

**REGULATORY MODULARITY AND ACCESS TO CAPITAL MARKET BY SMALL  
AND MEDIUM SIZED ENTERPRISES IN KENYA**

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## DECLARATION

This research project is my original work and has not been presented for any degree at Kenyatta University or any other university or institution of higher learning for any academic reward.

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This is to confirm that the work in this project was done by the candidate under my/our supervision.

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## **DEDICATION**

This project is dedicated to my Late father Ephantus Gachigo, My mother Easther Wakiyu, who endowed me in early years with a lifelong thirst for knowledge and passion for work. Your contribution has been invaluable and timeless; my wife Lenity Irungu, Brother Patrick Mwangi and my sister Caroline Nyambura. I love you all and may God's blessings be showered upon you all.

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## **ABBREVIATIONS**

<b>ANOVA</b>	-	Analysis of variances
<b>CDS</b>	-	Central depository and Settlement Corporation
<b>CMA</b>	-	Capital market authority
<b>FSD</b>	-	Financial sector Deeping programme
<b>GEMS</b>	-	Growth Enterprise Market Segment
<b>IPO</b>	-	Initial Public Offering which is the first sale of stock by private company to the public
<b>KAM</b>	-	Association of Manufacturers
<b>KCC</b>	-	Kenya cooperative creameries
<b>KEPSA</b>	-	The Kenya Private Sector Association
<b>NOMAD</b>	-	Nominated Advisor
<b>NSE</b>	-	Nairobi stock exchange
<b>SACCO</b>	-	Savings and credit cooperative
<b>SME</b>	-	Small medium enterprises
<b>SPSS</b>	-	Statistical package for social sciences
<b>OECD</b>	-	Organization of Economic Corporation Development

## OPERATIONAL DEFINITION OF TERMS

**Bond** – is a debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the fund.

**Capital contribution** – refers to the amount of financial resources collected by the owners in order to support growth of SME firms (Green et al, 2002).

**Capital markets** - a market in which individuals and institutions trade financial securities. Organizations/institutions in the public and private sectors also often sell securities on the capital markets in order to raise funds.

**Cost listing** – refers to the process of participating in a stage by stage, one on one, structured engagement with the CMA.

**Equity**- it is a stock or any other security representing an ownership of interest.

**Exchange** – it is a market place in which securities; commodities, derivatives and other financial instruments are traded.

**Financial markets** – is a market place where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives.

**GEMS**-Growth Enterprise Market Segment (GEMS) is a stock market set up by a Stock Exchange for growth companies that do not fulfill the requirements of profitability or track record.

**Information access** – refers to the ability of SME firms to receive information on capital market requirements (Oshikoya & Hussain, 2007).

**Initial Public Offering (IPO)** – is the first sale of stock by a private company to the public.

**Legal and regulatory requirements** – refers to the administrative rules created, applied and enforced by government regulatory authorities both local and national on business (Kitching, 2007).

**Module** – Refers to individual factors that affect small and medium firm access to capital markets.

**Primary market** – it is a market which issues new securities on an exchange.

**Regulatory modulatory** – refers to factors influencing access to capital market by small and medium sized enterprises (Best, 2012).

**Secondary market** – it is a market where investors purchase securities or assets from other investors, rather than from issuing companies themselves.

**Securities** – An instrument representing ownership (stocks), a debt agreement (bonds) or the rights to ownership (derivatives).

**Small and medium firm**- refers to non-subsidary, independent firms which employ fewer than a given number of employees (OECD, 2000).

## ABSTRACT

The general objective of this study was to investigate the contribution of regulatory modularity on small medium sized enterprises' access to capital markets in Kenya. Specifically, the study sought to: to investigate the contribution of capital on access to capital markets by small medium sized enterprises in Kenya, to examine the influence of information on access to capital markets by small medium sized enterprises in Kenya, to explore the influence of legal and regulatory requirement on access to capital markets by small medium sized enterprises in Kenya and to investigate the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya. This study was guided by, Pecking Order Theory, Agency cost theory, Credit Rationing Theory and Life Cycle Theory. The target population was 100 SMEs owners. The sample size was 96 SMEs owners. The study used questionnaires, containing both open ended and closed ended questions to obtain primary data. The research instrument was pretested with a sample of the respondents. The reliability of the instrument was estimated using Cronbach's Alpha coefficient. The research instrument was subjected to content validity test and a pilot test to ensure that the questionnaire was reliable to answer the research questions. This ensured that all facets under the study were covered. For research data analysis and presentation, data was collected, edited and coded to ensure consistence. Descriptive statistics including the means and standard deviations was used to analyze the data and capture the characteristics of the variables under the study. Inferential statistics was used to test the nature and magnitude of the relationship between dependent and independent variables. The correlation results of the study revealed that capital contribution and information sharing are positively related with access to capital market. Results further showed that legal requirements and cost listing are negatively related with access to capital market. Capital contribution, information, legal requirements and cost listing were found to be significant variables in explaining access to capital market. This is supported by coefficient of determination also known as the R square of 48.4%. Regression of coefficients results showed that capital contribution and information sharing are positively and significantly related with access to capital market. Regression results further indicated that legal requirement and access to capital market are negatively and significantly related. Based on the findings the study concluded that capital contribution, information, legal requirements and cost listing influence access to capital markets. The study recommends that SMEs in Kenya broadens its capital base to increase its competitive advantage in the market. They should also ensure information flow regarding operations within the NSEs. The study recommends that SMEs firms ensure that they meet basic requirements of the Nairobi Securities exchange to qualify listing. NSE should ensure that their legal requirements for SMEs firms are not that tight as those of big firms.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Brigham and Ehrhardt (2005) state that capital markets are the markets for intermediate or long-term debt and corporate stocks. Further, Fischer and Jordan (2006) explain that capital markets are the markets for securities with maturities over one year where they are bought and sold. According Murinde (2005), Capital markets are markets for trading long term financial securities, including ordinary shares, long term debt securities such as debentures, unsecured loan stock and convertible bonds. Government bonds and other public sector securities such as Treasury bills and giltedged stocks are also traded on capital markets. The capital market connects the financial sector with other non-financial sectors of the country's economy and in the process, facilitates economic development and growth (Onwumere et al, 2012) cited in Aduda, Chogii and Muray (2014). Different factors influence Enterprises from gaining access to list in stock markets and especially in emerging markets like Kenya. According to Gravdina and Sahovsca, (2013), the following are some of the factors that have been cited: level of awareness of the available options in the capital market and their benefits, cost of listing, level of a firm's riskiness, level of a firm's profitability, level of a firm's sales growth, corporate governance issues in firms, the trading rules or the terms and conditions for joining the securities market and the capital structure preference of a firm.

