in Kenya (GoK 2003).

### 2.1.5 ROLE OF SMEs

SMEs are operated and categorized as Regulated Retail Trade, Caterers, Distributors, Motor Vehicle Repairs and Artisans (Annual Report, Malindi Trade Office 2003).

SMEs offer avenues for employment creation for the business owner, family and employees; they are useful in creation of wealth, to a majority of Kenyans, thereby, alleviating endemic poverty, which is prevalent in the country. SMEs provide a breeding ground for nurturing entrepreneurial and commercial talent in the country (Sessional Paper No1. of 1986).

SMEs are defined according to level of investment, capital equipment, machinery, and according to number of employees. SMEs are generally considered to employ 1 to 50 employees, while a detailed definition classifies SMEs as:

1. Micro-Enterprises employing 1 to 5 employees
2. Small Enterprises employing 6 to 20 employees
3. Medium Enterprises employing 21 to 50 employees.

(Paper on: “Policies and Strategies for Enhancing Growth of Jua Kali Sector” 1997). It is estimated that 60% of SMEs graduate to the next level of status or category. According to paper on Policies and Strategies for Enhancing Growth of SMEs (1997), between 1997 and 2001, it was estimated that employment would increase by 1.6 million, representing an annual growth of 3.5%. The SMEs would create 39.4% of total employment in the country.

Sessional Paper No.2 of 1966 on Industrial Transformation to the year 2020, outlined strategies for transforming Kenya, into a prosperous nation, recognizes that SMEs be fostered to continue to expand and grow as more jobs will be created in this sector, than any other off-farm sector. The sector provides, attractively priced products, and is an essential training ground for developing entrepreneurial skills, which is essential for Kenya’s industrialization.

SMEs face a number of constraints in their operations, which include:
1. Inappropriate physical infrastructure, little access to electricity, water, poor road network, and inadequate industrial/commercial land/sites.
2. Poor access to appropriate technology such as, insufficient sources of technical information, lack of institutional counseling, lack of appropriate technical skills.
3. Market constraints such as, poor linkages between SMEs and marketing boards.
4. Cumbersome laws and regulations such as, centralized registration and licensing of enterprises, expensive regulatory procedures and ignorance of law (Sessional Paper No. 2. of 1992 and MRTTT 1997).

On the whole, SMEs have immensely contributed to employment generation, poverty alleviation, wealth creation, training ground for Small and Medium entrepreneurial skills, which therefore, is fulfilling the governments objectives for economic growth and development as espoused in Sessional Paper No.1 of 1986 and Sessional Paper No.2 of 1992).
2.1.6 Summary of literature review

Numerous studies have been carried out on loan accessibility to micro enterprises in Kenya, as well as other countries. Most of these studies point to the fact that, loan accessibility, is a critical financial constraint facing most small and medium entrepreneurs in financing their enterprises. However, no study has been carried out specifically touching on how lending by TDJLB which is an MFI has had on SMEs in Malindi town. This study will assess the impact on TDJLB loans on loan beneficiaries.
CHAPTER THREE

3.1.0 RESEARCH METHODOLOGY

3.1.1 INTRODUCTION

Various scientific research methods or tools are useful and applicable in carrying out research. The various methods used enable a researcher to come up with elucidated outcome. Descriptive research method was used in order to come up with acceptable research results. It was used since this was an exploratory study.

3.1.2 TARGET POPULATION

The target population comprised of 300 Small and Medium Scale entrepreneurs who are loan beneficiaries of Trade Development Joint Loans Board within Malindi town. (GoK 2004)

3.1.3 SAMPLING STRATEGY

From a target population of 300 loan beneficiaries of Trade Development Joint Loans Board in Malindi town, a sample size of 30 loanees was chosen for research study.
Stratified random sampling technique was applied, in carrying out the research. Stratification was based on the following criterion:

a) Type of business engaged in.
b) Loan amount.
c) Size of business
3.1.4 DATA COLLECTION TOOLS

A structured questionnaire was employed as a tool to collect primary information from the respondents, who were, small and Medium Scale entrepreneurs, who are loan beneficiaries from Trade Development Joint Loan Board. This tool was administered through face to face interviews or what is referred to as researcher-administered questionnaire.

