CHALLENGES FACED BY SMALL AND MEDIUM GARMENT ENTERPRISES IN FINANCING BUSINESS OPERATIONS WITHIN UMOJA - EMBAKASI CONSTITUENCY

BY

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Challenges faced by small and medium
DECLARATION

This research project is my original work and had not been presented in any other institution of higher learning.

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DEDICATION

I have the pleasure to dedicate this project to our Almighty God for his greatness and without whom I would not have made it. Secondly I wish to dedicate this project to my husband Ephantus and our children Maurice, Stella, Bethuel, Grace, Antony and granddaughter Vivian who have inspired me and offered me moral, financial and spiritual support to settle and do this work. Lastly I wish to dedicate this research project to my mum Felishita, brothers and sisters. I thank them very much for all their prayers and support.
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ABSTRACT

Globally, there is an increased recognition of the important role played by Small and Medium Enterprises (SMEs) in the economic development of a country. Similarly, in Kenya, SMEs are the main engine behind economic growth, contribution to the GDP, employment creation, poverty reduction and industrial development. Garment SMEs are amongst the oldest within the country and are widespread all over the country. Past study shows that Garment SMEs represents 5 percent of all micro enterprises and one third of all manufacturing SMEs in Kenya. The typical firm operates with the owner and one or two employees. They are spread all over the country with 60 percent of all garment SMEs concentrated in the rural areas (McCormick et. al. 2007). Despite various attempts by the Government and other bodies to resolve challenges hindering growth and development of SMEs raising capital to finance operations remains a major constraint of majority of the SMEs, (Naidu et al, 2011), (Ndung’u 2010). This means that for SMEs to achieve their expected roles as drivers of economic growth challenges that hinder their development should be addressed. The General objective of the study was to establish challenges experienced by Small and Medium Garment Enterprises in Umoja location of Embakasi Constituency in financing their business operations. The specific objectives of the study were to establish how Government policies and legal and regulatory framework influence SMEs ability to finance their business operations, to establish how the size of business influence ability of SMEs in financing their business operations, to establish how collateral requirement influence ability of SMEs in financing their business operations, and lastly to establish the attitude of garment SMEs owners in financing their business operations through credit facilities. The study adopted a descriptive research Design targeting a population of 162 enterprises dealing with garment production in Umoja-Embakasi Constituency which are licensed with Nairobi City Council. A sample of 48 enterprises was selected using cluster sampling design for testing. Primary data was collected by use of questionnaire, analyzed using Statistical Package for Social Sciences (SPSS) and presented in tables and graphs. Secondary data was obtained from magazines, books, periodicals and internet. Conclusions drawn from the study indicate that collateral requirement together with Government policy on imported garments adversely affect garment SME financing among other factors such as size of business and Financial Institutions attitude towards SMEs. The study established that though Financial institutions regard SMEs as high risk investments their credit rating is good. The study recommends that access to finances by garment SMEs in Umoja- Embakasi constituency be made easier through easily accessible devolved funds and lower interest rates. Financial institutions should reduce their demand for collateral. Government policy needs to target the policy on imported commodities which enjoy low taxes and adversely affects locally manufactured garments with high cost of production. A study should be carried out to investigate the benefits accruing to SMEs which have access to credit facility and garment business owners should be trained on the importance of financing business operation through credit facility.
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## INTRODUCTION

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LIST OF ABBREVIATIONS

AID - Acquired Immune Deficiency Status
CBS - Central Bureau of Statistics
EU - European Union
GDP - Gross Domestic Product
GOK - Government of Kenya
HIV - Human Immune Deficiency Virus
ICEG - International Centre for Economic Growth
IDS - Institute of Development Studies
K-REP - Kenya Rural Enterprises Programme
MFI'S - Micro-financial Institution
OECD - Organization for Economic co-operative Development
SMES - Small and Medium Sizes Enterprises
USA - United State of America
YKK - Yoshida Kōgyō Kabushiki-kaisha world's Largest Zipper Manufacturer)
WTO - World Trade Organization
MAGs - Mutual Assistance Group
NGOs - Non- governmental Organization
ROSCAs - Rotations Savings and Credit Associations
DEFINITION OF TERMS

Enterprise - An organization created for business purpose

Finances – Monetary resources

Financing- The art of providing monetary resources

Investment capital- funds required for business expansion

Licensed - A firm that is registered with the City Council of Nairobi

Startup capital – funds required to start a business

Stakeholders- A person or group of persons with interest in a business

Shareholders- An owner of a business

Theory -A set of principles on which the practice of an activity is based

Working capital- funds required for the daily running of business operations
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

1.1.1 Historical Background of Small and Medium Enterprises

This chapter covers the historical background of Small and Medium Enterprises (SMEs), the importance of SMEs and defines the statement of the problem that of 'challenges faced by garment SMEs in Umoja-Embakasi constituency in financing business operations'. It highlights the general and specific objective of the study, defines the research questions that guided the investigations, states the study significance and limitations of the study.

Nairobi's tailors, dressmakers and small clothing workshops typify the small enterprises that the Kenyan Government expects to lead the economy towards industrial development and full employment. They use simple technology to produce basic, often low quality goods for domestic market (McCormick et al., 1993). Most firms start small and stay that way (McCormick, 1988, 1993).

The term SMEs covers a wide range of definitions and measures vary from country to country. Sessional paper number 2 of 2005 has defined SMEs as enterprises in both formal and informal sector employing 1-50 workers (GOK, 2005). For the purpose of this study, Small and medium enterprises are defined as firms that undertake textile works, including tailoring and boutiques and employing 1-50 employees.

Since independence in 1963, very substantial funds have been spent to implement government policies and programs and to build institutions specifically aimed at promoting the Small Scale
Enterprise sector. However, the results to date have not been satisfactory due to poor coordination among implementing agencies (GOK, 2005).

Access to financial services is mainly a constraint to the SMEs. Despite the increasing importance of SMEs in many African countries, Kenya included. SMEs suffer from a general bias with respect to accessing financial services especially from formal financial sector. Although there has been a steady growth in credit from the banking sector in the past, little of this credit had reached the SMEs, reflecting the bias by the financial sector on SMEs (McCormick et al., 2007, 144-158)).

1.1.2 Importance of SME’s

SMEs in Kenya play an important role in socio-economic development of the country by contributing towards economic growth, employment creation and poverty reduction. In order to enhance performance of the small enterprises, capital base to facilitate investment and technological advancements is of paramount importance (GOK, 2005).

SMEs have become important in the economic matrix as drivers in economic recovery, economic growth and employment creation for example in USA and EU it is estimated that SMEs contribute over 60 percent in employment, 40-60 percent to GDP and 30-60 percent to export. The Asian Tigers such as India, Indonesia, China, Malaysia, Japan and South Korea have a thriving SME sector contributing between 70-90 percent in employment creation, and an estimated 40 percent contribution to their GDPs. In Africa, economic powerhouse such as South Africa, Egypt, Nigeria and Kenya, the SME is estimated to contribute over 70 percent in employment, 30-40 percent contribution to GDP but contribute less than 4 percent in export
Garment SMEs represents 5 percent of all micro enterprises and one third of all manufacturing SMEs in Kenya. The typical firm operates with the owner and one or two employees. They are spread all over the country with 60 percent of all garment SMEs concentrated in the rural areas. (McCormick et. al., 2007).

In both developed and developing countries, SMEs play an important role in the process of industrialization and economic growth. They increase per capita income and output, create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resource utilization considered critical to emerging economics, development and growth (Ogojiuba and Ohuche, 2004). SMEs in Kenya play a critical role of job creation, wealth creation and economic growth. Towards this end Vision 2030 envisages growth of SMEs to become the key Industries of tomorrow by improving productivity and innovation. In the Finance Bill for the Fiscal Year 2010/2011 the Minister for Finance reiterated the role of SMEs in promoting sustainable Development. The Minister established a revolving fund of 3.8 billion through which the Government will enter into Credit Facility Agreement with banks to support SMEs (Ndung’u, 2010).

Globally, garment industry constitutes a vital part of the world economy providing employment to millions of people mostly women workers in nearly 200 countries. It is also one of the oldest industries in the world, and has acted as a spring-board in the industrial process for both current industrialized countries as well as emerging newly industrialized economies. In addition, as

Limited access to credit and financial services has been identified as the most important supply constraints confronting the SME sector as, a result, SMEs share of financing resource is disproportionately less than their relative importance in domestic employment and to the value added. SMEs play an important economic role in many countries. In Kenya for example the SME sector contributed over 50% of new jobs created in 2005, (Economic Survey, 2006). Despite their significance, the SMEs are faced with the threat of failure with past statics indicating that three out of five fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). Kenya’s textile sector has been shaped by at least four national institutions: the state, markets, the technology system, and the financial system (McCormick et al., 2001; 2002).

