FACTORS INFLUENCING STRATEGIES OF MEDIUM SIZED LEASING COMPANIES IN KENYA

(A CASE OF DANSOO ENTERPRISES)

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D53/CTY/PT/20771/2010

A research report submitted to the school of business in partial fulfillment of the requirement for the award of master of business administration of Kenyatta University.

April 2012
DECLARATION

This research report is my original work and has not been presented to any other university or institution for any other award.

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SHADRACK BETT
ACKNOWLEDGEMENT

Let me start by thanking God the almighty for giving me good health and energy for this noble assignment. With God’s grace and help, I was able to prepare this proposal. Secondly, to my supervisor Mr. Robert Nzulwa for inspiration, motivation and professional guidance.
DEDICATION

This research report is dedicated to my family specifically my mother, Adey Aidid. Many are the times she missed my attention when I was busy in the study room preparing this proposal.
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DEFINITION OF TERMS

**Small Scale Business**- A small scale business is the one that requires a small amount of capital to establish it, this kind of businesses usually have a small number of employees or in most cases personally handled by the owner, and are referred to as micro businesses (this is a term used by international organizations such as The World Bank and The International Finance Corporations (ILO, 1989).

**Leasing**- is a contract between two parties where one party (the lessor) provides an asset for usage to another party (the lessee) for a specified period of time, in return for specified payments. Leasing, in effect, separates the legal ownership of an asset from the economic use of that asset (Gallardo, 1997).
ABBREVIATIONS AND ACRONYMS

ILO  - International Labour Organization
SSEs  - Small Scale Enterprises
ABSTRACT

The purpose of the study was to find out the challenges affecting the management of small scale-leasing businesses in Kenya. Specifically; to find out the effect of competition on management of small scale leasing businesses in Kenya, to determine the effect of technology on management of small scale leasing businesses in Kenya, to establish the effect of maintenance cost on management of small scale leasing businesses in Kenya, to determine the effect of Government policies on management of small scale leasing businesses in Kenya and to establish the effect of security on management of small scale leasing business in Kenya. The study adopted a descriptive research design because the problem was designed and the researcher was aware about it. The target population consisted of the management, staff and clients of Dansoo enterprise totaling to 50 respondents. Since the population was small, the researcher did a census of the entire population. Data was analyzed using both quantitative and qualitative techniques.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study
Leasing is not a new concept; it follows the basic premise that business profits arise from equipment use, not equipment ownership (Gallardo, 1997). Leasing can be traced back 5,000 years to ancient Greece and the Middle East, where it was used in agricultural transactions. The mechanization of agriculture and the Industrial Age brought further specialization to leasing. Today, thousands of businesses that are long on ideas and short on cash are using leasing as a simple and flexible financing solution to increase productivity and generate profits (Gallardo, 1997).

Leasing has been an existent phenomenon in the developed world for many years. It has only penetrated into the developing spectrum in the latter half of the twelfth century (Carpediem Consulting, 1994). With the approach of the 20th century, producers had the resources to finance the production of assets; however the clients were short on finance for their payments, since majority of clients did not qualify for bank financing. The producers were left to pass their goods in return for deferred payments with a markup to cover the cost of capital. This idea of deferred payments enabled producers to increase the number of clients, volume of output, and the gain of significant competitive advantage in the market. With the increase in the number of deals, the selling technique broke into a separate type of business and leasing developed financial service. The first independent leasing company was developed in the US in 1952 and was named United States leasing corp. The company extended to Europe in 1960 and spread to developing countries in the mid 70’s.

Leasing requires a stable macroeconomic environment with a clear legal and regulatory framework (Amembal and Shawn, 1995). Experience from Kenya to Bangladesh demonstrates that a supportive leasing environment begins with sound financial leasing laws, prudential supervision, and tax regulations that govern leasing transactions. This structured environment is needed to foster the leasing industry’s continued growth and encourage leasing companies to enter the micro finance market.
Leasing is a medium-term financial instrument for the procurement of machinery, equipment, vehicles, and/or properties. Leasing provides financing of assets—equipment, vehicles—rather than direct capital. Leasing institutions (lessors) such as banks, leasing companies, insurance companies, equipment producers or suppliers, and non-bank financial institutions purchase the equipment, usually as selected by the lessee, providing the equipment for a set period of time to businesses. For the duration of the lease, the lessee makes periodic payments to the lessor at an agreed rate of interest (Amembal and Shawn, 1995). At the end of the lease period, the equipment is transferred to the ownership of the business, returned to the lessor, discarded, or sold to a third party. Under financial leasing, the lessee typically acquires or retains the asset.

Several multilateral and bilateral donors have supported innovative leasing programs that promote simple and innovative technologies (Amembal and Shawn, 1995). In Kenya, for example, a hire-purchase methodology has become the primary means of financing the acquisition of solar power-based energy systems or household photovoltaic systems to small and micro businesses. Although a heavily subsidized government program to disperse the photovoltaic systems was in place, it had an extremely poor performance record. This provided an opportunity for a private company that was determined to compete and capture the photovoltaic market; they began by leasing solar power-based energy systems throughout Kenya. This company has been able to capture the photovoltaic system market in Kenya. It has sold more than 60,000 units since 1987 and surpassed the total number of rural consumers connected under the national power utility’s Rural Electrification Program. In light of this experience, the Kenyan government adopted a hands-off attitude toward the distribution of solar energy systems through the private sector. In capturing an underserved market, the company proved that leasing could be a profitable venture for all parties involved.

1.1.1 Dansoo Enterprises

Dansoo Enterprises is a small scale leasing business Located in Central business District of Nairobi and was established in July 1984 it is family owned enterprise with
seven management staff and forty-five other employees. The enterprise owns parcels of land in Nairobi on which it has constructed commercial as well as residential houses, which are leased out to upper class, middle class and lower class. The properties are based in Upper, Middle and Low Class areas in Nairobi, for example Runda, Lavington, and City centre, Pangani, Parklands, Buruburu, Mbotela and Makadara in Eastlands. The enterprise since its establishment has been doing leasing business without much problem. However since late 90’s it has experienced some challenges like security, Technological, Maintenance cost, competition, and Government policies.

1.2 Statement of the problem
Several studies on the factors facing the management of small-scale leasing businesses within the housing sector in Kenya have been conducted by various researchers. Ojijo (2004) argued that poor city planning was a very serious challenge while Onyonka (2005) argued that, lack of security in certain areas also affected the small scale leasing businesses in Kenya.

Although Ojijo highlighted the challenges affecting small scale leasing businesses in Kenya, he only restricted his study on one variable, that is city planning. While Onyonka study concentrated on security only. Further the two studies are contradicting on the challenges facing the management of small scale leasing businesses within the housing sector in Kenya. In this study, the researcher will incorporate Competition, Technology, Maintenance Cost, Government policies and security as possible variables affecting management of small scale leasing businesses in Kenya. Hence the researcher will attempt to answer one basic question that refers to the factors affecting small scale leasing strategies within the housing sector in Kenya.

1.3 Objectives of the study
1.3.1 General objective
The purpose of the study was to find out the factors affecting the strategies of small-scale leasing businesses in Kenya.