The Capital market in Kenya dates back to 1922 when the Stock exchange was started, however, there was little activity until the late 1980s when the government adopted reforms that were aimed at reviving the financial sector. The capital market in Kenya is made up of stock market, bonds,

development financial institutions, and pension funds. Sessional paper No. 1 of 1986 on Economic management for economic reforms in Kenya identified the Capital Market as key in achieving meaningful economic growth and development. This view was later supported by a study Yartey and Adjasi (2007), which found out that Capital markets assists in liquidity provision, price discovery, general reduction in transactions costs, and risk transfer. They reduce information cost through generation and dissemination of information on firms leading to efficient markets in which prices incorporate all available information.

Most theoretical models of financing constraints assume that financing with new share issues is impossible or prohibitively expensive. However, the rapidly growing number of publicly traded companies in many developed economies, together with the creation of equity markets in many developing nations, suggests the role of new equity financing should be given more consideration in models of imperfect capital markets. One recent effort is Bolton and Freixas (2000) who provide the first synthesis of capital structure choice theories and financial market equilibrium based on information and incentive considerations. In their capital market equilibrium, the riskiest firms (e.g., start-ups) do not receive debt financing but they may obtain new equity financing.

Another model by Chemmanur and Fulghiere (1999) predicts that a firm goes public when information gathering costs are low or when enough information about the firm has been accumulated in the public domain. Subrahmanyam and Titman (1999) posit that outside investors acquire information about the firm that insiders lack and this information can be used to improve the firm's investment decisions. When outsiders can discover this valuable information at low cost, the firm will go public, otherwise it remains private. A corollary to this argument is that as firms grow older, information gathering costs reduce because information about their activities becomes

widely available in the public domain. This may be a result of their size, which imposes political costs, hence improved disclosure or dissipation of their ownership.

However, most firms in developing country environments are able to hide information especially regarding their true tax position. As a result, it is very difficult for potential investors to obtain a good feel of their actual performance and hence ex ante financial health. Pastor and Veronesi (2003) model which states that Firms decide when to exercise a real option to list in stock market and the value of this option rises when expected market returns fall, when aggregate profitability is high, and when uncertainty about future aggregate profitability rises. Their model predicts that listing waves caused by declining expected market returns are preceded by high market returns.

In recognition of the economic role played by SMEs and their challenges in financing, Governments and private organizations have come up with strategies to increase access to financing for SMEs. Among the efforts that have been made is the introduction of special capital market segments such as the Growth Enterprise Market Segment (GEMS), aimed at reaching the SMEs for equity financing (Economic Census, 2011). Growth Enterprise Market Segment (GEMS) is a stock market set up by a Stock Exchange for growth companies that do not fulfill the requirements of profitability or track record. Before GEMS, Companies listed on Nairobi's Main Investment Market Segment (MIMS) needed to have a minimum of 1,000 shareholders, and the Alternative Investment Market Segment (AIMS) required a minimum of 100 (Capital Markets Authority, 2014). Even owners who did not wish to control the business closely could still find it very costly to acquire so many shareholders before listing. Other firms were automatically disqualified by the NSE's requirements for a track record of profitability.

To list on the MIMS, a company had to have five years' worth of audited accounts, and to have turned a profit in at least three of those. On AIMS, issuers needed three years' audited accounts, two of which must show either a profit or that the company is 'on course' for profit. This was a crucial obstacle to firms in rapidly growing primary industries such as mining or energy, which might have clear prospects but lacked the track record demanded by the main and alternative boards while they were still in 'exploration mode.' Companies shifting their primary activity, or born from the reorganization of older businesses, would be similarly affected (Capital Markets Authority, 2010).

By 2011–12, such restrictions also seemed increasingly at odds with rising international interest in the country's hydrocarbon reserves, as well as its proposed policy of reserving 35% of shares in the extractive industries for Kenyans. Bearing this challenges in mind, the NSE revisited its existing market segments and considered whether there was a gap in its offering; a service was needed that would make it easier for smaller companies and mid-caps to access public markets (Garcia-Perez-de-Lema et al., 2011). The NSE's Market and Product Development Department came up with a concept for a Growth Enterprise Market Segment and, along with the Capital Markets Authority (CMA) and the Central Depository and Settlement Corporation (CDSC); they developed proposals for the regulation of the market alongside the NSE's Compliance and Legal Departments. The relevant regulations were gazetted in June 2012, and the first listing followed 13 months later (ACCA, 2013).

GEMS requires only that listed firms have acquired 25 independent shareholders within three months of listing and a 15% free float (i.e., having 15% of their shares in the hands of public

investors), with at least 100,000 shares in issue (Aduda, Masila & Onsongo. 2012). GEMS issuers need only a single year's track record and do not have to have been profitable at any point, but they must be able to demonstrate that there is sufficient working capital to run the business for a minimum of 24 months after listing, in addition to the minimum KSh10m worth of paid-up capital.

In spite of the introduction of GEMS, there are still a small number of small and medium enterprises in Kenya who have listed in the Nairobi stock exchange. This is evidenced by the fact that, two years since GEMS was introduced only four firms have been listed in this category. The four companies are HomeAfrika, Flame Tree Group, Kurwitu Ventures and Atlas Support and Development Services. This is a pointer that there still exist challenges that still hinder small and medium enterprises from listing in the Nairobi Security exchange (Mela, Patel, Turner & Wells, 2015). It is against this background that this study will seek to find out the significance of the factors affecting small and medium sized enterprises access to the capital markets in Kenya in a case of Small and Medium Sized Enterprises (SMEs).

### **1.1.1 Listing and growth of enterprisemarket segment**

GEMS are beneficial to SMEs in that it enable them to raise more capital, be it initial capital or expansion capital through issue of shares to investors. It also increases market share of the firm in that, IPO increases public awareness and there this generates public awareness making their products to be known to a new group of potential customers (Kaaria & Moronge, 2013). GEMS also improves the liquidity of the firm as the investors can buy and sell securities at will, they can also choose to increase their stake in the company through market offerings and share the risks with new shareholders while they benefit from the potential increase in the company's value. Also GEMS improves the corporate image of the firm as it highlights the company's ambitions,

organizational structure and financial strength as part of meeting of the required quality standards and transparency objectives (Mwarari, 2013). The benefits of better visibility and reputation is often quoted by issuers as an important impact towards its network of suppliers and providers, and is also used to expand business activities with existing clients and new prospects.

## **1.2 Statement of the Problem**

The SME sector accounts for 80% of the total persons engaged in employment (Rok, 2009). Furthermore, according to the Economic Survey 2010, SMEs account for about 80 per cent of the country's total employment outside small-scale agriculture and contribute to about 40 per cent of the value of the economy. Kenya has about 1.6 million registered small and medium sized enterprises constituting about 96 per cent of all business enterprises in the country (Economic Survey, 2009). SMEs represent the largest sector in the economy employing up to 83% Kenya's workforce and contributing up to 18.4% of the country's Gross Domestic Product (GDP) (Economic Survey, 2013).