1.2 Statement of the Problem

There have been numerous studies that analyze the financial challenges affecting the growth and survival of SMEs and Lack of access to credit is utmost universally indicated as a key problem for micro and small enterprises. Financial challenges affect technology choice by limiting the number of alternatives that can be considered. Many micro and small enterprises may use an inappropriate technology because it is the only one they can afford. In some cases, even where credit is available mainly through banks, the entrepreneur may lack freedom of choice because the banks’ lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the bank. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing of borrowing from friends or relatives. There are various other financial challenges that face small enterprises. They
include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders in the name of pyramid schemes came up promising hope among the little investors through which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and self credit with low interest rates while making profits. Financial constraint remains a major challenge facing micro and small enterprises in Kenya (Wanjohi and Mugure, 2008).

Study by OECD, (2006) revealed that SMEs financing gaps were more evident in the case of start-ups and/or high-tech firms. 30% of the OECD responses identified a gap on debt financing while 70% on non-OECD felt that a gap existed.75% of the OECD reported equity financing gap while 60% non-OECD reported equity financing gap. 80% of the OECD and 90% of non-OECD economies, felt that a gap of some type exists. SMEs financing challenges have been echoed by other studies, Beck et al; 2005, 2008), (Ayyagari et al; 2010) and (Cheng and Degryse, 2010). This therefore creates the need to carry out this study in pursuit of the challenges faced by SMEs in financing their business operations.

1.3. Objectives of the Research

1.3.1 General objective

The general objective of the study was to establish the challenges encountered by small and medium garment firms in financing their business operations in Umoja- Embakasi Constituency.
1.3.2 Specific objectives:

This study was guided by the following specific objectives

(i) To establish how Government policies and the legal and regulatory framework influence SME’s garment firms ability to finance business operations.

(ii) To establish how collateral requirements influence usage of credit facility by SMEs garment Firm.

(iii) To establish how the size of business influence SMEs garment firms ability to finance business operations.

(iv) To establish the entrepreneur’s attitude towards risk.

1.4 Research Questions

In achieving the objective of the study, the researcher was guided by the following research questions:

i. How does Government policies and legal and regulatory framework influence SME’s ability to finance business operations?

ii. How does collateral requirement influence garment SMEs ability to finance business operations?

iii. How does the size of the business influence SMEs ability to finance business operations?

iv. What is the entrepreneurs’ attitude towards financing SME’s through credit facilities?

1.5. Significance of the study

The main reason of carrying out this study was that much of the research done on financial challenges faced by SME’s in Kenya has tended to concentrate on the Jua Kali sector while little research has been done on financial challenges faced by SME’s in the Garment Industry. The study shall impart knowledge to small and medium garment firms in the country on how to
overcome financing challenges, how to identify viable financing strategies and the benefits of utilizing credit facility in financing a business operations.

The study shall provide in depth information to the government for the purpose of developing effective financing policies and legal and regulatory framework that are favorable to the small and medium garment firms financing as a strategy of capital creation, poverty eradication and wealth accumulation. And finally the study will build on existing knowledge of academicians and form a basis of future reference to future research in the same area.

1.6 Scope of the Study

This study examined the influence of government policies/legal and regulatory framework, collateral, size of business and entrepreneurs attitude on SME financing. The study covered small and medium garment enterprises located in Umoja - Embakasi Constituency that are licensed by Nairobi City Council as of February 2012. The study was limited to establishing financial challenges faced by SMEs that deal in custom tailoring and specialized small garment businesses in obtaining credit to finance their business operations and was expected to take period of next six months.

1.7 Assumptions of the Study

The study presumes that all SMEs in the sample frame were active meaning that none has closed down and that all the respondents were able to understand and respond to the questionnaires appropriately by giving the right information.
1.8 Limitations of the Study

This study focuses on garment SMEs located in Umoja - Embakasi constituency. The study narrowed down to garment SMEs that are licensed with City Council of Nairobi as at February 2012. Specifically the study was limited to Licensed Garment SMEs located within Umoja constituency. The study intends to use questionnaires as the instrument for data collection. This is because time for the data collection is limited to two weeks.

A sample of Garment SMEs licensed by Nairobi City Council and located in Umoja location of Embakasi Constituency was surveyed to provide insights into the research questions presented. The study was limited to the sample size. The sample size was chosen from enterprises operating in Umoja Location which was a sizeable proportion of the entire Garment SMEs within Umoja-Embakasi Constituency. The findings of the study was therefore generalized in the area of study only, although, a number of findings had valid implications for the whole country.

The major limiting factor is expected from the study design which is descriptive in nature. By use of this design the study was forced to concentrate on Embakasi Location and not the whole of Kenya as whole. Geographical limitations were overcome by basing the research in Umoja Area since the researcher is based in the region.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter represents a review of the literature related to the challenges facing small and medium size garment firms’ in financing their business operations for sustainability and growth. It first highlights Theories about SMEs, review of Empirical Studies on SMEs, evaluates SMEs Policies in place, evaluates Gaps in previous and current strategies in enhancing the development and growth of small and micro enterprises sector. Evaluates SMEs owners’ attitude towards credit financing. Finally it describes the Conceptual Framework that will guide this study and indicates the relationship between the Dependent and Independent variables.

2.2 Review of Theories about SME’s

To achieve sustainable development of SMEs various Theories have been advanced by several writers key among them being the Shareholders Primacy Theory and the Stakeholders Theory.

2.2.1 Shareholders Primacy Theory

Since China’s reform and opening-up in 1970s, shareholder primacy theory has been predominating in enterprise management. Shareholder primacy theory believes that shareholders are born to have the ownership of their enterprises. A lot of property rights literature such as Grossman and Hart (1986) and Hart and Moor (1990) argue that parties without ownership may be discouraged from undertaking asset-specific investments because the owners of asset can use their control rights to hold them up. It influences traditional strategic management which insists that the aims of an enterprise’s strategic management are mainly to maximize shareholders’ benefits. This theory takes into account neither the key factors of enterprises’ sustainable
development nor the impact factors of enterprises' sustainable development to the environment and instead advances the concept of narrow traditional financial criteria.

2.2.2 Stakeholders Theory

In mid-1980s, another theory of the firm, stakeholder theory, was proposed which addresses morals and values in managing an organization. It was originally detailed by Edward Freeman in the book *Strategic Management: A Stakeholder Approach*, and identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the “Principle of Who or What Really Counts”, (Freeman, 1984)

There have been numerous articles and books written on stakeholder theory. However, research at this field has just begun in China, Chu (2004) describes the progress and achievements of stakeholder theory in his book, *the Latest Development of Stakeholder Theory*. Zhao & Zhao, (2005) raises the point that one major contribution of stakeholder theory to the theory of the firm is to extend the reasons for the existence of enterprises. It makes enterprises highlight the satisfaction of multi-stakeholders instead of narrow traditional financial criteria. Thus enterprises have to redefine the relationship between organization and environment and see stakeholders as a new source of competitive advantages, and innovate in the philosophy of strategic management.

2.2.3 Theory adopted by this study

This study adopts stakeholder theory and theory of corporate strategic management & sustainable development, and makes a study on problems during the establishment of SMEs’ sustainable development strategies, the strategy planning, the long-term aims of SMEs’ development, and implementation measures of the sustainable development strategies. The
strategic system of SMEs’ sustainable development is expected to be built to help SMEs find out the right ways of financing their business operations.

This study adopts Stakeholders Theory because it will enable a firm to define its relationship with the environment and consider other stakeholders interest such as customers satisfaction, employees interest, society interest. Stakeholders’ satisfaction will lead to business growth, sustainability and development of SMEs. Stakeholders’ theory adopts an ethical way of doing things to provide goods or services for the common good of all, (Gichure, 2004) Article in the book Shareholders and the Common Good, 31-34.

2.3 Empirical Studies on SMEs

Empirical studies refer to past studies that have been carried out on the research problem under investigation. The purpose of the literature review is to determine what has already been done on the problem being studied (Mugenda and Mugenda, 2003).

2.3.1 SMEs status in Kenya

This section covers status of SMEs in Kenya, past and present initiatives put in place. Since independence, the government has recognized the potential of the Small Scale Enterprises sector in employment creation and poverty reduction in its numerous policy documents. The sessional paper no. 1 of 1986 on Economic Management for renewed growth was the first to give explicit recognition of the sector’s role in economic growth and development. Its recommendation led to the publication of sessional paper No. 2 of 1992 on small enterprises and Jua Kali Development in Kenya which provided a more comprehensive promotion of the sector. Further, the economic recovery strategy for wealth and employment creation, 2003-2007 recognizes the need to establish and maintain a favorable environment for the graduation of SME’s into medium size
enterprises that have more capacity to produce high quality products and create sustainable employment opportunities. Several other papers, development plans and legal framework have established procedures for the management of the sector (GoK, 2005).