1.3.2 Specific objective
The specific objectives of the study were:
To analyze the effect of competition on the management of small scale leasing businesses in Kenya.

To determine the effect of technology on the management of small scale leasing businesses in Kenya.

To establish the effect of maintenance cost on the management of small scale leasing businesses in Kenya.

To assess the effect of Government policies on the management of small scale leasing businesses in Kenya.

To establish the effect of security on the management of small scale leasing business in Kenya.

The following research questions guided the study:

- What was the effect of competition on the management of small scale leasing businesses in Kenya?
- How did Technology affect the management of small scale leasing businesses in Kenya?
- How did maintenance cost affect the management of small scale leasing businesses in Kenya?
- How did the Government policies affect the management of small scale leasing businesses in Kenya?
- How did security affect the management of small scale leasing business in Kenya?

This study was beneficial to many people. The policy makers of Dansoo enterprises gained from the study because they understood the challenges affecting the leasing business. By implementation of the recommendation of this study they will solve the problem.

The study benefits other small scale leasing business in Kenya. They understood the challenges affecting their businesses. The government policy makers particularly in the housing sector used the findings of the study to come up with sound leasing
policies. Finally, other researchers and academicians used the findings of this study as reference for their study.

1.6 Limitations of the study.

Several limitations were expected to affect the researcher. Many researchers have not researched the study area and therefore it was expected that there will be insufficient literature. However, the researcher relied on Internet and literature material from developed countries.

Insecurity has been a major hindrance factor especially this time of political instability. However the researcher employed research assistants who will be acceptable by the publics within those environments.

1.7 Scope of the study.

Leasing businesses occurs within small, medium and large business. The small-scale businesses were spread across all sectors or the Kenyan economy. Studying all the small-scale businesses in all sectors was impossible. Hence this research focused on small-scale businesses within the housing sector in Kenya, specifically Nairobi City. The researcher interviewed both the management and clients of Dansoo enterprises.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents literature review. Literature is a systematic process of identification location and analysis of the documents containing the information relevant to the problem under study (Mugenda and Mugenda, 2003). The chapter has been structured as review of past studies, critical review and summary of the literature has been given.

2.2 Review of past studies

Private-sector development as a suitable alternative for promoting sustainable and balanced growth in Africa attracted considerable attention. Many governments and development organizations had focused on the promotion of small-scale enterprises (SSEs) as a way of encouraging broader participation in the private sector (World Bank, 1989). The promotion of SSEs and, especially those in the informal sector was viewed as a viable approach to sustainable development because it suits the resources in Africa.

A number of factors have helped to direct the attention of development agencies to the merits of SSEs. For instance, at the peak of the economic crisis in the early 1980s, the SSE sector grew tremendously and exhibited unique strengths in the face of recession (Grey, 1992). The sector continued to grow, despite hostile economic, regulatory, and political environments. The entrepreneurs in this sector came to be regarded as highly opportunistic and innovative. They emerged spontaneously to take advantage of opportunities that arose in the changing business environment. Moreover, they demonstrated great creativity in starting enterprises with minimal resources. It has been suggested that most technological innovations and product diversifications in Africa come from this sector (Juma et al. 1993). The SSE sector has been described as the most accessible and competitive of African economies (World Bank, 1989).
SSEs have characteristics that justify promoting them in a development strategy. They create employment at low levels of investment per job, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at a low cost to society (ILO 1989).

In developed economies, as well as in economies in transition, leasing is an important source of medium and long-term financing. Leasing is particularly important in providing financing to small and medium enterprises and start-ups, which play a key role in introducing innovation and competition into the economy, and are responsible for significant job creation (Gregory, 1991). Leases may be classified in several different ways. All leases are however, in principle, either “finance” or “operating” leases depending on how the lease agreement shares out the risks and rewards incident to ownership of the equipment between the lessor and the lessee (Oliver et al, 2003).

In Kenya, a lease contract in which the risks and rewards associated with ownership of leased equipment are substantially transferred from the lessor to the lessee, but where the lessor retains ownership of the equipment, is classified, for income tax purposes, as a finance lease (Oliver et al, 2003). This means that the lessor is not responsible for the merchantability and suitability of the leased equipment, and the lessee has to continue paying the lease installments even if the equipment does not perform as expected. The role of the lessor in a finance lease is limited to financing the lease.

This class of leases was created to enable financial institutions, which traditionally do not have equipment knowledge, to be able to finance equipment leases without taking on risks associated with the technical suitability of the leased equipment (Oliver et al, 2003). In an operating lease, the risks and rewards associated with ownership of the leased equipment are substantially borne by the lessor (Oliver et al, 2003). An operating lease usually involves the lessee paying a rental for the hire of equipment for a period of time, which is normally substantially less than its economically useful life. The lessor effectively retains a significant amount of the risks and rewards of ownership of the equipment.
Operating leases come in many forms, e.g., hiring a car for a few days, a few weeks or months. In Kenya, many operating leases work on an informal basis, such as taxi drivers and owners, boda boda schemes and construction tools and equipment. Drinking water dispensers and soda, beer and ice cream coolers often seen in retail stores and public places are most commonly acquired through operating lease contracts (Ngahu, 1992).

Supply chain leasing is a type of leasing that relies on the existing supply chains of the lessee (Ngahu, 1992). Supply-chain leasing is a model conceived to specifically target industries where numbers of small enterprises produce/supply inputs on a regular and predictable basis for much larger companies. Further down a supply chain are the distributors, e.g., retailers or consumers of products from much larger suppliers. It is through these chains that the lease rentals are conducted. It has the advantage of much lower administrative.

2.2.1 Effects of competition on the management of small scale leasing businesses in Kenya.

Small-scale leasing enterprises have had their greatest success generating business in the office machine, computer, and telecommunication equipment markets. These lessors have had limited success in other markets, such as medical/dental, machine tool, printing, and housing (Ngahu, 1992).

The limitations in these markets are primarily due to the differences that exist in originating business with office automation product vendors versus vendors selling other types of equipment. Office automation product vendors are very familiar with leasing, and in the majority of cases, they handle all of the selling aspects of the lease with the lessee. Vendors selling other types of equipment generally expect the leasing company to handle the entire leasing sales process with the lessee. In effect, the vendor is only providing the leasing company with a referral (John, 2001).

Most Small-scale leasing enterprises, due to their assembly line approach of generating and processing business, find it cumbersome to originate business from vendor relationships of this nature. Markets where the vendor requires the leasing company to originate the lease directly with the vendor's customers were usually best
served by small, niche-oriented leasing companies generating lease volumes in the $10 to $50 million range.

2.2.2 Effects of technology on the management of small scale leasing businesses

Technology choice has important implications for growth and productivity in industry. The use of technology was always tied to an objective. Because various types of technologies can be used to achieve an organization's objectives, the issue of choice arises. Entrepreneurs decide at the enterprise level which technologies to use. The main factors influencing their choice of technology include the objectives of the firm, the resources available, the nature of the market, and their knowledge of available technologies (Stewart 1987). Moreover, the entrepreneurs need technical and managerial skills to choose, adapt, and effectively use technology.