The researcher used secondary data or information found in various literatures during the research. Secondary information was mainly sourced from Ministry of Trade and Industry headquarter reports, District Trade Office and Kenya Institute of Business Training.

The researcher employed observation techniques such as facial expressions by respondents while in the field, which assisted in arriving at the best possible results. This helped where a respondent was unable to easily comprehend questions asked. Rephrasing of questions was effected immediately, to enable respondents respond to the questions.

All of the three tools mentioned above as data collection instruments, were employed by the researcher during research implementation, in order to arrive at the best possible research results.

3.1.5 DATA ANALYSIS

Descriptive statistics was used to describe and summarize the data. The purpose of descriptive statistics was to enable the researcher to meaningfully describe a distribution of scores or measurements using a few indices or statistics. The researcher used percentages, in order to give expected summary statistics of various variables being studied. The researcher therefore used percentages;
frequency, tables and figures in order to organize, interpret and analyze data collected from the field.

3.1.6 EXPECTED OUTPUT

1. To come up with results on how loan beneficiaries can succeed and avoid business failures.
2. To come up with results on how TDJLB can improve its lending programs to SMEs.
3. To form a basis on which future research on TDJLB as an MFI and loanees will be based.
CHAPTER FOUR

4.1.0 DATA ANALYSIS AND INTERPRETATION

4.1.1 INTRODUCTION

Following successful execution of the questionnaire on the respondents under study, the following research findings or results were obtained. Descriptive research method was used to analyze the research data obtained. Percentages, Tables and figures have been used in presenting the research findings. A total of 30 loanees responded to the questionnaire, representing 100 percent of the sample. The response was considered representative enough to provide a basis for valid and reliable conclusions.

4.1.2 RESULTS IN RESPECT OF PERSONAL DETAILS OF LOANEES

4.1.2.1 AGE

Of the 30 respondents interviewed and whose response was noted, a high number were found to fall in the age bracket of 40 years and above, comprising of 80% of loanees interviewed. Only 20% of loanees fall in the age bracket of 18 to 39 years.

Following is a tabular presentation in respect of ages of Trade Development Joint Loans Board loanees.
Table 4.1.2.1 AGE OF LOANEES

<table>
<thead>
<tr>
<th>Age Bracket (years)</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-28</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>29-39</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>40-50</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Over 50</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.2.2. GENDER

Of the total loanees interviewed, 73.33% were found to be Male, while only 26.67% were female.

Following figure depicts the gender distribution of loanees.

Fig. 4.1.2.1 GENDER

Source: Field Data

The above results show dominance by Males in accessing loans over Females.
4.1.2.3. MARITAL STATUS

From data collected, it was noted that a majority of loanees were married, comprising of 83.33% of all loanees interviewed. 10% were widowed and 6.67% were divorced. None was single.

<table>
<thead>
<tr>
<th>Status</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Married</td>
<td>25</td>
<td>83.33</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Widowed</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data.

4.1.2.4. NUMBER OF DEPENDANTS

A majority of loanees interviewed, had 6 to 11 dependants, comprising of 46.67% of those interviewed, followed by 0 to 5 dependants comprising of 33.33%. Only 20% of those interviewed, had over 11 dependants.

The table below depicts the number of dependants of loanees.

<table>
<thead>
<tr>
<th>No. of Dependants</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>10</td>
<td>33.33</td>
</tr>
<tr>
<td>6-11</td>
<td>14</td>
<td>46.67</td>
</tr>
<tr>
<td>Over 11</td>
<td>6</td>
<td>20.00</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data
4.1.3. RESULTS IN RESPECT OF LOANEES BUSINESS DETAILS

4.1.3.1. PERIOD OF BUSINESS EXISTENCE

Of the loanees interviewed, 60% of their businesses were found to be in existence between 0 to 11 years, this was followed by over 18 years, which comprised 26.67%, and the least was 12 to 17 years, which comprised of 13.33% of total business of loanees interviewed.