The rates were fully liberalized in 1991 but this did not make credit available to small scale enterprises. Steps taken by the government towards economic recovery strategy is anchored on four pillars namely restoration of economic growth within the context of sustainable macroeconomic framework, strengthening the institution of governance, restoration and expansion of the physical infrastructure and investing in the human capital of the poor. Strategies taken to overcome corruption, improve governance through enactment of anti-corruption officers’ ethics, and public audit Act and the procurement Act (GOK, 2005).

According to Kenya’s Export Processing Zones Authority (EPZA), survey on manufacturing exports 2004, as reflected in the journal of banking 2006. Africa was the number one recipient of Kenya Exports with 47.5 percent, Europe was next with 27.9 percent followed by Asia 2.8 percent. The largest industrial sector contributing to export in 2005 was garments 74.4 percent, followed by chemicals (7.2 percent) and agro – processing (5.2 percent). Despite the challenges facing the textile trade, Kenya maintained its position as leading exporter of readymade garments in East Africa.

The SME’s are businesses in both formal and informal sectors, classified into farm and non-farm categories employing 1-50 workers. These enterprises cut across all sectors of the Kenyan economy and provide one of the major prolific sources of employment creation, income generation and poverty reduction. According to the 2003 economic survey, employment within the SME sector increased from 4.2 million persons in 2000 to 5.1 million persons in 2002, accounting for 74.2% of the total persons engaged in employment. The sector contributes up to
18.4% of the country’s gross domestic product (GDP). The SME’s sector is therefore not only a provider of goods and services but also a driver in promoting competition and innovation; and enhancing the enterprise culture which is necessary for private sector development and industrialization opportunities promoting economic growth and poverty reduction in the country (GOK, 2003).

2.3.2 Financing challenges facing SMEs

Study by OECD, (2006) revealed that SMEs financing gaps were more evident in the case of start-ups and/or high-tech firms. 30% of the OECD responses identified a gap on debt financing while 70% on non-OECD felt that a gap existed. 75% of the OECD reported equity financing gap while 60% non-OECD reported equity financing gap. 80% of the OECD and 90% of non-OECD economies, felt that a gap of some type exits.

In deciding a business start up, it is important to consider tax registration on various types of business. This is because sole proprietors and partnerships enjoys no tax allowance on administration expenses while administrative expenses for limited company are allowable for taxes purposes (Simiyu, 2008). Since most garment SMEs are sole proprietors and a few partnerships they don’t enjoy tax allowance on administrative expenses increasing their operating costs. Lack of Tax incentives acts as a barrier to SMEs start up and development. The level of taxes plays an important role in shaping the overall business environment.

The Sessional paper number 2 of 2005 highlights many factors that constraint growth and development of SMEs among them unfavorable regulatory framework, size of business, Limited access to markets, inadequate access to skills and technology, insecurity of land tenure, poor access to infrastructure, inadequate business know how and linkages with large enterprises,
gender inequality, job quality deficits, limited access to information, impact of HIV Aids pandemic, unsatisfactory occupational health and safety standards and limited access to financial services (G.O.K., 2005).

Prolonged downturn in Kenya’s economy combined with Government retrenchment, have made formal sector jobs very hard to get. As a result many Kenyans have turned to small businesses self-employment. The number of firms in distribution – mostly retail – of new clothing has increased dramatically as a result of market liberalization and the corruption of the import regime. The proportion of entrepreneurs who previously worked as regular or casual workers in other businesses has increased from 6.9% to 24.0%. Some of these may have been workers in collapsed garment firms (McCormick et.al., 2002).

Lack of access to credit is almost universally indicated as a key problem for SMEs. This affects technology choice by limiting the number of alternatives that can be considered. Many SMEs may use an inappropriate technology because it is the only one they can afford (Muteti, 2005).

Other financial challenges that face small enterprises in Kenya include high cost of credit, high bank charges, interest rate and fees, (Wanjohi and Mugure, 2008).

Foreign firms still remain in the forefront in accessing the new technologies. In most of the African nations, Kenya inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persist. For garment enterprises to invest in up-to-date technology, access to finance is of paramount importance (Muteti, 2005). SMEs suffer various financing challenges such as Malfunctioning of the financial system which is very common on emerging markets, the overall legal, institutional and regulatory framework
which is a critical determent of SMEs access to finance and gap in information and skills needed to access external finance (OECD, 2006).

Study on financial constraints of SMEs in Developing countries reveal several factors that constraint growth and development of SME among them collateral requirements, bank paperwork, interest rate payments, the need for special connections and banks' lack of lending resources. Also the lack of access to specific sources of financing such as export leasing and long term finance is significantly more constraining for small firm growth than for large firm growth (OECD May, 2007).

Inability to obtain outside financing, Insufficient capital, heavy operating expenses, poor management, large losses due to crime, meeting the payroll, inability to obtain trade credit, insufficient profitability to meet financial obligations, health insurance costs and cost of workers' compensation poses great challenge on SMEs financing (Lownes-Jackson et al., 2003).

There have been studies on various branches of small business; two of these branches are namely ‘financial management practices of small business’ and ‘implications of financial management strategies on survival and growth of small businesses’ have been polarized by (Berger and Udell, 2002). Contemporary studies have tested the hypothesis for financial variables for other developing countries (Lownes-Jackson et al., 2003). There have been numerous studies that analyze the financial obstacles affecting the growth and survival of MSMEs.

In particular, (Lownes-Jackson et al., 2003) examined the financial obstacles faced by African American Entrepreneurs in the developing areas of the US economy. This study underscored eleven financial obstacles that affect the survival of the MSME’s namely, inability to obtain outside financing, Insufficient capital, heavy operating expenses, poor management, large losses
due to crime, meeting the payroll, inability to obtain trade credit, insufficient profitability to meet financial obligations, health insurance costs and cost of workers’ compensation.

2.3.3 How Government Policies and Legal and Regulatory framework influence SMEs ability to finance business operations

Business environment is among the key factors that affect the growth of SME’s. Unpredictable government policies coupled with ‘grand corruption,’ high taxation rates, all continue to pose great threat, not only to the sustainability of SMEs but also to the Kenyan economy that was gaining momentum (Wanjohi and Mugure, 2008).

Lack of access to credit forms a major constraint inhibiting the growth of SME’s sectors and can be grouped into two broad categories: i.e. Lack of tangible security to (MFI’s) from the SME’s coupled with inappropriate legal and regulatory frameworks (GOK, 2005).

Tax rates that are too high lower the level of profits of enterprise and discourage business activity (World Bank/KIPPRA, 2004). Most SMEs begin small and stay that way due to little access to finance, which hampers their emergency and eventual growth. The main source of capital for SMEs is their retained earnings, informal savings and loan associates which is unpredictable and not very secure. Access to formal finance is poor because of high risks of default by SMEs and due to inadequate financial facilities. Micro-credit institutions could be of help in lending to SMEs but they do not have the resources to follow-up their customers when they expand, Rom consultancy Services (www.esabmonetwork.org/..../kenya July, 2005 viewed on 03/05/2011).

Among the various challenges facing SMEs such as high cost of credit, high bank charges and fees, business environment, unpredictable government policies, high taxation rates, financial
constraints remain a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008). All these challenges continue to pose great threat, not only to the sustainability of SMEs but also to the Kenyan economy that was gaining momentum.

A survey conducted by central Bureau of statistics, international centre for economic growth and sessional paper no. 2 of 2005, the legal and regulatory framework has remained unfavorable for small enterprise development. Licensing of businesses is centralized in Nairobi complicating the whole process of registration. Weak business linkages are one of the causes of poor market access by small scale enterprises. The existing financial regulations do not address the problem of financing small scale enterprises as high borrowers and thus charge them very high interest rates (GOK, 2005).

The result of joint survey between middle East Banks and World Bank on middle east and North Africa Banks provide supportive evidence that lack of SME transparency and under developed financial systems as the main obstacles to SME financing, (Rocha et al., 2011).

2.3.4 Influence of collateral requirements on SMEs ability to finance business operations

Despite the importance of SMEs for job creation and production. Most SMEs literature points to the fact that Small and Medium firms face higher barriers to external financing than the large firms, which limits their growth and development. Numerous survey data demonstrates that access to finance and cost of credit do not only pose barriers to the SME financing, but also constraining SMES more than large firms. Small firms find it difficult to obtain Commercial bank financing especially long term loans for a number of reasons, including lack of collateral, difficulty in proving creditworthiness, small cash flows, inadequate credit history high risk
premiums and high transaction costs, (IFC, 2009), (IADB, 2004), (Beck, 2004), (Demirguc, 2006).

Collateral requirements, bank paperwork, interest rate payments, the need for special connection and bank lack of lending resources greatly hamper SMEs access to financing. Similarly lack of access to specific sources of financing such as export, leasing and long term finance is significantly more constraining to SMEs than to large firms, (Beck, 2007).