Additionally, one would be in a better position to choose a technology if one were able to assess the demand for the firm's products, estimate the rate of change in the market that may call for change in technology, gather information about alternative technologies, and estimate the potential return on investment for each alternative (Wangwe, 1993).

Lack of access to credit is almost universally indicated as a key problem for SSEs. This affects technology choice by limiting the number of alternatives that can be considered. Many SSEs may use an inappropriate technology because it was the only one they can afford. In some cases, even where credit was available, the entrepreneur may lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the loan (Longwe 1997).

2.2.3 Effects of maintenance cost on the management of small scale leasing businesses

Inflation, interest rates and exchange rates are volatile in an emerging market such as Kenya due to its turbulent economy (Government of Kenya. 1986). Forecasting the levels of these macroeconomics variables with confidence for any significant period of time into the future is difficult. When projecting constant price cash flows and earnings, it is important to consider the impacts of inflation and exchange rates on
cash flow streams. In Kenya, the government relies on short term funding from Treasury Bills (TB). The TB rates are very volatile and at one point in 1993 were at a high of 70% while currently they are at 14%. This creates difficulties of settling on discount rates hence affecting the cost of borrowing money.

Some residential properties either in urban or rural areas are over developed in relation to the land value and the costs of the improvements. The capital outlay tends to be higher than the returns from the property (Grey, 1992). In the case of rural areas, these properties are owner-occupied and are developed to suit the owner's needs and have a low exchange and economic value.

In house leasing, both sponsors and residents have a significant interest in how decisions are made regarding the management of the housing project (Grey, 1992). In all life lease models, the sponsor retains ownership of the project and individual units. As owner, the sponsor has primary responsibility for the financial viability and management of the housing project. Most sponsors reserve the right to appoint directors or delegate authority for decision-making purposes.

Further, residents pay a significant amount of money to purchase the right to occupy their unit (Grey, 1992). They are also responsible for selling their unit upon termination of the life lease agreement. They have a financial interest in the maintenance and upkeep of dwelling units and common areas, and the financial status of the life lease project, as these affect the future value of their investment (Grey, 1992).

Another important management issue is the disclosure of financial information on the operation of the houses (Grey, 1992). Such information is used to determine monthly maintenance fees and potentially affects the value of the unit. In many life lease projects, there is limited opportunity for involvement in decision-making.

Owners have discretion over the financial management of their property, including the use of equity in the housing development, in accordance with provisions set out in the life lease agreement. Lenders will not usually finance a life lease project until a minimum number of units have been sold. As a result, purchaser deposits and revenue
from the sale of units are often adequate to pay out construction loans when the building is occupied.

2.2.4 Effects of government policy on the management of small scale leasing businesses

The government holds reversionary interests to all land and plans for it through the local authority. Land in Kenya is divided into three categories: government land that is owned by the government for her own purpose; trust land that was previously (pre independence) known as native reserves and is currently held under trusteeship of the local authorities for the benefit of residents of the area; and private land that is owned privately in freehold or leasehold and is registered and titles issued. The interests in land are freehold, leasehold, communal under trust land, reservation by government bodies, temporary occupation license, easements, way leaves and informal interests (Government of Kenya, 1986).

The use of land and landed property is regulated through planning and environmental laws. Planning is governed by the Physical Planning Act of 1996, Local Government Act Cap 265, the Building Codes Local Authority By-laws and The Environment Management and Coordination Act of 1999. The Department of planning in the central government together with the respective local authorities, in the case of Nairobi the Nairobi City Council carries out Land use planning. The planning communicates the use of land, character of the building and communication routes and guides the social economic and infrastructure development projects in an area (Victoria, 1977).

Commercial and residential properties rent may be controlled or restricted by the state through the Landlord and Tenant (shops, hotels and catering establishments) Act cap 301 and Rent Restriction Act cap 296 for low-income residential houses. This restricts the rents that a landlord may charge, if the Acts governs a particular property. This limits the highest and best use of the property and it also gives very low returns to the landlord.

The valuation practice in Kenya is governed by the Valuers Act Cap 532, which provides for a Valuers Registration Board that regulates the activities and conduct of
registered valuers. Valuers in Kenya are registered upon application to the Board and are required to be full members of the Institution of Surveyors of Kenya (ISK). The Act governs the formation and composition of valuation practices including the qualification of partners and directors in charge of valuation. The Board also deals with discipline and complaints in respect to valuation practice (Kaberere, et al, 2002).

In Kenya the Landlord and Tenants, (Shops, Hotels and Catering Establishments) Act (Cap 301) regulates the rent charged by landlords for commercial buildings where the leases are for periods not exceeding 5 years. The law favours the tenants and the landlord cannot increase the rent to reflect the changes in the market to attain the maximum returns (Kaberere, et al, 2002). Under the Rent Restriction Act (Cap 296) the landlords of certain classes of residential houses cannot increase the rent without the consent of the Rent Tribunal. The statutory controls inhibit the effective application of income valuation approach in working out marketing value and distort the HBU as a landlord can not easily terminate controlled tenancies.

The introduction of VAT in July 1993 has resulted in cross-border leasing becoming uneconomic for lessees, owing to the fact that VAT is chargeable on cross-border leases, but is not reclaimable. This will significantly affect the Polish lessees in looking for Western capital and assets. Also, according to regulations, VAT on both car purchase price and on car lease rentals is non-deductible. This will have an adverse effect on the car leasing business (Kaberere, et al, 2002).

Most disputes can be handled between management and the resident that makes the complaint. A residents’ association may also be helpful in resolving disputes between residents and in sharing information or negotiating solutions with owners.

Currently, the general principles of contract law and any provisions in the life lease agreement would apply in the event of a dispute. In most cases, the courts are the only recourse to resolve disputes that cannot be settled between the parties involved. However, some life lease agreements are structured to employ mediation or arbitration as an initial approach to resolve disputes (Kaberere, et al, 2002).

Alternative dispute resolution methods, such as mediation or arbitration, can often offer faster and more cost-effective dispute resolution. The perceived imbalance
between the access of sponsors and residents to the resources needed to retain legal, financial, and property management professionals are also a consideration. In regulatory framework; leasing companies need a regulatory, legal and fiscal environment that at least provides equal treatment compared with other sources of capital investment financing. Clear, simple and effective legal procedures are important to reclaim assets if the terms of the lease agreement are breached (Grey, 1992).

Although there is no specific statute dealing with leasing, it is not a new concept in Kenya. Original leasing regulation (section 12) was repealed in 1994 due to concern over misuse of the legislation. The leasing industry in Kenya has recently been given a new lease of life with the gazetting in April 2002 (vide the income tax leasing rules, 2002, contained in Legal notice No. 52 of the Kenya Gazette) of new leasing rules by the Minister of Finance. Some institutions have already started leasing schemes, although they target the up market.

Leasing is a highly flexible form of equipment financing. The overriding consideration for the financier when evaluating a lease application is satisfaction that deployment of the equipment into the market in which it is to be used has the potential to generate sufficient cash to cover the lease installments irrespective of who the lessee is (Kaberere, et al, 2002).