The following table depicts the findings of age of business existence.

<table>
<thead>
<tr>
<th>Period of Existence</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5</td>
<td>9</td>
<td>30.00</td>
</tr>
<tr>
<td>6 - 11</td>
<td>9</td>
<td>30.00</td>
</tr>
<tr>
<td>12 - 17</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>Over 18</td>
<td>8</td>
<td>26.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.3.2 SOURCE OF START-UP CAPITAL

A hundred percent of loanees interviewed, had their start-up capital from other sources.
None of the loanees had their start-up capital from Trade Development Joint Loans Board.

Table below depicts results from interviews carried on loanees regarding source of start-up capital.
Table 4.1.3.2  SOURCE OF START-UP CAPITAL

<table>
<thead>
<tr>
<th>Source</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Dev. JLB</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other sources</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.3.3.  SOURCE OF BUSINESS GROWTH FUNDS

Among loanees interviewed, 70% sourced their business growth funds from Trade Development Joint Loans Board.

According to data collected, 26.67% sourced their business growth funds from both Trade Development Joint Loans Board and other sources, while, 3.33% sourced their business growth funds from other sources.

Table below, is a presentation of result findings.

Table 4.1.3.3 SOURCE OF GROWTH FUNDS

<table>
<thead>
<tr>
<th>Source</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Dev. JLB</td>
<td>21</td>
<td>70.00</td>
</tr>
<tr>
<td>Other sources</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Both Sources</td>
<td>8</td>
<td>26.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.3.4  LOANS USEFULNESS FOR BUSINESS GROWTH

From the data collected, it was noted that 83.33% of total loanees interviewed, responded that the loans advanced to them by Trade Development Joint Loans Board was useful and assisted their businesses to grow.

It was noted that only 16.67% of the loanees stated that the amount was inadequate to have any meaningful impact in enabling their businesses grow.
Following is a tabular presentation of the research findings.

**Fig. 4.1.3.1  LOANS USEFULNESS FOR BUSINESS GROWTH**

![Pie chart showing loan usefulness for business growth]

Source: Field Data

**4.1.3.5  USAGE OF LOANS BORROWED**

Following, are the responses obtained from loanees interviewed in regards to how money borrowed, was utilized or employed by the borrower, as depicted in the table below.

**Table 4.1.3.4  USAGE OF LOANS BORROWED**

<table>
<thead>
<tr>
<th>Usage</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased stock in business</td>
<td>25</td>
<td>71.43</td>
</tr>
<tr>
<td>Diversified to other existing businesses</td>
<td>6</td>
<td>17.14</td>
</tr>
<tr>
<td>Started new business</td>
<td>3</td>
<td>8.57</td>
</tr>
<tr>
<td>Not employed in business</td>
<td>1</td>
<td>2.86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data
Of the loanees interviewed, 71.43% used the loan amount in increasing stock in already existing businesses.

Another 17.14% of loanees used the loan amount to diversify to other existing businesses, while 8.57% of loanees started new business ventures as they retained the original ones.

Only 2.86% of the loanees did not use the money borrowed in business at all.

It was noted that 16.67% of the respondents interviewed, used the loan borrowed in more than one use, by using part of the money in different businesses. This is reflected in having 35 responses, way above expected 30 responses.

4.1.3.6 USEFULNESS OF TDJLB LOANS

All the loanees interviewed responded on the affirmative that loans borrowed from Trade Development Joint Loans Board were useful, and contributed to their well being in the business arena.

4.1.3.7 ADEQUACY OF BORROWED LOAN

It was realized from results obtained from the interview that 83.33% of the loanees found the amount borrowed from Trade Development Joint Loan Board, inadequate for their application in business.

According to data collected, only 16.67% found the amount borrowed adequate for application in their businesses.