However, empirical studies have found that SMEs operate under a myriad of constraints including those of inadequate infrastructural facilities, high rate of enterprise mortality; low level of entrepreneurial skills; lack of a conducive operating environment; restricted market access and cumbersome regulatory requirements. It is however the issue of access to finance that remains the most detrimental to their survival. Without enough and sustainable financial capital SME will not realize full growth (SME-RC, 2012). Small and Medium Enterprises select capital structure depending on attributes that determine the various costs and benefits associated with debt and equity financing. Gravdina and Sahovsca, (2013) listed level of awareness of the available options in the capital market and their benefits, cost of listing, level of a firm's riskiness, level of a firm's

profitability, level of a firm's sales growth, corporate governance issues in firms, the trading rules or the terms and conditions for joining the securities market and the capital structure preference of a firm as major factors influencing SME performance. Nyakweba (2012) reported that although the stock market has introduced the GEMS, companies are not joining because of lack of awareness and information on what they could gain through a listing on GEMS.

In Kenya, small and medium scale enterprises have also been facing similar challenges for a long time. In recognition of these challenges, the Nairobi Securities Exchange launched the Growth Enterprise Market Segment (GEMS) in January 2013 to enable companies to raise capital to drive their growth plans while benefiting from increased profile and liquidity within a regulatory environment designed to meet their needs (Capital Markets Authority, 2010). The objectives of the GEMS segment of the NSE was to make it affordable for SME's to gain access to financial resources previously the reserve of larger companies and also enable SME's to raise their public profile and the owners and investors in SME's to realize the cash value of their investments with ease (ACCA, 2013). However, despite the introduction of GEMS in 2013 only a handful of SMEs has listed in the Nairobi security exchange. By September, 2015, almost two years after the introduction of GEMS segment only four SMEs have been listed namely HomeAfrika, Flame Tree Group, Kurwitu Ventures and Atlas Support and Development Services (Mela, Patel, Turner & Wells, 2015). The low level of SMEs listing in the GEMS segment is a pointer to some existing challenges hindering SMEs from listing in the Capital market in Kenya. It is against this backdrop that this study will seek to find out the contributions of regulatory modularity on small and medium sized enterprises access to Capital markets in Kenya.

### **1.3 Objectives of the Study**

The study was guided by a general objective. The general objective was broken down into four specific objectives. The objectives are stated as;

#### **1.3.1 General Objective**

The general objective of this study was to investigate the influence of regulatory modularity on access to capital markets by small medium sized enterprises' access to capital markets in Kenya.

#### **1.3.2 Specific Objectives**

- i. To determine the capital requirement on access to capital markets by small medium sized enterprises in Kenya
- ii. To establish the influence of information on access to capital markets by small medium sized enterprises in Kenya
- iii. To determine the influence of legal and regulatory requirement on access to capital markets by small medium sized enterprises in Kenya
- iv. To assess the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya

### **1.4 Research Questions**

- i. What is the influence of capital contribution on access capital markets by small medium enterprises in Kenya?

- ii. What is the effect of information on access to capital markets by small medium enterprises in Kenya?
- iii. What is the influence of capital requirement on access capital markets by small medium enterprises in Kenya?
- iv. To what extent does legal and regulatory requirement influence small medium enterprises in Kenya to access to capital markets?
- v. What is the influence of cost of listing on access to capital markets by medium enterprises in Kenya?

### **1.5 Significance of the study**

This research is intended to investigate the influence of regulatory modularity on the access to capital markets by small medium sized enterprises' in Kenya. Thus the finding of this study may be useful to the prospective investors as it will identify the modular affecting access to the capital markets and spur the regulator to formulate policies that can reduce or completely remove them to improve market capitalization. Further, the findings of this study may be valuable to SMEs Owners as it would provide data that may help SMEs owners know other available options of acquiring fund and benefits of a company joining the capital markets, for business growth and undertake appropriate measures necessary for eligibility to join the capital market.

The Government, CMA and NSE may benefit from the findings of this study as it assist in identifying flaws in the current options available to SMEs in the bourse and come up with appropriate legal and Regulatory framework conducive for potential capital market players to enter and exit the capital markets market. Finally the study may be valuable to scholars who are interested

in further research in this field as the findings will assist them to investigate any research gap in the study not researched by the researcher in the course of providing the evidences supporting the research topic and research problems.

### **1.6 Scope of the study**

The capital market in Kenyan trades securities for major players across the industries. This study concentrated how capital, legal and regulatory requirements and access to information and technology limits them access of small and medium sized firms to capital markets in Kenya. The study target top mid-sized firms listed by KPMG 2015. The study is conducted in the year 2017

### **1.7 Limitation of the study**

It is anticipated that various challenges are likely to be faced when undertaking the study. These include inaccessibility of data, unwillingness by some respondents to answer questions, unanticipated occurrences and reluctance of respondents approached to give giving information due to fear of being victimized. The researcher faced the challenge in obtaining valid information on actual matter of the research since some respondents may fear in providing such information. The researcher assured the respondents that the study was meant for academic purposes and that they are not be required to indicate their names or the name of the company. Reaching the respondents in their respective places of work and institutions is also anticipated to be a challenge especially creating time with the management of these companies. In this case, the researcher obtained permit letters to use in accessing the institution and then plan in advance on the actual time to meet the respondents for their views on the interest of this study.

## **1.8 Organization of the study**

Chapter one of the study covered the introduction of the study, background of the study, statement of the problem, study objectives and significance of the study. Chapter two covered literature review, review of theories, and review of empirical studies, theoretical framework and conclusions from literature review. Chapter three covered, the research methodologies that is; research design, the study populations, sampling, data collection, data analysis, data validity and reliability and ethical considerations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section draws on literature in the area of access to capital markets and top 100 mid –sized firms in Kenya. This chapter covers a review of literature from other scholars to build on the foundation of this study.

#### **2.2 Theoretical Review**

The researcher came up with four theories touching on the issues being researched. These include the credit rationing theory, life cycle theory and pecking order theory in an attempt to explain the significance of factors affecting access of medium sized enterprises' access to capital markets in Kenya.

##### **2.2.1 Credit Rationing Theory**

The credit rationing theory, propounded by Stiglitz and Weiss (1981), provides a framework for analyzing financial market inefficiencies. It asserts that, information asymmetry is the main cause of financial market malfunctioning in developing countries. Banks that advance loans to economic agents are not only interested in the interest they receive on loans, but also the risks of such loans. Also, the interest banks charge on loans have the tendency to affect the risks of a pool of loans by either sorting potential borrowers (the adverse selection effect) or affecting the behavior of borrowers (the moral hazard problem). The end result of these two decisive problems are that

banks have to resort to various screening means to identify potential borrowers who are more likely to pay back their loans; since the expected return on such loans depends crucially on the probability of repayment.