The total amount of tax payable by the parties to a lease may be higher or lower depending on the tax classification in which a lease falls (Kaberere, et al, 2002). The total income tax payable is calculated as a percentage of the total profits of the business. The Income Tax Act defines circumstances under which the taxpayer is allowed to make certain deductions from this total before working out the tax due from them, the timing of those deductions and which party in a lease (whether lessor or lessee) is entitled to make those deductions. By deliberately structuring leases in such a manner that the lessor is the one to make tax deductions, leases become attractive to small businesses, most of which fall below or outside the tax net. This is because the income gains from reduction in tax obligations realized by the lessor are shared through lower lease premiums to lessees. This improves the competitiveness of leasing when compared with alternative systems for financing business equipment.
Small businesses that purchase equipment using their own resources or borrowed funds cannot enjoy these benefits since they do not pay income tax.

2.2.5 Effects of security on management of small scale leasing businesses

Much of East Africa and the Horn of Africa are flooded with guns, predominantly small arms, and a large number of those weapons spill over into Kenya (Human Rights Watch, 1999). Since the late 1970s the countries bordering Kenya to the north (Ethiopia, Somalia, Sudan, and Uganda) have experienced long periods of unrest and internal armed conflict. During the cold war these wars were fueled in part by the huge quantities of arms pumped into East Africa by the United States, the Soviet Union, and their allies. The torrent of free or subsidized arms flowing to the African continent subsided significantly after the end of the cold war, but large quantities of arms have continued to pour into the region from numerous arms producers, including China, Bulgaria, and other countries of central and Eastern- Europe (Human Rights Watch, 1999).

Adding to the flow originating from distant countries, a huge quantity of weapons entered the private arms market with the fall of governments in Ethiopia (1991), Rwanda (1994), Somalia (1991), and Uganda (1979 and 1986), as well as conflicts in other African countries (Muggah, and Berman, 2001). Some governments in East and Central Africa have amply supplied rebel forces in other countries with guns and ammunition, thereby adding to the number of weapons in circulation (Muggah, and Berman, 2001). Fighters from wars in these countries are a prime source of weapons brought into Kenya, which they often sell for subsistence. Moreover, a number of East African states are also developing their own arms producing industries. Kenya itself, with Belgian assistance, built a bullet manufacturing plant in Eldoret capable of producing 20 million rounds a year, and such secrecy surrounds the plant that little is known about who purchases those bullets and whether they are available for export. In addition, kinship ties among pastoralist communities that straddle international borders can facilitate the movement of firearms from one side to another, as well as the spread of localized conflicts.
The increasing availability of weapons has helped drive rising insecurity and crime in Kenya, where guns are commonly used to commit a range of violent acts (Muggah, and Berman, 2001). The availability of the firearms has enhanced the state of insecurity in the country; this in turn has affected business operations. Hence some areas are regarded as risky areas for business people to operate in. In addition, the introduction of sophisticated firearms has had far-reaching effects on communities, including social disintegration in some cases and the increasing resort to violence to address long-standing conflicts (Mukutu, 2001).

Although banditry is usually viewed as an act of common crime, and cattle rustling are typically considered a traditional cultural practice, this analysis is flawed because both may at times harbor a political dimension. For example, residents of northern Coast Province have claimed that local government officials sponsor groups of bandits, sometimes unleashing them for political purposes (Muslims for Human Rights, 1999). In addition, the harsh security response of government forces to occasional bandit attacks on government personnel politicize such incidents, particularly as entire ethnic communities have reportedly been targeted for retaliation. In the case of cattle rustling among pastoralist communities, it is often difficult to distinguish between cattle raids motivated by competition over resources (such as cattle, access to grazing land, and water) and those that are at least partly driven by ethnic chauvinism or political motivations. Often the motives overlap. Moreover, it often has been alleged that cattle raiders are hired by businessmen and politicians for commercial purposes unrelated to the rivalries of pastoral communities (Omari, 1999).

In the face of widespread armed violence and crime, the Kenyan government has failed to provide adequate security to its citizens and business people as well (Omari, 1999). Affected citizens in the hardest-hit areas often suggest that the main obstacle to greater security is a lack of will on the government’s part. An additional explanation for poor security is that police-community relations are tense in some areas. Persistent allegations of widespread corruption in the police forces have further eroded public trust (Muggah, and Berman, 2001).
Kenyan security officials, even if dedicated to their responsibilities, face difficult challenges in carrying out their duties. Notably, they lack the necessary resources, training, equipment, and personnel to monitor security conditions effectively throughout the country (Muggah. and Berman, 2001). Moreover, the government presence in some parts of the country is extremely limited and poor or non-existent roads further limit access. Criminals, bandits, and cattle raiders often are better armed than government forces. Low pay, low morale, and low professionalism among police officers deter them from risking their lives in difficult working conditions and encourage corruption and bribery. In mid-1999 the then-police commissioner for Kenya publicly agreed that personnel shortages and lack of funding were severe constraints on police activities, but maintained-contrary to indications-that police forces were sufficiently well equipped to confront threats to public security, including well-armed cattle rustlers (Achieng, 2000).

The recent effects of the violence that engulfed Kenya post the December elections, as usual, has fallen most severely on the small-scale farmers and workers. Onyango (2008) noted that, the economy looks bad and it could get worse. It is not just about the big income earners like tourism and horticulture, which have sustained the country for years. But everyone, from the fishermen in Lake Victoria to the farmers in the Rift Valley and small scale-leasing businessmen in Nakuru and Naorobi are hurting. Everything is going down including the leasing houses in some parts of Naorobi where some citizen decided to occupy people houses thus becoming security risk to the owners (Onyango, 2008). Hence, there is consensus amongst most small and medium businesses that it would take months for economic activities to pick up.

2.3 Critical Review

Viable leasing depends to a greater extent, unlike other kinds of financing, on accurate appraisal of the markets for lessees' products and services. Lessee self-assessment alone was inadequate, particularly given the propensity of small enterprise dominated trades to be swamped by excessive new entrants. Sound appraisal of small-scale business sectors required specialized knowledge and skills, and most financing institutions servicing the small enterprise markets were not particularly familiar with these markets. For security reasons and effectiveness, lessors prefer to lease items that
were easy to move and liquidate. This, unfortunately, also makes assets more prone to theft or absconding by the lessee. In practice, lessors needed additional forms of guarantee for contracts with small enterprise operators.

The market research capacity of most small enterprises was limited. Therefore, when they wanted to invest in new houses, they were often not fully aware of the full costs, sales volumes and markets available. Since the leasing enterprises also had an interest in seeing the leased assets were used to their full capacity, market research into the markets for the leased equipment should not be left to the small enterprises alone.

Capital allowance was a tax-based incentive central to leasing transactions in Kenya. The government of Kenya was encouraging investment in new business equipment by allowing businesses to deduct from their taxable income an amount for wear and tear of the equipment invested in. The equipment covered must be depreciable, but instead of using the various methods provided for in accounting conventions, the income tax department standardizes a capital allowance in place of depreciation. The amount was worked out as a proportion of the value of the equipment, and depends on the class or type of the equipment. In the case of machinery, capital deductions were given in respect to wear and tear at the rate of 12.5% of the value of machinery residual after investment deduction (explained below).