Survey data, Using National Bank of Romania (NBR, 2012), shows that the banks still use collateral as a measure of pressure, in special crises times. For an important part of managers, the bank increased the level of required collateral for existing, renewing or new credits, asking for new covenants revealing a paradox of crises time,: while bank loans still remains the favorite method of external financing needs of business, the bank often reduce their availability by insisting on collateral which SMEs may not have.

A survey carried out in Kenya, Tanzania, Uganda and Zambia indicates that ninety four percent of the banks in the sample demand collateral from their SME borrowers. Collateral requirements for SME loans are higher than consumer loans, because SME credit risks are more difficult to evaluate according to 63 percent of the banks. SMEs are also considered riskier than other segments to half of the banks surveyed. Moreover, regulatory and collateral requirements which are usually a function of the size of the loan, contribute to explain why SMEs have to put more collateral relative to retail clients, according to one third of the banks, (Working paper 146, 2012). The informality of SMEs come out as the main reason why banks in the region require SMEs to lodge security relative to corporate clients, according to 56 percent of the sampled banks. Half of the banks also mentioned the fact that SME related information, was usually
The main obstacle to proper access to capital is that SMEs lack collateral which banks require as security for loan applied for. This can be addressed by use of guarantee funds where the banks signs for 50% risk and the government signs for the other 50% risk. The central government should institute the necessary regulations to ensure that they originate the guarantee funds, (Kruk 2005).

2.3.5 Influence of the size of firm on the SMEs ability to finance its business operations

Financing obstacles are more growth constraining for small firms and they prevent all firms from reaching their optimal size. This is also reflected in financing their patterns. Small firms finance a small share of their investment and working capital with formal financial sources than large firms, (Beck et al; 2006).

A survey of SME financing in Canada over two years revealed that the size of business irrespective of age has a strong impact on financial structure. Self employed businesses had the highest form of informal financing: 37 percent used personal credit cards, 36 percent used personal savings of the owners while 34 percent used commercial loans. This means that small businesses relied more on informal financing such as business owners savings, personal credit facilities. But as firms grow to medium size enterprises they tend to turn to formal commercial instruments, trade credit from suppliers and the resources of the business, (2003) www.sme.fdi.gc.ca viewed on 20/05/2012.

A survey of relationships between size of firms and political costs reveals that there are positive relationship between the size of the firm and political costs. It means that by increasing the size
of firm, the political costs of corporate will be increased. And political costs decreased by decreasing the size of the firm (Mohammad et al; 2012).

Cost of financing small enterprises is higher than that of financing large enterprises. The justification given by MFIs is that small enterprises have small amount of money and rarely do have credit history to qualify them as credible borrowers. In addition they lack the necessary skills to determine the commercial viability of the projects for which they need micro financing, then pushing the rate of lending to them higher. Other reasons of high costs micro credit include Processing of small payments, having to operate offices in multiple locations. To cover these costs and their related risks, interest rates that are higher than commercial banks are charged on credit facilities to SME’s by MFIs (Esther Kariuki, 2007).

A survey on financing patterns around the world indicate that small firms and firms in countries with under developed financial and legal systems use less external finance compared to large firms. (Beck et al., 2008)

2.4 To establish the entrepreneur’s attitude towards risk.

A study by Ouma, (2002) suggests that as MSE grow, they slowly graduate to access different sources of credit. The study observes that majority of the MSEs fund their economic activities from their own resources, mainly personal savings. When the MSE activities are up and running they are able to attract a number of financial institutions like ROSCAs, Mutual Assistance Groups (MAGs) and NGOs to finance their activities. But even at this stage, loans and grants from relatives, friends, and neighbors still play a major role in financing these enterprises. Such reliance on informal credit has meant that MSEs maintain strong links with their background and economic growth and development cannot be developed without putting into place well focused programs to reduce poverty through empowering rural enterprises with credit. In noting this, the
government has initiated many programs to enhance adequate loan to rural entrepreneurs. However, these programs have achieved mixed successes in that loan delivery to rural entrepreneurs is politicized with huge bureaucratic network which makes the loans almost inaccessible to rural entrepreneurs. The study indicated that the major facts that determine loan acquisition by entrepreneurs are type of enterprises, Gender of the operator, Experience of the operator as well as past history (Okpukpara, 2009).
2.5 Conceptual Framework

A conceptual framework can be defined as a set of broad ideas and principal taken from relevant fields of enquiry and used to structure a subsequent presentation (Raps, A. and Kauffman, D. 2005). In this study factors affecting the ability by garment SME’s to raise capital to finance operations (Dependent variable) are considered and they mainly surround issues of government policies, security on loan, size of the business, and entrepreneur’s attitude towards risk (Independent variables). The research study will be given direction by the figure below.

*Figure 2.1: Relationship between variables*

- Government policies
  - (Registration and Tax, Legal and regulatory framework, business environment)
- Collateral on loan
- Size of Business
- Entrepreneurs’ Attitude
  - Toward risk

Source: Researcher (2012)
2.5.1 Government policies

These involve government policies that affect SMEs ability to start and grow. The legal and regulatory framework in Kenya have remained unfavorable on SMEs, business registration requirement in the country which have remained cumbersome and costly, restrictive taxes to SMEs which allow no tax allowances on sole proprietorship and partnership enterprises.

2.5.2 Collateral on loan

This study established how collateral affects the ability of garment SMEs in Umoja to access capital to finance business operations. Most MFIs treat credit facility to SMEs as high risk investment and in most cases will insist on collateral before advancing loans to SMEs. Most SMEs lack security to offer as collateral on loan hence the financing challenges.

2.5.3 Size of business

This study established how size of business affects garment SMEs in Umoja ability to obtain capital to finance business operations.

2.5.4 Entrepreneurs attitude towards credit

This study established how an entrepreneur’s attitudes towards credit financing affects garment SMEs in Umoja ability to obtain capital to finance business operations.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter identifies research design, target population, Sample Size and sampling techniques, research instruments and data collection procedures that were employed in carrying out the research. In addition it presents the data analysis techniques that were used and presentation of research findings.

3.2 Research Design

This study employed a descriptive research design which is a scientific method that involves observing and describing the behavior of a subject under study. Descriptive research design is appropriate when the study needs to describe the what, where, who and sometimes the how of a study, (Cooper, 2003). Thus Descriptive Research Design helped the researcher to describe the financial challenges facing garment SMEs, establish past efforts to address them and why they did not work and describe measures to be put in place to address financing challenges facing Garment SMEs in financing their business operations.

The descriptive research entailed collecting data by administering questionnaires and interviewing a sample of Individuals (Mugenda and Mugenda, 2003). Questionnaires are used when collecting information about people’s attitude, opinions, habits or any of the variety educational or social issues (Mugenda and Mugenda, 2003). Descriptive Research is applicable to this study as it used Questionnaires to collect primary data from the sample of garment SMEs within Umoja-Emakasi Constituency to establish financing challenges facing them in raising capital to finance operations. The source of Primary data was the sample population while the
source of Secondary data was from published materials. The primary data was collected through a structured questionnaire.

3.3 Location of the study

The location of the study in Umoja Location- Embakasi Constituency which is established according to the administrative boundaries. Umoja was started in the 1970 as an estate build by the Nairobi City council to house the growing urban population. Umoja is located 15 kilometers east of Nairobi and its key markets are, Mtindwa, Umoja 1 and Umoja 2. Embakasi is one of the 8 constituencies of Nairobi County. Embakasi is both a division and a constituency name and is located east of the central business district popularly known as Eastland’s. As a constituency it houses middle income citizens where the market consists of small and medium size garment enterprises, www.mwakenya.net updated 19 November 2010 and viewed on 25/02/2012.

3.4 Target Population

The study population comprised of 162 small and medium garment enterprises located in Umoja location of Embakasi division which are registered as SMEs with City Council of Nairobi as of February, 2012. The target population consisted of 84 owners of custom tailors, and 78 specialized small businesses producer. According to Mugenda and Mugenda (2003) population refers to an entire group of individuals, events or objects having a common observable characteristic. In other words, population is the aggregate of all that conforms to a given specification. Since this study focuses on SMEs in the garment industry it focused on owners of custom tailors and specialized small garment businesses to provide reliable information.
Table 3.1 Target Population and Sample

<table>
<thead>
<tr>
<th>POPULATION</th>
<th>SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom Tailors</td>
<td>84</td>
</tr>
<tr>
<td>Specialized Small Garment Businesses</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>162</td>
</tr>
</tbody>
</table>

Source: City Council of Nairobi, Licensing Department, as on February 2012

3.5 Sample Size and Sampling Techniques

The sample size comprised of 48 registered SMEs dealing with garments in Umoja-Embakasi Division. The sample size has been determined by calculating 30% of the target population. According to Mugenda and Mugenda, (2003) the sample size of 30% of the target population is representative of the target population.