One of the methods of screening suggested by Stiglitz and Weiss is the interest rate that an individual is willing to pay. This is because, given the efficient financial markets hypothesis, individuals who are willing to pay high interest rates may on the average not pay back the loans collected and banks are mostly discouraged to give loans to such borrowers. On the other hand, low risk borrowers, faced with high interest rates, all other things being equal will be expecting negative returns and hence will not go for such loans. Therefore, in our world today where people can easily get all the information they need, banks could precisely predict all actions by borrowers but may not be able to control such actions(Obamuyi, 2007). The terms of loan contract are thus designed (by banks) in a manner that induces borrowers to take actions in the interest of banks, and that also attracts low risk borrowers. For both reasons, the expected returns of banks increase less rapidly than the interest rate and beyond a certain point, actually declines. The moral hazard problem, on the other hand, is that a risk-neutral firm will prefer projects with low probability of bankruptcy and hence make lower expected returns(Hasnah, et al 2012).

Stiglitz and Weiss (1981) further argued that the problem of adverse selection and credit rationing can again occur if banks require collateral for loans. They argue that since low-risk borrowers (borrowers who face a lower rate of return if a project returns its highest outcome) expect a lower rate of return if the rate of inflation is high, they are on the average less wealthy than high-risk borrowers (after some time period) and even, are unable to provide more collateral for extra loans (as they may not have the necessary collateral). Thus, as the collateral requirements for loans by

banks increase, the same adverse selection problem, as observed in the case for high interest rates, takes place. Altogether, low risk borrowers (which likely include SMEs) are eliminated from the stream of potential borrowers and banks may not be interested in granting loans to them.

The most important conclusion from Stiglitz and Weiss argument is that information asymmetry in the form of adverse selection and moral hazard is the source of market inefficiency in developing countries and this leads to low risk borrowers such as SMEs being sidelined or even excluded from the stream of potential borrowers for instance in the case of this study information asymmetry is used to sideline SMEs from accessing the capital markets.

### **2.2.2 Life Cycle Theory**

Weston and Brigham (1981) provided arguments to explain small firm financial structure using a life cycle approach. According to this theory, the source of finance, which affects a company's financial structure, depends on the stage of development in the life cycle. Four stages have been identified in the life cycle. They include: Start-up, Growth, Mature and Declining. As a Company moves from Start-up through to declining stages, business risk reduces. This is supposed to be complemented by use of higher risk source of financing. Small business may be thought of as having a financial growth cycle in which financial needs and options change as the business grows and gains further experience(Mahmood & Hanifa, 2012). Initial insider finance is often required at the very earliest stage of a firm's development when the entrepreneur is still developing the product or business concept and when the firm's assets are mostly intangibles. When the firms achieve a level of production where their balance sheets reflect substantial tangible business assets that might be pledged as collateral, then they can borrow from commercial banks. Therefore, Small firms are expected to start out using only owners' resources; if they survive the dangers of under

capitalization they are then likely to be able to make use of other sources of funds such as trade credit and short term loans from banks (Olawale& Garwe, 2010).

Rapid growth at this stage could lead to the problem of illiquidity which would follow from an over-reliance on short-term finance (Chittenden, Hall and Hutchinson, 1996). This theory presents firms on a size/age/information continuum, and describes the increasing array of financing options available to the firm as it grows. The model incorporates changes in availability of information and collateral in describing sources of finance available to firms over time (Gompers and Lerner, 2003). The model thus conceptualizes the sequencing of funding over the life cycle of the firm centered on information opacity and following a financial pecking order. Smaller, more information opaque firms are depicted to the left side of the continuum relying on initial insider finance, trade credit, and/or angel finance. As firms advance along the continuum, they gain access to increased sources of external debt and equity capital (Nofsinger, 2011). Ultimately, firms may access greater amounts of capital in public debt and equity markets.

### **2.2.3 Pecking Order Theory**

This theory was forwarded by Myers and Majluf (1984). The theory starts with the assumption of asymmetric information, indicating that managers know more about their companies' prospects, risks, and values than do outside investors. This theory suggests that firms prioritize their sources of funding starting with internal, then with low-risk debt, and finally if all fails, with equity. Therefore, the firms prefer internal financing to external financing (Myers and Majluf, 1984). This preference reflects the relative costs of the various sources of finance. Since small firms are opaque and have important adverse selection problems that are explained by credit rationing; they bear high information costs (Psillaki, 1995). Additionally, since the quality of small firms financial

statements vary, small firms usually have higher levels of asymmetric information. Even though investors may prefer audited financial statements, small firms may want to avoid these costs. Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered as none.

For debt, the costs are in an intermediate position between equity and internal funds. As a result, firms prefer first internal financing (retained earnings), then debt and they choose equity as a last resort. The pecking order framework emerges as a good explanation of small unlisted firms' capital structure with a heavy reliance on internally generated funds being the key feature. Thus when SMEs need external financing they prefer debt to underpriced external equity which involve much cost of listing. This leads to a pecking order, in which investment is financed first with internal funds, reinvested earnings primarily; then by new issues of debt; and finally with new issues of equity (Brealey, Myers and Allen, 2008).

Since small firms are opaque and have important adverse selection problems that are explained by credit rationing; they bear high information costs (Psillaki, 1995). Since the quality of small firms financial statements vary, small firms usually have higher levels of asymmetric information and this explains why access to information is one of the hinderances for SMEs to access capital markets. In regard to cost of listing as a hindrance of SMEs access to capital market, Pettit and Singer (1985) observes that even though investors may prefer audited financial statements, small firms may want to avoid these costs . Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered as none. For debt, the costs are in an intermediate position between equity and internal funds. As a

result, firms prefer first internal financing (retained earnings), then debt and they choose equity as a last resort (Pettit and Singer, 1985).

#### **2.2.4 Agency cost theory**

Agency theory is the study of the agency relationship and the issues that arise from this, particularly the dilemma that the principal and agent, while nominally working toward the same goal, may not always share the same interests. Agency costs is the cost incurred if the agent uses to company's resources for his own benefit; or the cost of techniques that principals use to prevent the agent from prioritizing his interests over the shareholders' (Jensen, 1976).

Small firms are likely to have more concentrated ownership. Generally, the shareholders often run the firm which decreases the conflict of interest between shareholders and managers and agency costs. This reflect the fact that stock market flotation is not only expensive to arrange and that initial public offerings are subject to underpricing which seems to be particularly severe for smaller firms, but that it may open the door to loss of control by the original owner managers and the possibility of takeovers (Berger & Di Patti, 2006). The use of collateral, especially for unlisted small firms, is widespread and is consistent with its being used as a way of dealing with agency problems in lending to small firms.