In Kenya, there was no distinction between operating and finance leases as far as deductions from taxable income are concerned. The lessor takes wear and tear allowance and investment deductions as long as this expenditure (the wearing down of the equipment) came about wholly and exclusively as a result of employing the equipment in the generation of taxable income. This means that leases to non-tax paying institutions like NGOs, do not yield wear and tear benefits to the lessor, and are therefore more expensive. 6.2 Tax treatment of leases 16. The lessee is allowed to deduct the entire lease installment from their taxable income as long as the Commissioner of Income Tax is satisfied that the sole purpose for making the payment is for the use of the equipment.

In Kenya, leasing is considered as a service, and lease installments, being payments for this service, are subject to VAT. However, if equipment that is the subject of a
lease is either exempted from VAT or attracts zero VAT, then the lease payments are similarly exempted from VAT.

The literature review shows that entrepreneurs decide at the enterprise level which technologies to use. The authors in this ignored the fact that the entrepreneurs need technical and managerial skills to choose, adapt, and effectively use technology. Grey (1992) argued that the disclosure of financial information on the operation of the houses is important to determine monthly maintenance fees and potentially affects the value of the unit yet very few owners of houses maintain proper record.

2.4 Summary of literature review

This chapter had presented literature review and had analyzed several variables, which affect the management of small-scale housing businesses. From the review, it is clear that the greatest advantages of leasing lie in the lessor being able to reduce their tax liability. Micro finance institutions understand the business of small enterprises, yet most are exempt from income tax. As such they were impervious to the tax incentives built into leasing rules. Therein laid the advantages of leveraged leasing where smaller enterprises were linked to large companies. The existing legislation provided a good foundation for the leasing industry. The new rules should enable lessors and lessees to conduct business with a high degree of confidence. However, there seem to be no study, which had examined how this pose challenges to the small scale leasing businesses in Kenya. In addition, few of the studies on leasing seem to be focusing on financial lease; hence little has been done on housing. This study will try to fill the gaps by training to establish the challenges facing the management of small-scale leasing businesses specifically in the housing sector.

2.5 Conceptual framework.

The researcher had used a schematic diagram to show the relationship between the independent and dependents variables. See figure 2.1
2.5.1 Interpretation

2.5.1.1 Competition:
Competition had affected the management of small-scale business within housing sector tremendously. The way the small-scale business advertises their products they find bigger firms who gives them a lot of competition thus it is a challenge.

2.5.1.2 Technology:
Technology was a challenge that affected the management of small scale business within housing sector because the introduction of the new technology e.g. reaching clients for the houses through internet, ICT technology was found in big firms and the management of small scale business was affected for they cannot afford. Also the big capital machines for construction were very expensive and thus small business can not afford.
2.5.1.3 Maintenance cost:
The cost of building modern houses, maintenance of the existing houses was very expensive. The cost of building materials rose and the small-scale businesses find cost as a challenge.

2.5.1.4 Government policies:
The government had laid down very strict rules and regulations on the landlords i.e. there was a certain scale of the increment of rent and also the payment of taxes results to challenge of small-scale businesses in housing sector.

2.5.1.5 Security:
Security was very important for the success of any business, where security was in questions the value of leasing business was likely to come down and vice versa.
CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology, which were used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques, to be used to select the sample size. It also describes how data was collected and analysed.

3.2 Research Design

The study adopts a descriptive research design where the researcher visited the population of interest. This design was deemed appropriate because the respondents were expected to describe the challenges that affect management of small-scale leasing business in Kenya. The respondents were interviewed in their natural set-ups so as to provide more information freely. According to Mugenda and Mugenda (2003) descriptive research design is used when the problem has been well designed and where the researcher can engage in a field survey by going to the population of interest in order for the respondents to explain certain features about the problem under study. The respondents were expected to describe the issues that affect the dependent variable.

3.3 Target Population

A target population is the total collection of elements about which one wishes to make some inferences (Mugenda and Mugenda, 2003). The target population comprised both the management and staff of Dansoo enterprise within the city of Nairobi and ten clients. Table 3.1 below gives the distribution of the population.
Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population/Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Support staff</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td>Clients</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)

3.4 Sampling design and procedure

Since the population was small (50 respondents) the researcher used census. A census is attractive for small populations because it eliminates sampling error and provides data on all the individuals in the population (Mugenda and Mugenda, 2003). A census also ensures that views from all respondents are considered.

3.5 Data Collection Instruments and Procedures

Both primary and secondary data was used in this study. Secondary data related to small scale leasing businesses was collected through document review while Primary data was collected mainly through a questionnaire. The questionnaire with both open and closed ended questions was used to collect both quantitative and qualitative data. The researcher administered the questionnaires with the help of two research assistants. However, before data collection, a pilot study was administered on two respondents, which did not form part of the final sample. This was made to test the instruments for reliability and fine-tune the questionnaires to ensure they gathered the relevant data for the research problem.

3.6 Data Analysis

The returned questionnaires were checked for consistency, cleaned, and the useful ones coded and analyzed. The results were reported in descriptive statistics (means, frequency tables, graphs and pie charts) before interpretation and making conclusions. The open-ended questions were analyzed through content analysis and inferences made from the results.
CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction
This chapter presents the results and interpretation of the study findings in line with the objectives of the study. The data obtained is presented in tabular form, percentages and in descriptive statistics such as pie charts, line and bar graphs. The chapter is further sub divided into several sections that are pertinent to the subjects under study.

4.2 Response rate

The response rate was as follows:

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Did Not Respond</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Totals</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Author (2012)

Figure 4.1 Response Rate

Source: Author (2012)
At the end of the data collection process, a total of 40 questionnaires were returned and hence were coded and analyzed representing 80% response rate. This indicates that there was a high response rate. This high response rate increases confidence for the generalization of the study findings.

4.3 Quantitative Analysis

Quantitative analysis involves use of quantitative techniques like descriptive statistics or inferential statistics to analyze numerical data. In this research descriptive statistic was used to analyze the closed ended questions in the questionnaire.

4.3.1 Gender

Attempts were made to establish the gender of the respondents. This was regarded as important as it would establish the gender type that mainly contributed in the study. The response was as follows:

Table 4.2 Distributing of gender of the Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>21</td>
<td>52%</td>
</tr>
<tr>
<td>Female</td>
<td>19</td>
<td>48%</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

The study findings indicated that 48% of respondents were female while 52% were male hence the results of the study were gender sensitive.
4.3.2 Age

Age was regarded as important in the study since it may influence the various responses gathered. The response on age was as follows:

Table 4.3 Distribution of the age of the respondents

<table>
<thead>
<tr>
<th>Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>5</td>
<td>12.</td>
</tr>
<tr>
<td>21-30</td>
<td>14</td>
<td>34</td>
</tr>
<tr>
<td>31-40</td>
<td>18</td>
<td>44</td>
</tr>
<tr>
<td>41-50</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Over 50</td>
<td>1</td>
<td>2.</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

The study findings indicated that 12% of respondents were below 20 years, 345 were 21-30 years, and 44% were 31-40 years while 8% of respondents were 41-50 years. 2% of respondents were above 50 years. This indicates that the majority of respondents were 31-40 years. Hence majority of the respondents interviewed were at the mid age.
4.3. 3 Position in organization

The researcher wanted to find out which position is held by each respondent in the organization. The findings were as follows:

Table 4.4 Position wise distribution of Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Support staff</td>
<td>25</td>
<td>63</td>
</tr>
<tr>
<td>Clients</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source (Author, 2008)

Figure 4.4 Position wise distribution of Respondents

Source (Author, 2012)

The findings indicated that 12% of respondents were in management, 63% were support staff while 25% of respondents were clients. This indicates that the majority were support staff.