This subsection describes the sampling techniques used in obtaining sample from the sample frame. According to Mugenda and Mugenda (2003), a sampling frame is a list from which the sample is actually drawn from and is closely related to the population. The sampling frame in this study consists of the proprietors/managers of the 162 garment SMEs in Umoja location who are responsible for the day today running of the SMEs.

The researcher used Systematic sampling to select the sample size of 48 garment SMEs from a population of 162 garment SMEs. The procedure begins with a random start of the first element in the population frame list and picks every $K^{th}$ element from 1 to the $k^{th}$ item. To obtain the $K^{th}$ element the researcher divided the total population with the required sample size (162 divide by 48 =3.4). In this study every $3^{rd}$ element of the population from each cluster frame form part of
the sample size selected. According to (Mugenda and Mugenda, 2003), a sample size of 30% of the target population is representative of the whole population.

3.6 Research Instruments

The researcher used structured questionnaires as the instruments for data collection. The questionnaires had structured and unstructured questions and were applied to the 48 respondents by the researcher with the assistance of a research assistants. The questionnaires consisted of closed and open ended questions.

According to Mugenda and Mugenda (2003) questionnaires have the ability to gather data of a large sample, save time and uphold confidentiality of the respondents. Secondary data was obtained by review of periodicals, books, magazines, research reports, journals and internet.

3.6.1 Pilot Study of the Instrument

Pilot study was carried out to pretest the research instrument before actual administration to the respondents. A pretest sample of five respondents was carried out in Umoja so as to Pre-test the research instruments. The result from the pilot study was analyzed to determine whether the research instrument properly addresses the objectives under study. According to Mugenda and Mugenda (2003) a pretest sample of a tenth of the sample respondents with homogeneous characteristics is appropriate for the study. This assisted the study in correcting ambiguities in the questionnaires before actual administration to the respondents.

3.6.2 Validity of instruments

Validity involves the degree to which obtained results from data analysis actually represent the phenomenon under study. Validity is tested by representativeness of the target population and consensual judgments by experts (Mugenda and Mugenda, 2003). The study focused on the
objectives of the study was keen in determining any particular parameters which were included in the actual administration. Also the questionnaires instruments were constructed using simple language with side notes accompanying the questions in the questionnaires to make it easy for the respondents to answer the questions properly. Further the questionnaires were verified and corrected by the researchers' supervisor's to ensure that the questionnaire addresses the objectives under study.

3.6.3 Reliability of instruments.

Mugenda and Mugenda (2003) define reliability as a measure of the degree to which a research instruments yields same results on repeated trials. Reliability in research is influenced by random error, which is deviation from a true measurement. The study was tested for reliability using test-retest technique to Umoja Area for a period of two weeks. This technique involved administering the same questionnaires twice to the same group of subjects after an interval of one week. After the first testing, the second retest was done after one week on the study without sensitizing the subjects to avoid influencing the response of the outcomes. The results from the first trial were recorded and after the second trial the results were compared and correlated with the initial test to give a measure of reliability while taking into account the time difference. The one week period was considered reasonable period between the two testing sessions since the respondents could be contacted easily with minimal time variation.

3.7 Data Collection Methods

The following data collection instruments shall be used: questionnaires (both structured and non-structured), journals, magazines and publications. The questionnaire acted as the main instrument for data collection. The questionnaires were used to obtain primary data from the entrepreneurs
they contained close ended and open ended questions. The questionnaires were accompanied by a list of possible alternatives from which respondents were required to select answers that best described their situation. The main advantage of closed ended questions is that they are easy to administer and to analyze. Secondary data was obtained from the publications, journals, and magazines.

### 3.7.1 Data Collection Procedures

The study data shall be collected using structured questionnaires. The respondents shall be 48 owners of the SMEs. The questionnaires shall be used to collect primary data from the respondents while secondary data will be found in books, journals and internet for development of the proposal. The research instruments shall be managed by trained research assistants to the respondents through personal visits to respondents. The questionnaires shall be delivered to the target respondents directly and collected immediately by the study for recording and data analysis.

### 3.8 Data Analysis and Presentation of Research findings

According to Kothari (2003), data analysis refers to editing and reducing accumulated data to a manageable size, developing summaries and using statistical techniques for making inferences. The refined data was analyzed using descriptive statistics involving percentages to determine concentrations. The Statistical Software Packages for social sciences (SPSS) was used to analyze the quantitative data and results presented in tables and charts so as to provide a clear picture of the study findings. Quantitative data was summarized and categorized according to business category and presented in frequency distribution tables for the ultimate users of the study.
3.9 Expected output

The research findings are presented through frequency tables and charts. These tools have been selected for clarity, preciseness, ease of understanding and interpretation.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter undertakes to discuss the survey conducted and the information collected from the field. The survey was conducted by distributing self administered questionnaires to SMEs in the garment industry in Umoja Embakasi Constituency. The responses were collated and fed into SPSS to derive distribution of respondents on the various aspects. The information is presented in form of figures and tables with narrations to put it in perspective of the objectives of the study.

4.2 Business information

The section presents information on the type of business, period of existence registration and records keeping among other information.

4.2.1 Type of business ownership

The study sought to know the type of business ownership to ascertain that the business fall under the category of SMEs. It also guided the study in the perspective of most common form of business ownership in the garment industry. Figure below shows a distribution of the type of ownership of business.
From the distributions given in figure above, the most common form of business ownership is sole proprietorship with a representation of 79.2%. Those in partnership ownership account for 20.8%. This distribution confirms the observation that SMEs in the garment industry are likely to be sole proprietorship. The respondents in the survey have between 1 and ten employees

### 4.2.2 Length of time in running the business

The length of time in running the business is sought to determine whether the operations in the garment industry are sustainable. The time period in operation displays ability to manage and continue in operations despite the challenges.
Table 1 Length of time in Running the Business

<table>
<thead>
<tr>
<th>Time in years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>20</td>
<td>41.7</td>
</tr>
<tr>
<td>5-10 years</td>
<td>23</td>
<td>47.9</td>
</tr>
<tr>
<td>11-15 years</td>
<td>1</td>
<td>2.1</td>
</tr>
<tr>
<td>16 years and above</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2012)*

The respondents distributions by time length they have been in operation indicate majority 47.9 have been in operation between 5-10 years and another 41.7 have been in operation for less than 5 years. The proportions of respondents who have been in operation for 11-15 years account for 2.1% and 8.3% have been in operation for 16 years and above.

4.2.3 Business Registration

The respondents were asked whether the business is registered and for how long. Business registration is a requirement in considerations to obtain loans and funding. The time period of registration indicates the business has been in operation for a while. Majority 87.5% of the businesses in the survey are registered. The respondents who say their business is not registered account for 12.5%. Figure 2 below shows the distribution
Majority 39.6% of the respondents have their business registered for a period exceeding 5 years. The respondents who have their business registered for between 1-5 years account for 37.5%. The other respondents have their business registered for less than 1 year. The distribution by time period businesses have been registered is given in table below.

Table 2 Time period as a registered business

<table>
<thead>
<tr>
<th>Time in years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>5</td>
<td>10.4</td>
</tr>
<tr>
<td>Less than one year</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>1-5 year</td>
<td>18</td>
<td>37.5</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>19</td>
<td>39.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

The businesses in the garment industry have been registered for the same time period of operation. Majority 39.6% as shown in the table above have been registered for over 5 years. The
respondents whose businesses have been registered for between 1-5 years account for 37.5%, less than one year 12.5%. This distribution echoes the government requirements for business registration and the need for business to be registered to access loan and credit facilities.

4.2.4 Keep books of account

Books of account to any business demonstrate the potential of a business through the revenues, capital and liabilities. The survey asked whether the respondent keep books of account to access whether this improves their opportunity to access credit.

**Figure 3 Keep Books of Account**

![Pie chart showing 81.3% Yes, 18.8% No]

*Source: Researcher (2012)*

Majority of the SMEs in the garment industry, accounting for 81.3%, keep books of account. Those who do not keep books of account are represented by 18.8%. Books of account not only show ability to meet possible liabilities such as loans and interest but, they give the business owner an opportunity to keep track of its performance. This is a trait that contributes success to a business.
4.2.5 Business Account

Holding a private business account for a person running a sole proprietorship is observed as a hurdle that SMEs face since the business and personal assets are considered to belong to one person. The survey asked respondents whether they hold a business account. Their responses are presented below.

**Figure 4 Hold Business Account**

![Pie chart showing 66.7% Yes and 33.3% No]

*Source: Researcher (2012)*

Respondents with business accounts are represented by 66.7% those who do not have one are represented by 33.3%. This distribution demonstrates that the need for a business account is present among business owners. Holding and operating of business account gives SMEs a leverage to access credit facility since it is required.