### **2.3 Conceptual discussion**

#### **2.3.1 Capital requirement**

Financial sources in SMEs varies, some have regular funds while others have irregular funds, translating that the sources of finances influence the financial management process. Finances are a major challenge in SMEs (McNamara, 2012). Considering that majority of them does not keep

records. It is very difficult to establish the financial health of the business. This translates that consideration if a business is making loss or profits; it is just by mere speculation. SMEs are financed from own funds and assets. This has been established by researchers as the most common and easy. There are other channels of financing a business, family and friends plays a critical role. There are financial institutions like the banks that offered financial assistances. This is in form of loans and it is considered to as the most difficult (McNamara, 2012). Considering that SMEs keep poor records, banks and other financial institutions shy away from offering loans to the players. This has presented a serious challenge in expansions ultimately influencing the financial management in the SMEs. There are two types of finance sources in SMEs; there is primary source that identifies with retained profits and external sources that identifies with loans and debentures (Codjia, 2012). Acquiring loans for SMEs is not easy considering that most of the SMEs do not have sufficient collateral hence difficult to acquire loans from banks and those who have the collateral they fear the higher interest rates charged by banks (Greenlees, 2008). More so, external sources of finances indicate that businesses will owe finance to debtors.

There is a large appetite among Kenyan SMEs for affordable financing that allows them to increase the scale of their operations and meet rising demand for their goods and services. The ability to raise appropriate financing is a problem experienced the world over. In Kenya, SMEs tend to predominantly fund their operations through either self-financing or bank loans. However, these two avenues are inadequate in meeting the funding needs of an SME as it matures. While self-financing (through family and friends or retained earnings) may work in the initial start-up phase, and while bank financing may be preferable for an

SME's working capital needs, the long-term financing needs of SMEs are unfilled. SMEs in Kenya predominantly rely on bank financing to meet these longer-term requirements, however, the shorter duration and high interest rates charges on such loans makes them undesirable. In short there is a significant financing gap for SMEs in Kenya. While micro-enterprises tend to be serviced by microfinance institutions, and the larger, less risky firms by commercial banks (at favourable rates) or private equity companies, SMEs in the so-called 'missing middle' are left underserved, or in some cases, unserved altogether. It is precisely these firms that could benefit from a listing on the GEMS market. Doing so would provide them with the much needed capital to service their long-term needs, such as expanding in their own industry, into other related industries, or even geographically into new markets.

### **2.3.2 Access to information services**

Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007). Access to information has however not been given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training. Although widely used, informal financing was acknowledged by stakeholders interviewed as not being a suitable or sustainable type of financing for the long-term capital needs of SMEs. This is purely due to the uncertainty of the future availability of funds from friends, family or from other businesses the entrepreneur controls. Another key finding from the interviews is that informal financing methods are

mainly utilized by SMEs because of a lack of knowledge and awareness of other means of financing. Though relatively intuitive, this finding is important.

### **2.3.3 Legal and regulatory requirement**

GEMS companies are required to produce regulatory documents for approval by the NSE. The NOMAD puts together a listing statement which in theory should be reviewed by the legal counsel (adviser) and then sent to the NSE for approval. In reality, the NOMAD and the legal adviser will prepare the document, often with a checklist, though this is not a legal requirement, before submitting to the NSE for initial review. Based on the amendments, if any, the NOMAD will then submit a formal application for approval to the NSE. It is relevant to note that this is an iterative process – the application has been pre-vetted by the NSE and adjusted accordingly so that success is the most likely outcome. Comments from market interviewees suggest that the NSE performs this role competently, with reasonable speed and certainty of timescale (The time for an introduction to GEMS is mentioned to be two weeks with considerable certainty.) While it is important that applications are approved as quickly as possible, one must be careful not to advocate superficial approvals just to speed up the listing process. A more important issue, however, is the certainty of timescale. A company would prefer a certain time-scale, say three weeks, rather than an average of between two to four weeks. To build confidence in the listing process and the GEMS market, it is essential that timelines are given, adhered to, and only breached in exceptional circumstances.

### **2.3.4 Cost of listing**

Cost of listing is a major factor that hinders small and medium scale enterprises from listing in the GEMS. According to CMA Director for Regulatory Policy and Strategy, the regulator is in talks with about 70 companies as it seeks ways of cutting the listing drought witnessed in the bourse. He added that despite a reduction in the eligibility requirements in terms of capitalization, free float shares and the number of minimum shareholders, there are other costs, both monetary and non-monetary which the regulator may consider cutting (Mwiti, 2017). Interested firms will have an opportunity to participate in a stage by stage, one on one, structured engagement with the CMA, NSE, nominated advisors, transaction advisors, lawyers, auditors, stockbrokers and investment banks to allow for confidential discussions on their readiness for listing, while addressing the press at the regulator's offices in Nairobi. Areas of engagement will include identifying their business needs before listing such as appointment of advisors, required documentation and issue placement before getting regulatory approval. CMA has already identified private entities in both formative and fairly developed stages which it hopes to help them list on NSE (Mwiti, 2017).

### **2.4 Empirical Review**

Numerous empirical studies have been conducted globally, regionally and locally in relation the listing of firms in the capital markets. For instance, in the global scene, Mayur and Kumar (2007) carried out a study on Determinants of Going-Public Decision in an Emerging Market: Evidence from India. Their analysis implies that Indian firms go public to: raise capital for their growth and expansion; diversify the risk of initial owners and capital structure rebalancing; bring down their cost of capital; increase the liquidity of their shares; avoid excessive monitoring of large/block shareholders; and to seek publicity. These Indian firms face following costs/deterrents in becoming

public: Information asymmetry and adverse selection costs; Experience loss of confidentiality; and Bear initial and subsequent expenses.

Albornoz and Pope (2004) analyzed 830 public firms that were listed on London Stock Exchange. They found that going public decision of companies was related: positively to their size, stock market valuation of other companies within the same industry; and negatively to their leverage levels and profitability. Based on the analysis of post-IPO evidences, the study suggested that ‘financing needs’ and ‘reduction of leverage’ were not the major factors influencing IPO decisions in the UK.

Boehmer and Ljungqvist (2004) examined 330 German firms that went public between 1984 and 1995. The result of the study was based on a hazard analysis of factors influencing the timing of IPOs. The firms were observed from the date of IPO announcement to the date of their IPO. The following factors were found to be positively affecting the likelihood of IPO: sales, profit margins (relative to other firms in its industry) and stock market returns of the firms in the same industry, and uncertainty about the future profitability. To preserve the private benefits of control was found to be a major motivation behind staying private.