4.3.4 Length of time in organization

On how long they had either worked or been associated with the organization the study findings were as follows:
Table 4.5 Respondents Length of time in Dansoo Enterprises

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 Yrs</td>
<td>12</td>
</tr>
<tr>
<td>6-10 Yrs</td>
<td>13</td>
</tr>
<tr>
<td>11-15 Yrs</td>
<td>10</td>
</tr>
<tr>
<td>16-20 Yrs</td>
<td>3</td>
</tr>
<tr>
<td>Over20 Yrs</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

Figure 4.5 Respondents Length of service in Dansoo Enterprises

Source (Author, 2012)

The study indicates that 30% of the respondents had associated with the organization for 1-5 years, 33% for 6-10 years while 25% for 11-15 years. 7% of respondents had been with the organization for 16-20 years while 5% for over 20 years. This indicates that the majority of respondents had associated with the organization for over six years.

4.3.5 Education level

On the respondents highest level of education the study findings were as follows:
Table 4.6 Highest level of education of the respondents

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>College</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>University</td>
<td>18</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

Figure 4.6 Highest level of education of the Respondents

On the highest education level, 15% of respondents had secondary education, 40% had college education while 45% had university level of education. This indicates that the majority of respondents were highly learned. This also indicates that the level of literacy in the organization is very high.

4.3.6 Rating of competition in the leasing sector

On how they rated competition in the leasing sector in Kenya the response rate was as follows:
Table 4.7 Rating of competition

<table>
<thead>
<tr>
<th>Training personnel</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>High</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>Moderate</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>05</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)

The study findings indicated that 25% of respondents felt competition was very high, 40% felt it was high while 30% indicated it was moderate. 5% of respondents felt it was low. This indicates that majority of respondents felt competition was high.

4.3.7 Effect of Competition on the Management of small scale leasing Businesses

On whether competition affected the management of small scale leasing businesses the study findings were as follows:
On the effects of competition on management of Dansoo Enterprise, 95% of respondents indicated that competition affected the management of Dansoo Enterprises. Respondents indicated that business rivalry was rampant in the leasing business. Antagonism was indicated as being caused due to rivalry over clients and rivalry among those excelling and those not successful. These affected management since networking was an essential component in this business. Competition leads to a reduction of clientele. 5% of respondents pointed out that competition did not affect management. This therefore indicates that majority of respondents felt competition affected management.

4.3.8 Handling of Daily operations

On how Dansoo Enterprises handled their daily operation the study findings were as follows:
Table 4.9 Respondents opinion on how daily operations are handled

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manually</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>Semi-Manually</td>
<td>20</td>
<td>49</td>
</tr>
<tr>
<td>Computerized</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

On how they handled daily operations 33% of respondents indicated it was manual. 49% of respondents indicated it was semi manual while 18% of respondents indicated it was computerized. This shown that the organization is still to embrace technology in their daily operation.

4.3.9 Effectiveness of Information Technology services

On how they generally rated the effectiveness of the information Technology services offered in the organization respondents indicated the following:
Table 4.10 Level of effectiveness of Information Technology services

<table>
<thead>
<tr>
<th>I.T Services</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effective</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Fair</td>
<td>24</td>
<td>60</td>
</tr>
<tr>
<td>Poor</td>
<td>06</td>
<td>15</td>
</tr>
<tr>
<td>Totals</td>
<td>40</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Author (2012)

Figure 4.10 Level of effectiveness of Information Technology services

Source: Author (2012)

The study findings indicated that 25% of respondents felt I.T services were effective, 60% felt they were fair while 15% felt it was poor. This indicates that the majority of respondents felt the services offered were fair.

4.3.10 Effect of technology on the management of small scale leasing businesses in Kenya

On whether technology affected the management of small scale leasing business the findings were as follows:
The study findings indicated that majority of respondents 80% felt technology affected the management of leasing enterprises. Respondents pointed out that currently a lot of business transactions depend on networking and collaboration, acquisition of new skills, serving clients and customers effectively. Information technology therefore plays a facilitative role in effective business transactions.

The use of Information technology particularly equipments such as computers; fax machines, satellite dishes, mobile phones to transmit information from one place to the other has helped boost sales. Respondents indicated that big firms have been adopting I.T to improve their operations. However the small-scale firms have been a bit slow because of financial constraints.20% of respondents felt I.T did not affect management.
4.3.11 Maintenance cost

On who catered for the maintenance costs of the leased houses, the response was as follows:

Table 4.12 Respondents opinion on who meets the maintenance cost

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>30</td>
<td>75</td>
</tr>
<tr>
<td>Client</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Never maintained</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source (Author, 2012)

Figure 4.12 Respondents opinion on who meets the maintenance cost

The majority of respondents 75% indicated that the maintenance cost was met by the owner, 25% of the respondents indicate that clients met the costs. This meant that the burden of maintaining the leased houses is mostly with the owner.

4.3.12 Rating of maintenance costs

On how they rated the maintenance costs the response was as follows:
Majority of respondents 77% indicated that the maintenance cost was high. 18% of respondents felt it was moderate while 5% of respondents felt it was low. This indicates the majority of respondents felt the maintenance cost was high. This was likely to affect the profit margin of Dansoo enterprise.

4.3.13 Effect of maintenance costs on management

On whether maintenance costs affected management the study findings were as follows:
The study findings indicated that 77% of respondents felt the maintenance costs affected the management of leasing enterprises. Respondents indicated that the cost of building modern houses, maintenance of the existing houses was very expensive. The cost of building materials has been rising owning to the increase in inflation in Kenya and the small-scale businesses find a big challenge.

Respondents indicated that where maintenance cost was high the profit margin was usually low; Respondents pointed out that maintenance costs affected management. This is because some of the clients were discouraged and opted out of the agreements made 22% of respondents indicated that maintenance costs did not affect management.
4.3.14 Awareness of Government policy on small scale leasing Businesses in Kenya

On whether respondents were aware of the government policy in relation to small scale leasing businesses the study findings were as follows:

Table 4.15 Respondents opinion Awareness of Government policy

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>75</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

On respondents opinion on awareness of government policy which governs the management of leasing businesses in Kenya, majority 75% said that they were aware of the government policy while 25% of the respondents said that they were not aware of the government policy. This meant that majority of respondents were well informed of the government policy governing the management of leased houses.