The result is illustrated in table below

Table 4.1.3.5 ADEQUANCY OF BORROWED FUNDS

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>5</td>
<td>16.67</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>83.33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data
4.1.3.8 CONSTRAINTS ENCOUNTERED WHILE ACCESSING THE LOAN

Many responses were given as constraints encountered while accessing the loan. A majority of loanees comprising of 35.29% responded as having faced No constraints, while accessing the loan.

A major constraint was in delay in loan disbursement to loan applicants, this group comprised of 29.41% of loanees interviewed.

Getting required security to secure loans from Trade Development Joint Loans Board proved a constraint to 14.71% of the loanees interviewed.

Procedures required for loanees to fulfill before getting loan, proved a constraint to 11.77% of the loanees interviewed.

Getting guarantors to guarantee the loanees, proved a constraint to 5.88% of loanees interviewed.

Demand for bribe was noted to be a constraint in accessing Trade Development Joint Loans Board loan to 2.94% of the loanees interviewed.

Following is a tabular presentation of the results.

Table 4.1.3.6 CONSTRAINTS ENCOUNTERED WHILE ACCESSING LOAN

<table>
<thead>
<tr>
<th>Constraints</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay in disbursement of loans</td>
<td>10</td>
<td>29.41</td>
</tr>
<tr>
<td>Getting required security</td>
<td>5</td>
<td>14.71</td>
</tr>
<tr>
<td>Getting guarantors</td>
<td>2</td>
<td>5.88</td>
</tr>
<tr>
<td>Long procedures</td>
<td>4</td>
<td>11.77</td>
</tr>
<tr>
<td>Demand for Bribe</td>
<td>1</td>
<td>2.94</td>
</tr>
<tr>
<td>No constraints</td>
<td>12</td>
<td>35.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data
4.1.3.9 CHANGES IN SALES VOLUME AFTER LOAN ACQUISITION

According to data collected, 73.33% of loanees interviewed, stated that they recorded various increases in their sales volume as compared to before the acquisition of loan.

From data collected, it was noted that 26.67% of respondents registered NO change in sales volume.

NO decrease in sales volume was recorded from the loanees.

Following are some of the responses recorded as illustrated in table below.

Table 4.1.3.7 CHANGES IN SALES VOLUME AFTER LOAN ACQUISITION

<table>
<thead>
<tr>
<th>Change</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased by 2%</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Increased by 5%</td>
<td>5</td>
<td>16.67</td>
</tr>
<tr>
<td>Increased by 10%</td>
<td>5</td>
<td>16.67</td>
</tr>
<tr>
<td>Increased by 15%</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Increased by 20%</td>
<td>3</td>
<td>10.00</td>
</tr>
<tr>
<td>Increased by 30%</td>
<td>3</td>
<td>10.00</td>
</tr>
<tr>
<td>Increased by 50%</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>No Change</td>
<td>8</td>
<td>26.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.3.10 EMPLOYMENT GENERATED AFTER LOAN ACQUISITION

Most loaned business owners generated employment to the tune of 96.67% within the employment bracket of 0 to 5 employees.

Only 3.33% of loanees employed employees in the employment bracket of 6 to 11 employees.
None of the loanees interviewed employed more than 12 employees. Following is a tabular presentation of employment generated after acquisition of loans.

Table 4.1.3.8 EMPLOYMENT GENERATED AFTER LOAN ACQUISITION

<table>
<thead>
<tr>
<th>No. Employed</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>29</td>
<td>96.67</td>
</tr>
<tr>
<td>6-11</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>12-17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Over 18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data

4.1.3.11 SUGGESTED AREAS OF IMPROVING ISSUANCE OF LOANS BY TRADE DEVELOPMENT JOINT LOANS BOARD

Various suggestions were forth coming from loanees, on how to better the lending system in place by Trade Development Joint Loans Board in order to make the MFI more effective and have a greater impact on its customers. Some of the suggestions include the following:-

31
### Table 4.1.3.9 SUGGESTED AREAS FOR IMPROVEMENT OF TDJLB.