Brau and Fawcett (2006) conducted a managerial survey of 336 CFOs of the US firms which hitherto either (a) had successfully completed their IPO; or (b) had initiated their IPO process but later on chose to call off their IPO; or (c) were eligible to do an IPO but decided to remain private. Their survey sample of 336 CFOs was the result of a response rate of 18.1 percent. The survey revealed that: the acquisition purpose was a major factor that motivated the US companies to do IPO; issuers timed their IPOs to take advantage of prevailing market conditions; and preservation of decision-making control and ownership were the main reasons for remaining private.

Regionally, in Uganda, a study conducted by Kihika (2007) found out that public awareness is one of the basic ingredients of a well-functioning capital market. The government through the CMA has tried to embark on a vigorous campaign with a view of informing the general public about the benefits accruing from participating in a capital market, including the GEMS. This knowledge to the public helps to build confidence in the public and promotes participation of investors in the market. Public information campaigns generate public awareness and disseminate growth of the market.

In another regional study, African Development Bank (2013) conducted a study titled leveraging Capital Markets for Small and Medium Enterprise Financing in Rwanda. The study made a case for the need to explore options for using capital markets to finance SMEs due to various benefits including the possibility of access to more affordable funds for business growth and expansion, risk sharing and diversification via a public offering; and increased publicity and scrutiny of SMEs' operations which comes with equity investments. Drawing on regional and international experiences, the study identified several key recommendations with the potential to catalyze SME financing through capital markets and other sources in Rwanda. These include; enact Supporting Regulatory and Legal Reforms, Improve Information Collection and Sharing, Encourage and Promote the Establishment of Private Equity and Venture Capital (PE/VC), Establish a Rwanda Fund of Funds (RFF), Setting-up Asset-Backed Securities, Review the Current Approach to Providing Business Development Services and Maintain the Current Fiscal Incentive Structure.

In the local scene, several empirical studies have also been conducted. For instance, Nyakweba (2012) conducted a study on determinants of listing at the growth enterprise market segment in the

Nairobi securities exchange. The study found out that chance of a firm to be quoted in the stock exchange is influenced by return on assets, liquidity, leverage and sales annual growth rate.

Another study in Kenya by Aduda, Masila and Onsongo (2012) focused on the Determinants of Stock Market Development: The case of the NSE. The findings were that stock market developments is determined by stock market liquidity, institutional quality, income per capita, domestic savings and bank development. From their findings macroeconomic stability proxied by inflation and foreign capital inflow does not affect stock market development.

In addition, Mwarari (2013) discussed the factors influencing the listing of Kenyan SMEs at the Nairobi stock exchange for capital raising opportunities. This study revealed that access to information influence listing of SMEs in the NSE to greatest extent. The study recommended that NSE reduce the listing requirements like the minimum assets and the continuing obligations for SMEs; rules for listing in MIMS should be restructured to make it affordable for SMEs and that NSE should reduce the minimum investment of Treasury Bills.

Recently Aduda, Chogii and Muray, (2014) conducted a study to examine the effect of Capital Market Deepening on economic growth in Kenya. The study found out that that Capital Market Deepening has a positive effect on GDP growth in Kenya and therefore lends support to the finance growth nexus. The study further revealed that the Capital market plays an important role in economic growth and therefore the study recommends the government should take policy initiatives to foster growth of the capital market and especially so the bond market which is instrumental in providing finance for development of the Vision 2030 socio economic blue print.

## **2.5 Summary of Literature and Research Gaps**

The Kenyan capital market faces several challenges being an infant market comparable to established and developed markets in the West. There still remains a lot to be done in relation to legal and regulatory reforms, improving transparency of transactions, reduction of transaction costs, removing barriers to entry and exit of capital markets, modernizing the market structure, improving public participation and education. Therefore there are several research gaps existing calling for further scrutiny to make the market efficient and robust for growth. Among the empirical studies discussed no study attempted to shed light on the factors influencing the listing of Kenyan SMEs at the Nairobi stock exchange for capital raising opportunities. However the study only managed to show the influence of access to information on SMEs listing in capital markets in Kenya. Therefore the study failed to show the contribution of Cost of listing, legal and Regulatory framework and Availability of capital failed on the SMEs access to GEMS in Kenya. Based on this analysis, this study therefore intends to fill this gap by conducting a study to find out, in addition to in adequate access of information, the contribution of Cost of listing, legal and Regulatory framework and Availability of capital on medium sized enterprises' access to GEMS in Kenya. The summary of the empirical literature is further shown in the table 2.1.

**Table 2.1: Summary of the empirical literature**

<b>Author and year</b>	<b>Gap</b>	<b>Methodology</b>	<b>Finding &amp; Discussions</b>
Albornoz and Pope (2004)	Direct empirical evidence on the characteristics of firms going public was scarce and limited to non-Anglo-Saxon contexts.	The study combined the analysis of ex ante and ex post characteristics of Initial Public Offering (IPO) companies to cast more light on the determinants of the going public decision	They found that going public decision of companies was related: positively to their size, stock market valuation of other companies within the same industry; and negatively to their leverage levels and profitability.