4.3.15 Effect of government policy on management of leasing businesses

On whether the government policy had any impact on the management of leasing businesses the response was as follows:
Table 4.16 Respondents opinion on adequate of Government policy

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>No</td>
<td>27</td>
<td>67</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

Figure 4.16 Respondents opinion on adequate of Government policy

The study findings indicated that 33% of respondents felt government policies had an influence on management of leasing firms. The policies stipulated the rules and regulations to be adhered to in these businesses. However, 67% of the respondents felt government policies had minimal impact on the management of leasing businesses. It was indicated that minimal efforts were made to find out if businesses followed the laid down regulations. This opened the business to a lot of abuses and clients were disadvantaged. It did not have an impact. This meant that government policy which governs the management of leasing businesses in Kenya is not adequate and improving on it of paramount importance.

4.3.16 Rating of security in small scale leasing Businesses in Kenya

On how they generally rated security in relation to small scale leasing businesses in Kenya the respondents indicated the following:
Table 4.17 Respondents opinion on security

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very secure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secure</td>
<td>02</td>
<td>5%</td>
</tr>
<tr>
<td>Fairly secure</td>
<td>02</td>
<td>5%</td>
</tr>
<tr>
<td>Insecure</td>
<td>36</td>
<td>90%</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

The researcher sought the respondents' opinion concerning security as an issue affecting small-scale leasing businesses in Kenya. 5% of respondents felt the business was secure, 5% felt it was fairly secure while 90% of respondents felt it was insecure. This therefore indicates the majority of respondents felt the business was not secure. The high percentage of those who are concerned about security shows that, security is an issue not only to the small- scale entrepreneurs but also to the other entrepreneurs in Kenya.

4.3.17 Responsibility for security

On whose responsibility it was to maintain security the findings were as follows:
Table 4.18 Responsible on security matters

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire guard</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Client provide</td>
<td>25</td>
<td>62</td>
</tr>
<tr>
<td>Government provide</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author, 2012)

Figure 4.18 Responsible on security matters

Source author (2012)

On security reinforcement 18% of respondents felt guards should be hired, 62% indicated the client should provide security while 20% felt the government should provide security. This indicates that the majority of respondents felt clients should provide security.

4.3.18 Effect of security on management

On whether security affected the management of small scale leasing companies the response was as follows:
The majority of respondents 87% indicated that security had an impact on management. Respondents indicated that due to insecurity houses in some of the company’s operation areas lacked client. Some of the houses are less valued. There were some areas where clients were not willing to go to or when there moved out due to insecurity. This negatively impacted on the management of the business. 13% of respondents pointed out that security did not affect management. This meant that provision of security service to the leased houses is very essential.

4.4 Qualitative Analysis
Qualitative analysis was used to analyse the unstructured/open-ended questions in the questionnaire. Content analysis method was used. This method involved capturing the common themes and categorizing them according to their commonality. The
researcher wanted to find out the challenge affecting the management of small scale leasing businesses in Kenya.

4.4.1 Effect of competition on the management of small scale leasing businesses in Kenya

The respondents were asked to give their opinion on how competition affected the small scale leasing business. Respondents indicated that business rivalry was rampant in the leasing business. Antagonism was indicated as being caused due to rivalry over clients and rivalry among those excelling and those not successful. These affected management since networking was an essential component in this business. To address this respondents indicated that Dansoo Enterprises ought to improve on the approaches of marketing of the business, a variety of alternative service delivery techniques can be employed to maximize efficiency and increase service quality by identifying new unexploited markets and hiring most skilled leasing professional.

4.4.2 Technology and the management of small scale leasing businesses in Kenya.

On the effect of technology on management, the respondents indicated that Information technologies were essential components in the successful of the leasing business. This was mainly because today’s business is mainly knowledge-based and a lot of transactions depend on participating in teamwork particularly in networking and collaboration, acquisition of new skills, serving clients and customers effectively. Information technology therefore plays a facilitative role in effective business transactions.

Respondents indicated that the use of Information technology particularly equipments such as computers; fax machines, satellite dishes, mobile phones to transmit information from one place to the other has helped boost sales. Information can be produced more accurately and fast through the use of computers. There is simplification of work through editing and easy access to records and dispatch of documents. Respondents suggested that the organization could invest in technology to improve its operations and to streamline documentation.
4.4.3 Effect of maintenance cost and Government policies on the management of small scale leasing businesses in Kenya

Respondents pointed out that maintenance costs affected management. This is because some of the clients were discouraged and opted out of the agreements made. Respondents suggested that there was need to maintain costs at affordable levels. Respondents indicated that Government policies governing management of small scale- leasing business in Kenya were not clearly spelt out. There was need to revise them because they were in adequate.

4.4.4 Security and the management of small scale leasing businesses in Kenya.

Respondents' painted out that insecurity had negatively impacted on the leasing business as there were some areas where clients were not willing to go to or when there moved out due to insecurity. To address these owners were providing security while others were hiring private guards to ensure their businesses had adequate security. It was indicated that the government needed to improve on security in the different estates because insecurity affects negatively the small-scale leasing businesses and thus the overall economy.
CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This study sought to assess the challenge affecting the management of small scale leasing businesses in Kenya, specifically focusing on Dansoo Enterprise. The study was guided by the following specific objectives: to find out the effect of competition on the management of small scale leasing businesses in Kenya, to determine the effect of technology on the management of small scale leasing businesses in Kenya, to establish the effect of maintenance cost on the management of small scale leasing businesses in Kenya, to determine the effect of Government policies on the management of small scale leasing businesses in Kenya and to establish the effect of security on the management of small scale leasing business in Kenya. This chapter provides summary of findings, conclusion and recommendations arising from the study. This chapter presents findings of the study, conclusions and recommendations.

5.2 Summary of the Findings
Majority of respondents indicated that positive competition in business is healthy as consumers’ are able to get better products or services at competitive prices. It also leads to efficiency in service delivery. However, unhealthy competition in the leasing industry it leads to reduced market share. The respondents indicated that competition affects market share of small scale leasing businesses in Kenya. The effect of competition has led to sharing of clients with competitors although some respondents did not know what type of effect competition brings to small-scale businesses.

Majority of respondents indicated that Dansoo Enterprise has not fully embraced technology in its daily operation. Respondents indicated that operations were semi-manual. This had lead to ineffective operation thus not satisfying their clients.

Respondents indicated that where maintenance cost was high the profit margin was usually low; hence small-scale entrepreneurs should make sure they maintain the maintenance cost low. Respondents indicated that owners of the businesses usually met the maintenance costs. In addition, the respondents said if the cost of maintenance was high, this could reduces the profit margin of the business.
In this study, respondents were aware of government policy which governs the management of leasing businesses in Kenya. However, some respondents felt that the government policies were not adequate for the small-scale leasing businesses in Kenya. Hence there was need for the key stakeholders in the sector to map the way forward to improve the business environment if the sector has to grow.

Respondents indicated that it was the role of the government to protect private property and lives through maintaining adequate security countywide. Respondents indicated that on the issues of security the government needs to improve the security in different estates because it was affecting negatively small-scale businesses thus reducing the value of the lease. In the respondents’ opinion on how security affects the house leasing business in Kenya, they said that the houses lack client because of insecurity while others said they are less valued. Although some respondents said the owners provide the security while in some cases they hire private guards. It’s the responsibility of the government to ensure that, there is adequate security in the country.