4.3 Business Financing

In this section, participants responses on the way they raised funds for their business is queried. The responses reflects the preferred method of financing and access whether access to credit facility for SMEs in the garment industry is constrained.
The respondents were asked how they raised their starting capital and their responses are given below.

Table 3 Source of Starting Capital

<table>
<thead>
<tr>
<th>Source of Starting Capital</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>40</td>
<td>83.3</td>
</tr>
<tr>
<td>Borrowing from family and friends</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Loan from banks</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

Personal savings are relied upon by a majority of business owners in the garment industry. This is observed from 83.3% proportion while, the respondents who obtained capital through borrowing from family and friends and loan from banks 8.3% for each. The distribution shows that it is easy to raise capital to start off a garment business through saving than to go for loans.

4.3.1 Borrowing Loan

The responses obtained on whether the business owners have ever borrowed a loan are presented below.

Table 4 Borrowed a Loan to Finance This Business

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>37.5</td>
</tr>
<tr>
<td>No</td>
<td>30</td>
<td>62.5</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

Responses show that majority (62.5%) of the business owners do not borrow loans to finance their business. Those who said that they did borrow a loan account for 37.5%. The purpose to
which the borrowed loan was for included to acquire capital observed from 6.3%, to pay debt 2.1% and a majority 29.2% to purchase additional materials.

Table 5 Reasons for taking a loan

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>30</td>
<td>62.5</td>
</tr>
<tr>
<td>To acquire capital</td>
<td>3</td>
<td>6.3</td>
</tr>
<tr>
<td>To pay debt</td>
<td>1</td>
<td>2.1</td>
</tr>
<tr>
<td>To purchase materials</td>
<td>14</td>
<td>29.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2012)*

Access to credit by SMEs from banks and micro finance is pegged upon ability to pay back the loan. The choice of institution from which the loan is obtained indicates ease of access and the kind of support obtained. The survey asked the business owners where they applied for the loan below are the responses obtained.

Table 6 Institution for loan application

<table>
<thead>
<tr>
<th>Institution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>30</td>
<td>62.5</td>
</tr>
<tr>
<td>Banks</td>
<td>3</td>
<td>6.3</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Micro finance institutions</td>
<td>11</td>
<td>22.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher (2012)*

Majority of those who had applied for a loan had done so in a microfinance institution. The proportion is 22.9%. Those who applied to a co-operative account for 8.3% while, 6.3% applied for the loan from banks. The successful application is given in table below.
Table 7 Successful applications for loans

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>30</td>
<td>62.5</td>
</tr>
<tr>
<td>Yes</td>
<td>16</td>
<td>33.3</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>4.2</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

Out of those who applied for a loan, 33.3% were successfully granted while, 4.2% did not get the loan applied for. The reasons observed for the decline of the loan is exposure to risk and lack of business registration. Successful recipient of the loan have since paid the loan received. This is an indication of the credit worth of the SMEs. The duration within which the loan had been paid is before maturity 6.3% and within the repayment period 27.1%. The success rate in loan repayment indicates the potential of SMEs in paying their loans.

Table 8 Duration of loan Repayment

<table>
<thead>
<tr>
<th>Repayment period</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>32</td>
<td>66.7</td>
</tr>
<tr>
<td>before maturity</td>
<td>3</td>
<td>6.3</td>
</tr>
<tr>
<td>Within the required repayment period</td>
<td>13</td>
<td>27.1</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

4.4 Factors that influence access to credit

In the survey the respondents were asked to give their rating on various aspects that influence access to credit. The ratings are given below.
Figure 5 ratings on factors that influence access to credit

Source: Researcher (2012)

Government policy is very likely to affect access to credit according to 8.3% of the respondents. The other responses were likely 29.2%, unlikely 35.4%, and highly unlikely 27.1%. The responses obtained from the study indicate that the government policy has played no part to influence garment SMEs access to credit.

Legal and regulatory framework rating in influencing access to credit is very likely 4.2%, likely 43.8%, unlikely 27.1% highly unlikely 25%. This distribution shows that legal and regulatory framework plays a role in influencing access to credit.

The rating from the respondents on the part played by size of business in facilitating access to credit is 47.9% very likely, 33.3% likely, 10.4% unlikely, 8.3% highly unlikely. From the distribution, access to credit is influenced by the size of the business.
Rating on collateral and how it affects access to credit is 27.1% very likely, 35.4% likely, 29.2% unlikely, 8.3% highly unlikely. This distribution shows that having collateral will influence SMEs access to credit.

Exposure to risk rating show very likely 22.9%, likely 22.9%, 41.7% unlikely, 12.5% highly unlikely. This distribution means that exposure to risk does not necessarily influence access to credit.

4.5 Government Interventions to Facilitate Access to Finances

The respondents were asked to rate the intervention that government has undertaken to facilitate access to finances. The responses observed indicate that the government has intervened to facilitate SME access to credit. Average rating on government was observed from 31.3% and bad rating observed from 56.3%.

Table 9 Rating

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>2</td>
<td>4.2</td>
</tr>
<tr>
<td>Good</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Average</td>
<td>15</td>
<td>31.3</td>
</tr>
<tr>
<td>Bad</td>
<td>27</td>
<td>56.3</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher (2012)

4.6 Factors that Hinder Growth of Business

The survey sought to find out those aspects that hinder growth of business and challenge SMEs. These aspects are presented in figure below and discussed thereafter.
The size of the market hinder growth of business according to majority (25% strongly agree and 50% agree). The respondents who say that size of market does not hinder growth of business account for 16.7% disagree, and 8.3% strongly disagree.

According to 37.5% strongly agree and 31.3% agree response, competition in the market hinders growth of business. The competition in this case is the cheap imports of second hand cloths that make it difficult for those in the garment industry to sell their products.

Raising of capital does not hinder growth of business following from 56.3% disagree response. The respondents who say that raising of capital hinders growth of business account for 18.8% strongly agree and 20.8% agree.

Cost of operation hinders growth of business according to 25% strongly agree and 31.3% agree response. Only 43.8% disagree that cost of operation hinder the growth of business.
Further to operation costs the respondents were asked whether access to credit facilities hinder growth of business. Majority response was obtained from those who disagree 58.3% that it hinders. The respondents who say it hinders are 14.6% strongly agree and 27.1% agree.

According to 50% strongly agree and 22.9% agree responses, taxes and licensing charges hinder growth of business. The response was observed with comments such as the duty levied by government on imported cloths sets in unfair competition in the garment industry.

Security is not a challenge that can hinder the growth of business in the garment industry. The responses from the survey were 14.6% strongly disagree, 47.9% disagree, 10.4% agree and 27.1% strongly agree.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presented the summary, conclusions and recommendations of the study undertaken to access the challenges faced by small and medium enterprises in the garment industry. The chapter looks at the setting of the study, its objectives, the methodology used, data collection tools, the findings and the conclusions derived.

5.1 Summary

This study was undertaken to access the challenges faced by small and medium enterprises in the garment industry in Umoja Location - Embakasi Constituency. Global recognition of the role SMEs play is overwhelming pinpointing that they significantly create employment in the informal sector of any economy. SMEs in Kenya contribute a substantial volume to the GDP and alleviate poverty contributing to growth and base revenues for the government. The existence of SMEs in the country is widespread and unlimited in scope of operation. The SMEs in the garment industry form the oldest model of informal business in the country and the challenges they face are not put in perspective. This study sought to establish the challenges faced by the SMEs in the garment industry by looking at; the government policy and legal regulations; requirement for collateral; size of the business and the attitude of the entrepreneur.

The study is considered timely and significant owing to the significant changes observed in the economy as well as the way government and financial institutions are taking shape. The need for the study is to impact knowledge on the proponent players in the garment industry, policy makers, and banking/financial institution on the plight of the SMEs.
The study reviewed literature from past studies and theories related to SMEs. In the reviewed literature, it is observed that majority of SMEs in the country are initiated to improve economic well being of owners. The realization among policy makers and individuals on the potential of SMEs is revealed in their appreciation of the growth sustainability observed. Growth of SMEs has come under significant challenges owing to its informal nature. Policy makers and potential financers in the financial and corporate world have seen it as a risky venture. The Sector has however thrived and posted significant growth records that have attracted the attention of financial institutions and government policy makers. Challenges to the garment industry have been cited in the literature to include inadequacy of capital to purchase equipment and poor policy formation to target growth potentials in the industry.

The study was carried out by survey method that entailed distribution of questionnaires to sampled business owners in Umoja - Embakasi Constituency. The questionnaires addressed the objectives of the study through both open and close ended questions. Prior to conducting the field survey a pilot study was undertaken. This was intended to establish whether the data collection tools were sufficiently structured to address the objectives of the study. From the pilot study it was observed that the data collection tools were sufficiently structured to gather the information sought. The information gathered in the field survey was coded in to SPSS to derive distribution tables and figures for analysis.