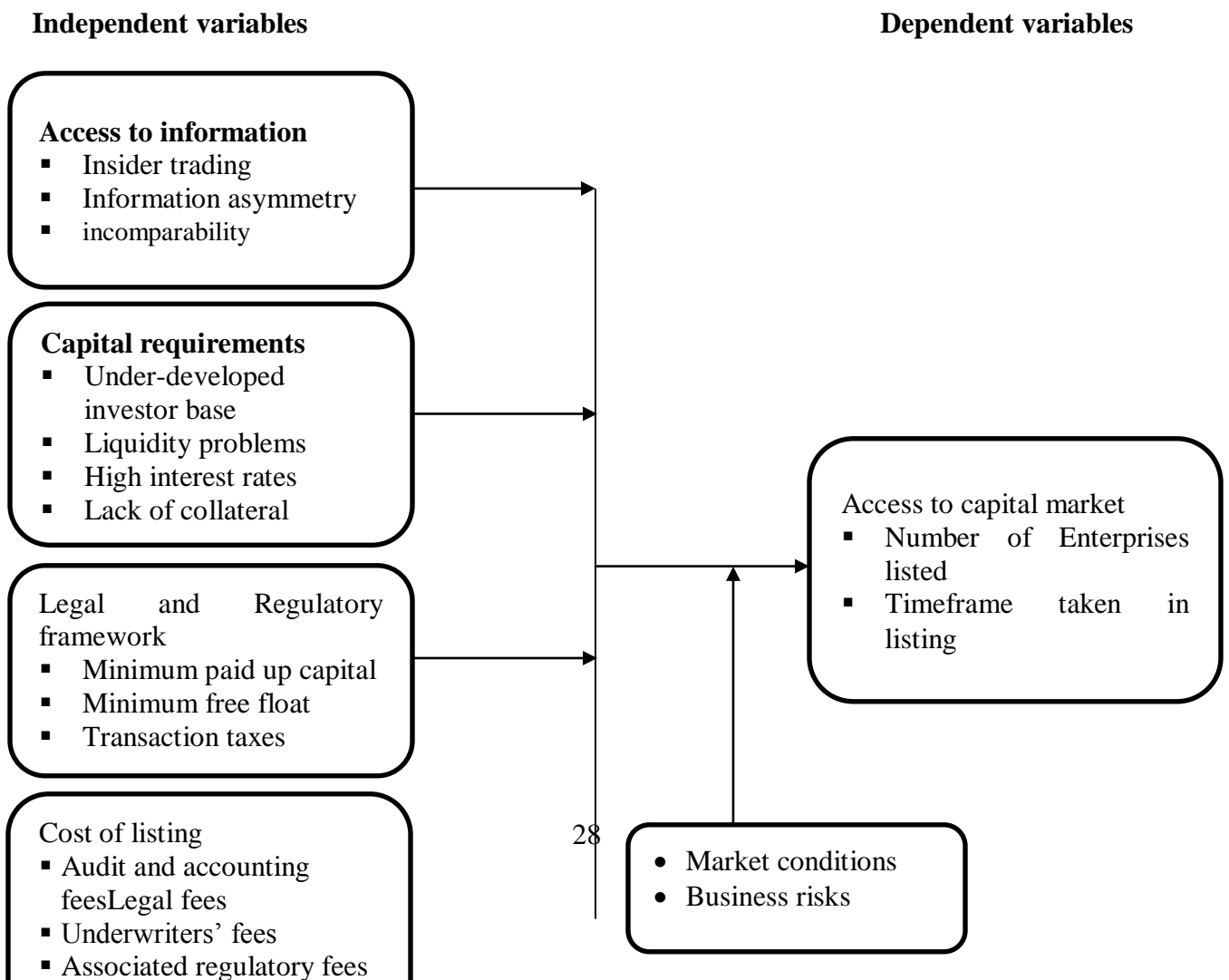
		in the UK.	
Boehmer and Ljungqvist (2004)	To find out factors influencing the timing of IPOs.	Examined 330 German firms that went public between 1984 and 1995. The result of the study was based on a hazard analysis of factors 20 influencing the timing of IPOs.	The following factors were found to be positively affecting the likelihood of IPO: sales, profit margins (relative to other firms in its industry) and stock market returns of the firms in the same industry, and uncertainty about the future profitability. To preserve the private benefits of control was found to be a major motivation behind staying private.
Brau and Fawcett (2006)	Survey of 336 CFOs of the US firms which either had successfully completed their IPO; or had initiated their IPO process but later on chose to call off their IPO; or were eligible to do an IPO but decided to remain private.	Survey process followed Dillman's (1978) Total Design Method. The initial survey instrument was developed based on an extensive review of the extant IPO literature which was circulated and conducted beta surveys.	The indicated that the acquisition purpose was a major factor that motivated the US companies to do IPO; issuers timed their IPOs to take advantage of prevailing market conditions; and preservation of decision-making control and ownership were the main reasons for remaining private.
Kihika (2007)	To find out factors influencing listing in capital markets	Descriptive study design.	Found out that public awareness is one of the basic ingredients of a well-functioning capital market. The government through the CMA has tried to embark on a vigorous campaign with a view of informing the general public about the benefits accruing the GEMS. This knowledge to the public helps to build confidence in the public and promotes participation of investors in the market. Public information campaigns generate public awareness and disseminate growth of the market.
African Development Bank (2013)	Leveraging Capital Markets for Small and Medium Enterprise Financing in Rwanda.	Case study method	Drawing on regional and international experiences, the study identified several key recommendations with the potential to catalyze SME financing through capital markets and other sources in Rwanda. These include; enact Supporting Regulatory and Legal Reforms, Improve Information Collection and Sharing, Encourage and Promote the Establishment of Private Equity and Venture Capital (PE/VC),

			Establish a Rwanda Fund of Funds (RFF), Setting-up Asset-Backed Securities, Review the Current Approach to Providing Business Development Services and Maintain the Current Fiscal Incentive Structure.
Aduda, Masila and Onsongo (2012)	Determinants of Stock Market Development: The case of the NSE.	Case study method	The findings were that stock market developments is determined by stock market liquidity, institutional quality, income per capita, domestic savings and bank development. From their findings macroeconomic stability proxied by inflation and foreign capital inflow does not affect stock market development.
Mwarari (2013)	Factors influencing the listing of Kenyan SMEs at the Nairobi stock exchange for capital raising opportunities.	Descriptive research design	This study revealed that access to information influence listing of SMEs in the NSE to greatest extent. The study recommended that NSE reduce the listing requirements like the minimum assets and the continuing obligations for SMEs; rules for listing in MIMS should be restructured to make it affordable for SMEs and that NSE should reduce the minimum investment of Treasury Bills.
Aduda, Chogii and Muray, (2014)	Effect of Capital Market Deepening on economic growth in Kenya. Controversy exists among researchers on the role of deep capital markets in growth. Finance growth nexus suggested by various researchers suggests that finance has a supply leading effect on growth while others such as.	The study used data from the Nairobi Securities Exchange from 1992-2011 and GDP data from The Kenya National Bureau of Statistics. Using correlational design, a multivariate regression model was used to regress the independent variables against the dependent variable.	The study found out that that Capital Market Deepening has a positive effect on GDP growth in Kenya and therefore lends support to the finance growth nexus. The study further revealed that the Capital market plays an important role in economic growth and therefore the study recommends the government should take policy initiatives to foster growth of the capital market and especially so the bond market which is instrumental in providing finance for development of the Vision 2030 socio economic blue print

(Source: Author 2017)

## 2.6 Conceptual Framework

According to Robson, (2011), a conceptual framework is a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied, the key factors, concepts, or variables and the presumed relationships among them. In this study, the conceptual framework will comprise independent and dependent variables. The independent variable is the antecedent while the dependent variable is the consequent. When the independent variable is an active variable then its values are manipulated to study its effects on another variable. The dependent variable for this study will be access to capital markets and the independent variables will be; are inadequate access of information on capital markets by the prospective investors, inadequate capital, and cost of listing and regulatory and legal framework. The figure 2.1 below shows the conceptual framework.





**Moderating variables**

**(Source: research data 2017)**

**Fig 2.1 conceptual frame work**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The chapter sets out the mechanisms of conducting the research, the kind of data needed to answer the research questions and the details of how this is achieved in practice. It covered the research design, study population, the sampling methods and procedures, data collection procedures and instruments, data analysis and reporting and ethical issues.

#### **3.2. Research Design**

The study used descriptive research design to determine the factors affecting small and medium sized enterprises access to the capital markets in Kenya and the correlation between the variables identified in the conceptual framework. According to Konthari (2011) the descriptive research approach is a basic research method that examines the situation, as it exists in its current state. Descriptive research involves identification of attributes of a particular phenomenon based on an observational basis, or the exploration of correlation between two or more phenomena. Descriptive

research involves use of tables, charts, and graphs to describe, organize, summarize and present raw data (Bhattacharjee, 2012).