5.3 Answers to the Research Questions

5.3.1 What is the effect of competition on the management of small scale leasing Businesses in Kenya?

On the effects of competition on management of Dansoo Enterprise, 95% of respondents indicated that competition affected the management of Dansoo Enterprises. Respondents indicated that business rivalry was rampant in the leasing business. Antagonism was indicated as being caused due to rivalry over clients and rivalry among those excelling and those not successful. These affected management since networking was an essential component in this business. Competitions lead to a reduction of clientele. This meant that competition has made Dansoo Enterprises not be able to exploit market share.
5.3.2 How does Technology affect the management of small scale leasing businesses in Kenya

The study findings indicated that majority of respondents 80% felt technology affected the management of leasing enterprises. Respondents pointed out that currently a lot of business transactions depend on networking and collaboration, acquisition of new skills, serving clients and customers effectively. Information technology therefore plays a facilitative role in effective business transactions. The use of Information technology particularly equipments such as computers; fax machines, satellite dishes, mobile phones to transmit information from one place to the other has helped boost sales. Respondents indicated that big firms have been adopting I.T to improve their operations. However the small-scale firms have been a bit slow because of financial constraints.

5.2.3 How do maintenance costs affect the management of small scale leasing businesses in Kenya?

The study findings indicated that 77% of respondents felt the maintenance costs affected the management of leasing enterprises. Respondents indicated that the cost of building modern houses, maintenance of the existing houses was very expensive. The cost of building materials has been rising owning to the increase in inflation in Kenya and the small-scale businesses find a big challenge. Respondents indicated that where maintenance cost was high the profit margin was usually low. This meant that maintenance cost was affecting the profit margin of the businesses. Respondents pointed out that maintenance costs affected management. This is because some of the clients were discouraged and opted out of the agreements made.

5.3.4 How do Government policies affect the management of small scale leasing Businesses in Kenya?

The study findings indicated that 33% of respondents felt government policies t had an influence on management of leasing firms. The policies stipulated the rules and regulations to be adhered to in these businesses. However 67% of the respondents felt government policies had minimal impact on the management of leasing businesses. It was indicated that minimal efforts were made to find out if businesses followed the laid down regulations. This opened the business to a lot of abuses and clients were
disadvantaged. It did not have an impact. This meant that government policy which governs the management of leasing businesses in Kenya is not adequate and improving on it of paramount importance.

5.3.5. How does security problem affect the management of small scale leasing business in Kenya?

The majority of respondents 87% indicated that security had an impact on management. Respondents indicated that due to insecurity houses in some of the company’s operation areas lacked clients. Some of the houses are less valued. There were some areas where clients were not willing to go to or when they moved out due to insecurity. This negatively impacted on the management of the business. This meant that provision of security service to the leased houses is very essential. Respondents indicated that security was very important for the success of any business, where security was in questions the leasing value was likely to come down and vice versa.

5.4 Conclusion

This study provided information on the challenges affecting the management of small scale leasing businesses in Kenya. It was established that competition affects market share of small-scale leasing businesses in Kenya and the competition was making Dansoo enterprise to share clients with competitors. It can also be conclude that the maintenance cost was high and it was affecting the profit margin of small-scale leasing businesses in Kenya. In addition, the respondents were aware of the government policies governing the Small-scale leasing business in Kenya and they felt the policies were not adequate. Respondents were concerned about the security in Kenya which they said affected the operation of their businesses. They said the estates, which are seen to be insecure are less valued and thus this was affecting the lease value.

5.5 Recommendations

From the study the following recommendations were made:

To address the issue of unhealthy competition, seminars and workshops should be carried out among leasing firms. The participants should be made aware of the importance of networking and teamwork in this business. The business owners should
REFERENCES


Mugenda O. and Mugenda A. (2003), Research methods, quantitative and qualitative approaches: Nairobi, Kenya


Ojijo B. A (2004). Nairobi Homes, A Case study of Nairobi Real Estates


APPENDIX A: COVER LETTER

Fatuma
P.O Box
Nairobi-Kenya

Dear Respondent

I am currently conducting a study on "The challenges affecting the management of small scale leasing business in Kenya: A case of Dansoo Enterprises". This information is useful concerning future of Small Scale leasing Businesses.

Participating in this survey is voluntary, and your job would not be affected in any way by whether you participate in the survey or not. I therefore kindly request you to take adequate time to fill in the questionnaires and your contributions will highly be appreciated.

Thanking you in advance.

Your Faithfully,

Fatuma Barlin Omar
APPENDIX B : QUESTIONNAIRE INSTRUMENT

General Instructions: The purpose of this questionnaire is to collect data on “The challenges affecting the management of small scale leasing businesses in Kenya: A case of Dansoo Enterprises”. All responses will be treated with confidentiality and will only be used for research purposes.

QUESTIONNAIRE

1. Gender: Male ( ), female ( ) Select one

2. Indicate age bracket
   - Below 20 years ( )
   - 21-30 years ( )
   - 31-40 years ( )
   - 41-50 years ( )
   - Over 50 years ( )

3. Position in organization
   - Management ( )
   - Support staff ( )
   - Client ( )

4. How long have you worked or been associated with the organization?
   - 1-5 yrs ( )
   - 6-10 years ( )
   - 11-15 years ( )
   - 16-20 years ( )
   - Over 20 years ( )

5. Indicate highest level of education:
   - Primary ( )
   - Secondary ( )
   - College ( )
   - University ( )

6. How would you rate competition in the leasing sector in Kenya?
   - Very high ( )
   - High ( )
   - Moderate ( )
7. Does competition affect the management of small scale leasing businesses?
   Yes ( ), No ( ) Explain

8. How does Dansoo Enterprises handle their daily operation?
   Manual ( )
   Semi Manual ( )
   Computerized ( )

9. How would you rate the effectiveness of the Information Technology services offered in the organization?
   Very Effective ( )
   Effective ( )
   Fair ( )
   Poor ( )

10. Does technology affect the management of small scale leasing business?
    Yes ( ) No ( ) Explain

11. Who caters for the maintenance costs of the leased houses?
    Owner ( )
    Client ( )
    Never Maintained ( )

12. How would you rate the maintenance costs?
13. Does maintenance costs affect management of leasing firms? Yes ( ), No ( )
   Explain

14. Are you aware of the government policy in relation to small scale leasing businesses?
    Yes ( ), No ( )

15. Do government policies impact on the management of leasing businesses?
    Yes ( ), No ( ) explain

16. How would you rate security in relation to small scale leasing businesses in Kenya?
    Very secure ( )
    Secure ( )
    Fairly secure ( )
    Insecure ( )

17. Whose responsibility is it to maintain security of leased properties?
    Hire Guards ( )
    Clients ( )
    Government ( )

18. Does security affect the management of small scale leasing companies?
    Yes ( ), No ( ) explain
19. Suggest ways of improving the management of small scale leasing companies

THANK YOU