5.2 Conclusion

The finding of the study show that most of the businesses involved in the survey are sole proprietorship business that has it owner undertaking major operations and with less than 10 employees. This finding fit the description given by GOK 2005 that defines SMEs as business institution running in the informal or formal sector owned by an individual or partnership with
employees not exceeding 50 persons. Simiyu (2008) observed that most SMEs are sole proprietorship with just a few being partnerships.

The survey established that the SMEs have been in operation for a period not exceeding 10 years and have had licenses of operation for the period they have engaged in the business. The business owners keep books and records for the transactions they undertaken. This according to (Beck et al; 2005) has improved on their informal nature and access to credit. Another aspect observed to improve access to credit facilities is the operation of a business bank account. Most SMEs owners hold and operate business accounts. This is demonstration of the potential to access credit facilities through banking services offered.

Similar to the findings by Ouma, (2002), the survey observed that SMEs in the garment industry raise startup capital funds through personal saving and borrowings from family and friends. There are few preferences to raise capital to start up a business through loan or credit facilities. This is a challenge to the SMEs growth since the saving deployed to start up the business is not enough to buy capital equipment and material for the business to achieve sustainable growth. Finding by Muteti, (2005) indicate that most SMEs will start up business with the little capital compromising on technology owing to constraints in accessing credit. Those who borrow loan do so to purchase materials as opposed to buying capital equipment to increase their volume of operation. The difficulty in obtaining loan to finance a capital item is that the business payback period on large amount of money is long and may end up being a burden to the business owner. SMEs prefer to obtain loan from Microfinance institution. This is attributable to the fact that interest rates on these loan is lower and access to credit facilities is less strenuous compared to access from banks and the government’s devolved funds similar observations are made by Wanjohi and Mugure, (2008).
Among the factors that influence access to credit are availability of collateral and the size of business. These aspects are rated highest in influencing access to credit a finding that concurs with the finding by Lownes-Jackson et al., (2003) who observes that most financial institutions require security from those who are borrowing loans. It is a constraint to SMEs since most of the owners do not have tangible assets that can be used as security. The size of businesses operated by many SMEs in the garment industry is small in terms of capital and stock. This makes it difficult for them to apply and successfully obtain a loan for the business expansions. These finding are in line with the findings by Beck, (2007) who says SMEs biggest challenge in accessing credit facilities stems from the lack of collateral and, the nature and size of the business. There is no hope among the SMEs that the government has anything substantial to do in order to influence access to credit.

Among the factors that hinder growth of SMEs include the size of the market, raising capital, competition and taxes and licensing. These aspects are seen to play a significant role in influencing the growth of SMEs. The size of the market hinders growth by failing to provide sufficient level of demand to support fast and continued operation. The players in the SMEs garment industry observe that the market is littered with cheap imported cloths. These commodities are sold in the same market that players in the garment industry sell their wares. It adversely eats away potential demand for their products. Additional to this, SMEs find that the taxes and duties the governments levy on imported machinery and material in the garment makes cost of manufacture higher. This is high compared to the costs of importing readymade cloths and the second hand cloths that have lower taxes charges. The challenge of raising capital is associated to access and servicing the loan. The interest rates for loans are high to allow for those in the garment industry to borrow them. These observations echo those by Wanjohi and Mugure,
(2008) saying that the challenges SMEs face are high cost of credit, high taxation and unfavorable government policies for SMEs.

The attitude among the business operators in the SMEs garment industry is positive towards own support and self centered personal efforts. The operators believe that success in imminent in their operations with commitment and devotion. Since the government and financial institutions have done nothing to facilitate the SMEs in raising capital, one needs to make the most out of saving. Majority of the business owners in the garment industry are convinced that their businesses have potential despite the fact the growth in the initial stages is demoralizing.

5.3 Recommendations

The recommendations made in the study are based on the survey findings and the literature reviewed on challenges faced by SMEs in the garment industry. These two aspects enriched the understanding on SMEs and the operations that hinder and perpetuate their growth. The study bases its recommendations on these findings and the observed inadequacies proposing the adequate measures support to the industry is extended.

Access of funds and loans by SMEs need to be made easier through easily accessible devolved funds and reduced interest on the loans. The loans provided to the players in this industry should also target acquisition of capital equipment that will add to the efficiency in operations as (Simuyu 2008) observed.

The financial institutions need to reduce the requirement for collateral since from the findings it is seen that though the SMEs are a high risk factor their credit worth rating is good. The financial institution also need to participate in providing funding to the SMEs through government
initiated devolved fund. These will make it easy for SMEs to access the funding schemes initiated by the government.

Government policy needs to target the policy on imported commodities that adversely affect the garment industry and reorient them to support their growth. The importation of competitive products needs to be restricted with higher duties. Import duties on capital equipment and material used in the garment industry need to be reduced. This will enable operators improve on the performance through access to efficient technology.

Operators in the SMEs need to reorient their attitude towards loan and embrace those services offered by the government. The attitude of ignoring credit facilities offered to SMEs has compromised the government effort to support them. Training through sensitization programs need to be provided to the operators to the garment industry SMEs business owners. The training should target garment SMEs informing the owners on the need to acquire capital items that will improve their efficiency and profitability.

Further studies should be undertaken to investigate benefits accruing to SMEs business that have access to credit facilities. This will guide formulation of training programs that can be given to the operators.
APPENDIX I: REFERENCES


Munyanyiwa. T.(Thursday 28 May 2009) “SMEs Key To Economic Recovery”

www.financialgasette.co.zw viewed on 1 October 2011.


Appendix II: Questionnaire

Please tick (✓) appropriately or state where possible in the space provided.

Business Information

1) What type of ownership is your business?
   - Sole proprietorship    [ ]
   - Partnership            [ ]
   - Company                [ ]

2) For how long have you been running the business?
   - Less than 5 years      [ ]
   - 5 - 10 years           [ ]
   - 11 - 15 years          [ ]
   - 16 years and above     [ ]

3) How many employees do you have?
   - 1 to 10 employees      [ ]
   - 10 - 20 employees      [ ]
   - Above 20               [ ]

4) Is your business registered?
   - Yes                    [ ]
   - No                     [ ]

5) If Yes for how long?
   - Less than one year     [ ]
   - 1 - 5 years            [ ]
   - Over 5 years           [ ]

6) Do you keep books of account?
   - Yes                    [ ]
   - No                     [ ]

7) Do you have a business bank account?
   - Yes                    [ ]
   - No                     [ ]

Business Financing

8) How did you raise your start-up capital?
   - Personal savings       [ ]
   - Borrowing from family and friends [ ]
Loan from Banks [ ]
Others: Please explain

9) Have you ever borrowed a loan to finance this business?
Yes [ ]
No [ ]

10) If your answer to 9 above is yes, what are the reasons for taking a loan for your business?
   Inadequacy of savings and revenues [ ]
   To acquire capital [ ]
   To pay Debt [ ]
   To purchase materials [ ]
   Other Please explain

11) From which Institutions did you apply the loan?
   Banks [ ]
   Co-operatives [ ]
   MFIs [ ]
   Others please explain

12) Was the loan applied for granted?
   Yes [ ]
   No [ ]

13) If your answer to 12 above is no. Why was the loan declined? Please tick as appropriate.
   Business registration
   Size of Business
   Collateral requirement
   Exposure Risk

14) Have you repaid the loan?
   Yes [ ]
   No [ ]

15) If no to 14 above, please explain

16) If yes, to 14, how long did it take you to repay the loan?
   Before the maturity date [ ]
   Within the required repayment period [ ]
   Longer than the required repayment period [ ]
Factors that would affect business access to finances

17) Rate which of the following factors would affect your access to credit
Use a four point scale given below
1=Very likely, 2 = likely, 3 = Unlikely and 4 = highly unlikely (tick appropriately)

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</tr>
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<tbody>
<tr>
<td>Government policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and regulatory framework</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of Collateral</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposure Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18) How do you rate government interventions in facilitating SMEs access to finances?
Excellent [ ]
Good [ ]
Average [ ]
Bad [ ]

19) What factors hinder your business growth?
Give your rating by ticking in the boxes provided below.
Use a four point scale given below
1=strongly agree, 2 = agree 3 = disagree and 4 = strongly disagree (Tick appropriately)

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raising of capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to credit facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and licensing charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luck of Security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
20) What is your general comment on the financial requirement of the Garment industry?

21) What would be your advice to anyone venturing to start a business in the garment industry?
APPENDIX III: TIME PLAN

The Research process is expected to take six months from 1st June 2012.