<table>
<thead>
<tr>
<th>Suggestions</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue loans during high tourist seasons from Oct to March</td>
<td>1</td>
<td>2.08</td>
</tr>
<tr>
<td>Issue loans regularly</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>Increase loan amount to over Kshs. 100,000.00</td>
<td>21</td>
<td>43.75</td>
</tr>
<tr>
<td>Lower collateral required</td>
<td>1</td>
<td>2.08</td>
</tr>
<tr>
<td>Timely issuance of loans</td>
<td>8</td>
<td>16.67</td>
</tr>
<tr>
<td>Increase repayment period to more than two years</td>
<td>3</td>
<td>6.25</td>
</tr>
<tr>
<td>Reduce procedures in acquiring loans</td>
<td>2</td>
<td>4.17</td>
</tr>
<tr>
<td>Increase grace period to more than one month</td>
<td>1</td>
<td>2.08</td>
</tr>
<tr>
<td>Issue loans applied for without reduction</td>
<td>3</td>
<td>6.25</td>
</tr>
<tr>
<td>Issue seasonal loans as per demand not group</td>
<td>1</td>
<td>2.08</td>
</tr>
<tr>
<td>Conduct regular training and seminars for loanees</td>
<td>1</td>
<td>2.08</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>99.99</strong></td>
</tr>
</tbody>
</table>

Source: Field Data

A greater number of loanees, 43.75% suggested that loan amounts currently being issued be increased to over Kshs.100,000 (A hundred thousand shillings).

According to data collected, 16.67% suggested that Trade Development Joint Loans Board loans should be issued on a timely basis, that is, immediately once an applicant has applied and fulfilled loan requirements.

It was noted that 12.5% of loanees suggested that the loans board should issue loans regularly.

From data collected, half of 12.5% of loanees suggested an increase in repayment period to more than two years, and issuance of loans applied for without any reduction.

Reduction of procedures in acquiring trade loans from the board was suggested by 4.17% of the loanees interviewed.
The following suggestions attracted 2.08% views from loanees, such as issuance of loans should be during high tourist season from October to March, Increase grace period to three months, issue seasonal loans as per demand and not as a group, conduct regular training and seminars for loanees.
CHAPTER FIVE

5.1.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1.1. INTRODUCTION

Results emanating from the field and their analysis hereby enable the researcher to summarize, conclude and put forward recommendations, including proposals and areas for further research.

5.1.2. SUMMARY AND CONCLUSIONS

From research findings, it is evident that most loanees from Trade Development Joint Loans Board are over 40 years.

It was found that, most of the loanees are male while females constitute a small number.

Most of the loanees are married people with very few widowers, divorcees and no single loanees.

Trade loanees have a heavy burden of having many dependants. They provide for their dependants needs and wants from the income generated from the businesses they operate and from other sources of income.

From research findings, it was found that most of loanees businesses were in existence up to eleven years.

It is evident from the research findings that start-up capital was sourced by loanees from other sources as Trade Development Joint Loans Board does not grant start-up loans. It is therefore evident that credit from other sources is taken into consideration in business start-up stage.

Small and Medium Scale business owners mostly source their business growth loans from Trade Development Joint Loans Board.
Though loans from Trade Development Joint Loans Board are put to many uses, increasing stock in business is a dominant way, among loanees.

From the research findings, it is evident that all the loanees agreed that the loans from TDJLB are useful, though, they are inadequate when it comes to application in their businesses. Delay in disbursement of loans once application is made was a major constraint encountered while accessing the loan facility, though, most found No constraints in accessing the loan.

From research findings, it is evident that a majority of loanees recorded increase in sales volume after acquiring loans. The increase varied from 2% to 50%. A minority recorded No change in sales volume after credit acquisition; hence credit acquisition enhances growth of SMEs. Employment was generated after acquisition of loans, though a majority employed up to five employees thereby fulfilling employment creation policy of the government and the board.

Research findings in regards to suggestions on how to improve the loan facility recorded a big number suggesting that the maximum amount issued as loans by the TDJLB is inadequate and should be increased.