The project scheduling will cover the following activities:

**TIME PERIOD 6 MONTHS**

<table>
<thead>
<tr>
<th>Month/Activity</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
<th>6th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the project</td>
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<tr>
<td>Corrections</td>
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<td></td>
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</tr>
<tr>
<td>Data Collection</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Data Analysis</td>
<td></td>
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</tr>
<tr>
<td>Report Writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalization and Submission of Report Writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX IV: BUDGET ESTIMATE

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit cost @</th>
<th>Cost (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travelling expenses</td>
<td>Item</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Hiring of Research assistant</td>
<td>Item</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Computer/ typing services</td>
<td>Item</td>
<td>2000.00</td>
</tr>
<tr>
<td>Printing and photocopying of proposal</td>
<td>Item</td>
<td>5000.00</td>
</tr>
<tr>
<td>Binding proposal</td>
<td>150</td>
<td>900.00</td>
</tr>
<tr>
<td>Data collection and Analysis</td>
<td>Item</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Printing and photocopying of Research Report</td>
<td>Item</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Hard binding of the final document</td>
<td>280</td>
<td>1840</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Item</td>
<td>10,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>52,740.00</strong></td>
</tr>
</tbody>
</table>
APPENDIX V: LICENSED GARMENT SMES IN UMOJA LOCALITY

1. MBAA NGII ENT TAILORING
2. ALIMACH SYSTEM NEW CLOTHING
3. DESIGN & TAILORING
4. HADDESTHER CREATIVE TAILORING
5. WENDYS DESIGNER BOUTIQUE
6. OYUGI DRESSMAKING
7. TECHNOS MULTILINE TAILORING
8. LADIES CHOICE TAILORING
9. WINTON BOUTIQUE
10. WAMIRACLE DESIGNERS
11. BURSAR EXECUTIVE TAILORING
12. MINI-PRICE BOUTIQUE
13. AGNES FASHION
14. TOTALIA DESIGNS
15. SALIN ENTERPRISES TAILORING
16. SAM DESIGNS
17. TALIA DESIGNS
18. ALICNO FASHION & DESIGNS
19. ONYI PAPASS TAILORING
20. MARY CREATIONS
21. RITAZ FASHIONS
22. PLANET PINK BOUTIQUE
23. LAKEWOOD BOUTIQUE
24. EAST BOOT BOUTIQUE
25. LYWEMA FASHIONS
26. OKAMBO DRESS BOUTIQUE
27. WAMARK SHOP BOUTIQUE
28. JYM BOUTIQUE
29. GLORY FASHIONS
30. BRIANS COLLECTION
31. VEFRA SELECTIONS BOUTIQUE
32. SMART BOUTIQUE
33. TAILORS PARADISE SHOP TAILORING
34. JOECARLO OUTERFITERS
35. JAKA FASHIONS
36. JOYVINE BOUTIQUE
37. BENATIONS FASHIONS
38. MAMA NJERI TRADERS TAILORING
39. TROPICAL WEAR TAILORING
40. TRINITY DESIGN
41. MWILA DESIGNERS A DRESSMAKING
42. MWILA DESIGNERS B DRESSMAKING
43. HOUSELIFT TAILORING
44. JIPAMBE ERT TAILORING
45. DUMA FASHIONS
46. ELIMAX TAILORING SHOP
47. IWAMA DRESSMAKING
48. MOI DRIVE DRESSMAKING
49. MUTINDWA TAILORS
50. AMANI TAILORING SHOP
51. CHAZON DESIGNERS
52. ACAPE TAILORING
53. JEANS SHOP
54. JOCLEAN DRESSMAKING & TAILORING
55. CLOS FASHIONS
56. SHOP 1 TAILORING
57. BEAUTYGAL HEART BOUTIQUE
58. KARIS FASHIONS
59. TEI FASHIONS
60. KOTIENO FASHION
61. BENA FASHION & DESIGN
62. BEPKAM FASHION
63. TUMAINI TAIL. & DRESSMAKING
64. STALL 264
65. STALL 244
66. TENA TAILORING
67. OWINO DESIGNERS
68. NZIOKI FASHION & DRESSMAKING
69. KOGALO TAILORING SHOP
70. NANA TAILORING FASHIONS
71. OTIS DRESSMAKING
72. SIR CHARLES FASHION
73. ODIS FASHION
74. OWIS DE FASHION
75. TROPICAL DESIGNERS
76. FAIRMAN FASHIONS
77. RABILLOH LEATHER DESIGN
78. MARY CREATIONS
79. RITAZ FASHION
80. CAROL'S BRIDE
81. EMILY KAGALI
82. ASUMBI FASHION DESIGNER
83. DANIS DRESSMAKING
84. NEEMA TAILORING
85. CHALU TAILORS
86. OWISO DRESSMAKING
87. MALIZ DRESSMAKING
88. ROPERS DRESSMAKING
89. CHARCO FASHION DESIGN
90. STARLITE DRESSMAKING
91. MAMA NDUNG’U DRESSMAKING
92. ELISHADAI TAILORING
93. SAWA TAILORING
94. BENNY DRESSMAKING & OVERLOCK
95. GLORY FASHION & DRESSMAKING
96. PLOT NO.47 TAILORING
97. STAGE TAILORING
98. WANAKA TAILORING
99. TERRY CREATION & DESIGN
100. CLOTHING REPAIR
101. ALEGO CREATION & DESIGN
102. HOPE TAILORS
103. BURSAR EXECUTIVE FASHION
104. TAILORS PARADISE SHOP
105. MUKA DESIGNERS A
106. MUKA DESIGNERS B
107. HOUSE LIFT
108. PILLOW YALA
109. GLUM FASHION
110. BECCA CONCEPTS
111. LATEMI ENT
112. JULLY'S ELEGANCE
113. EVAN OLICH
114. TECHNO'S M.
115. NELLY A. ACHOKI
116. JOSEPHINE K. WAMBUA
117. ANNA BEAUTY SHOP
118. M. M. MATHEKA DRESS MAKING
119. CAREN A. TAMBO TAILORING
120. GRACE W. WAHOME HAIRDRESSING
121. IRENE WANAINA BOUTIQUE
122. AGNESS KARIMI BOUTIQUE
123. JACKSON MUCHIRI BEAUTY SHOP
124. GLADYS WAIRIMU TAILORING
125. ANGELINE M. KJIOKO BEAUTY SHOP
126. ROSE M. NZUKI DRESS MAKING
127. ANASTASIA W. NDIRITU TAILORING
128. LUCY W. GITAU GENERAL SHOP
129. ESTHER N MUTURI DRESS MAKING
130. FELIX ODHIMBO TAILORING
131. MARY Y. MATHYA DRESS MAKING
132. WANGARI WAMBUGU HAIR DRESSING
133. LINET M KOLIA SMALL BOUTIQUE
134. ROSELINE A. BODO DRESS MAKING
135. MARY A. OMONDI TAILORING
136. TERESIA M. JOSHUA TAILORING
137. STEHEN WAMALWA SHOE MAKING
138. ALICE G. MURUTHI GENERASL SHOP
139. AGATHA M. CHEGE DRESS MAKING
140. JANE W. MWANGI KNITTING
141. TERESIA N. WERU BEAUTY SHOP
142. VIRGINIA W. GACHACHA BUREAU
143. TOBIAS A. OKACH DRESS MAKING
144. ESHA TSUI DRESS MAKING
145. JANE WANJIKU TAILORING
146. ZUBEDAH OMARI TAILORING
147. EMMA W. MAGIRA EMBROIDERY
148. PRISCILLA WANJIRU 2ND HAND CLOTHES
149. IMMACULATE MWANGI TEXTILES
150. ELENA N. MBURU DRESS MAKING
151. ANNE N. MAINA EMBROIDERY
152. PATRICIA A. NYAWIRA TAILORING
153. ELIZABETH A. MOGALO DRESS MAKING
154. JOYCE M. KIVINDYO BOUTIQUE
155. ANDREW KARIUKI SWEATER KNITTING
156. PETER M. GACHOKA SPECIAL EMBROIDERY
157. ANNE N. KINYUA DRESS MAKING
158. PRISCILLA MUTHONI M. LOOSE COVERS
159. SHEILA M. NJOGU TAILORING
160. VIRGINIA WAKABA KNITTING
161. PURITY WAMUYU DRESS MAKING
162. EMILY ADHIAMBO DRESS MAKING
Address Umoja Innercore
Nairobi, Kenya

Get Google Maps on your phone
Text the word "GMAPS" to 466453
APPENDIX VII: INTRODUCTION LETTER

I am a student at Kenyatta University and I am conducting a survey entitled ‘Challenges faced by Small and Medium Garment Enterprises in raising capital to finance operations, with reference to enterprises in Umoja Location within Embakasi Division’. Am happy to inform you that you have been selected to be part of the targeted sample of the population in Umoja – Embakasi Division and you are requested to fill the following questionnaire. Your recommendation and suggestions will be highly appreciated.

The nature of my study is academic, and I assure you of utmost confidentiality. This is because the information you provide will only be published as anonymous statistical data and no personal information is requested.

NB: Please note that you are free to give your answers to any of the questions on a separate piece of paper in case the space provided is insufficient.

Yours faithfully,

Veronicah Gichuki

Thank you