5.1.3 RECOMMENDATIONS

Trade Development Joint Loans Board play an important role as an MFI to SMEs, however, in order to better its lending services, the following recommendations are made:-

➤ That Trade Development Joint Loans Board should increase the maximum amount a loanee can borrow to over one hundred thousand shillings currently prevailing.
➢ The loans board should implement timely issuance of loans to successful loan applicants, that is, applicants should get loans immediately they apply and fulfill the necessary loan requirements.

➢ The loans board should issue loans regularly by avoiding irregular manner in which loans are issued by the board.

➢ It is recommended that, the loans applied for should not be reduced if they fall within the maximum ceiling as is the practice presently.

➢ It is recommended that two years repayment period is too short and should therefore be increased to over two years.

### 5.1.4 LIMITATIONS OF THE STUDY

Limitations encountered during this study were mainly:-

1. Time to carry out the research was inadequate forcing the researcher to overwork.

2. Finance required to effectively administer the research was enormous and therefore was a limiting factor to the researcher.

### 5.1.5 AREAS FOR FURTHER RESEARCH

There is need to conduct research on why loanees default on loans borrowed from TDJLB despite the prevailing relaxed requirements.

There is need to conduct research on training needs of officers charged with the responsibility of managing TDJLB.
REFERENCES


KWFT. 2004. *The pillar no.10: "Mothers of substance,*
together we have made it”. Kenya Women Finance Trust Newsletter. Nairobi.


# APPENDIX A: WORK PLAN

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### APPENDIX B: BUDGET

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<th>ITEM</th>
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<td>1 Subsistence &amp; Accommodation</td>
<td>30,000</td>
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<td>2 Transport Expenses</td>
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<td>3 Allowance (Research Asst.)</td>
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<td>4 Stationary</td>
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<td>5 Computer operator Exp.</td>
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<tr>
<td>6 Data Analysis Exp.</td>
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<td>7 Binding Expenses</td>
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<td>8 Contingency Exp @ 10%</td>
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<tr>
<td><strong>TOTAL</strong></td>
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APPENDIX C: QUESTIONNAIRE

Number of interviewee ..................

Date of interview .......... / .... / ....

Note: A tick a cross a number among options, indicates appropriate response

PART A: PERSONAL DETAILS OF LOANEE

1. What is your age?
   1) 18-28 yrs
   2) 29-39 yrs
   3) 40-50 yrs
   4) Over 50 yrs.

2. Gender
   1) Male
   2) Female

3. Marital Status
   1) Single
   2) Married
   3) Divorced
   4) Widowed
   5) Others (Specify)

4. How many dependants do you have?
   1) 0-5
   2) 6-11
   3) Above 11
PART B: BUSINESS DETAILS

5. When did you start your business?
   1) 0-5 years ago
   2) 6-11 years ago
   3) 12-17 years ago
   4) Over 18 years ago

6. What was the source of your startup capital?
   1) Borrowed funds from Trade Development Joint Board
   2) Other source of funds

7. What was the source of your business growth funds?
   1) Borrowed funds from Trade Development Joint Loan Board
   2) Other source of funds

8) Were borrowed funds from Trade Development Joint Loan Board useful for your business growth?
   1) Yes
   2) No

9) To what use were the funds from Trade Development Joint Loan Board put to?
   1) Increased stock in the business
   2) Diversified to other existing businesses
   3) Started new business ventures
   4) Not employed in business
10) Were loans borrowed from Trade Development Joint Loan Board useful?
   1) Yes
   2) No

11) Was the amount borrowed from Trade Development Joint Loan Board adequate for your application
   1) Yes
   2) No

12) State major constraints encountered while accessing Trade Development Joint Loan Board

13) By how much has your sales volume increased or decreased after accessing loans from TDJLB?

14) How many employees have you employed after accessing TDJLB loan?
   1) 0-5 Employees
   2) 6-11 Employees
   3) 12-17 Employees
   4) Over 18 Employees

15) Suggest areas where Trade Development Joint Loan Board can be improved.