Descriptive research is unique in the number of variables employed. Like other types of research, descriptive research can include multiple variables for analysis. Descriptive studies report summary data such as measures of central tendency including the mean, median, mode, deviance from the mean, variation, percentage, and correlation between variables which is presented using tables, charts, and graphs to describe, organize, summarize and present raw data (Saunders, Lewis & Thornhill, 2012). The researcher chose to use descriptive research design since this description emerges following creative exploration, and serves to organize the findings in order to fit them with explanations, and then test or validate those explanations.

### **3.3. Target Population**

A population is the aggregate of all cases that conforms to some designated set of specifications (Nachmias and Nachmias, 1996). The target population of this study was top 100 mid-sized firm's survey in Kenya. It was carried out in Nairobi at the KPMG and Nation Media Group survey of Top 100 firms. Some of these firms have applied for listing in the Nairobi securities exchange but because of one or two reasons they have not been able to be listed. These firms were segmented into segments that is the agricultural; commercial and services; investment, banking and energy; manufacturing, construction and automobiles and telecommunication and technology market segments to find out the factors that affect access to the capital markets. The target population as per segment is presented in table 3.1. Refer to Appendix III and Appendix IV.

**Table 3.1 Target population**

	<b>Market Segment</b>	<b>Medium firms</b>	<b>Small firms</b>	<b>Total</b>
1	Agricultural	1	2	3
2	Commercial and services	22	34	56
3	Investment, banking, and energy	3	2	5
4	Manufacturing, construction, automobiles	13	7	20
5	Telecommunication and Technology	7	9	16
	<b>TOTAL</b>	<b>46</b>	<b>56</b>	<b>100</b>

(Source: research data 2017)

### **3.4. Sample size and Sampling techniques**

#### **3.4.1 Sample Size**

Kothari (2004) defines a sample as the selected respondent representing the population. The major criterion used when deciding on the sample size is the extent to which the sample size represents the population. The study used Fishers formula to come up with a sample size. Based on the fisher formula below the minimum target sample for a large population are 96 cases. This formula

ignores the large population when coming up with sample. Using this formula assures a representative sample. The Fisher (1983) formula given below:

$$n=Z^2*p*(1-p)/d^2$$

Where:

n = Sample size

Z = Normal distribution Z value score, (1.96)

p = Proportion of units in the sample size possessing the variables under study, where for this study it is set at 50% (0.5)

d = Precision level desired or the significance level which is 0.1 for the study

The substituted values in determining the sample size for a large population are as follows.

$$n = \frac{(1.96)^2(0.5)(0.5)}{(0.1)^2} = 96$$

The sample size for the study will hence be 96 respondents.

### **3.4.2 Sampling Technique**

The study used stratified random sampling technique to select a sample size for Commercial and services Manufacturing, construction and Allied and Telecommunication and Technology enterprises firms. This is because the population has some distinct categories. According to Mugenda and Mugenda (2003 cited in Konthari, 2011) the goal of a stratified random sampling is to achieve desired representation from various sub-groups in the population. Census technique was

used to select a sample size for Agricultural and Investment, Financing enterprise firms. This is because their target population was small. Therefore 96 SMEs owners were selected from the list of 100 SMEs which constituted the sample population for the study.

**Table 3.2: Sample size**

	<b>Market Segment</b>	<b>Medium</b>	<b>Small</b>	<b>Total population</b>	<b>Medium firms</b>	<b>Small firms</b>	<b>Total Sample</b>
1	Agricultural	1	2	3	1	2	3
2	Commercial and services	22	34	56	21	33	54
3	Investment, banking, and energy	2	3	5	2	3	5
4	Manufacturing, construction, automobiles	13	7	20	12	7	19
5	Telecommunication and Technology	7	9	16	7	8	15
	<b>TOTAL</b>	<b>45</b>	<b>55</b>	<b>100</b>	<b>43</b>	<b>53</b>	<b>96</b>

(Source: research data 2017)

### 3.5. Data Collection instruments

The researcher used both the primary and secondary methods of data collection. Secondary data were obtained from reports, journals, publications and articles related to the research topic while primary data were collected through semi structured questionnaires which contained questions that are designed to collect data in accordance with the research objectives. The questionnaires were

developed to contain both open and close ended questions. A questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner (Bhattacharjee, 2012). Questionnaires may be structures or unstructured and consists of a number of questions printed or typed in a definite order on a form or set of forms. According to researchers, questionnaires are preferred for primary data collection because they are less costly, especially when the population is large and widely spread geographically. They ensure anonymity, permit use of standardized questions and ensure uniform procedures. It also ensures that respondents who are not easily approachable are reached conveniently. Besides, questionnaires can provide time for respondents to think about responses and are easy to administer and score (Kothari, 2011).

### **3.6 Pilot Study**

The researcher carried out a pilot test before the final and actual data collection process. Pilot studies are important in detecting ambiguity, evaluating the type of answers given to determine whether they help the researcher to achieve the laid down objectives (Robson, 2007). Mugenda & Mugenda (2003) reported that a pre-test sample should be between 1% and 10% depending on the sample size. The respondents who participated in the pilot study were excluded in the final study. The findings from the pilot study were used to refine the questionnaire for final administration.

#### **3.6.1 Data Validity**

The research used criterion-related validity by establishing concurrent validity whereby these mid-sized firms were segmented into segments that is the agricultural; commercial and services; investment, banking and energy; manufacturing, construction and automobiles and

telecommunication and technology market segments to find out the factors that affect access to the capital markets(Elstak, 2013). The study used stratified random sampling technique to achieve desired representation from various sub-groups in the population.

The Top 100 mid-sized firms were divided into stratum on the basis of market segment categories with a total of 96 companies out of which one hundred (100) sampled randomly for the study of which some have applied for listing in the Nairobi securities exchange. The researcher got respondents from each of the sampled categories within the strata to respond to the research questionnaire. The researcher useddeterminesCronbach's Alpha tointernal consistency reliability which will use (Cronbach, 1946, cited by Bhattacharjee (2012) and when the reliability analysis test is carried out and found to be greater than 0.70, it should indicate that it's a good scale to perform the analysis.

### **3.6.2 Data Reliability**

Reliability is the extent to which any measuring procedure yields the same results on repeated trials (Neuman, 2010). In many areas of research, the precise measurement of hypothesized processes or variables (theoretical constructs) poses a challenge by itself. In general, in all social sciences, an unreliable measurement of people's beliefs or intentions obviously hampers efforts to predict their behaviour. Reliability and item analysis can be used to construct reliable measurement scales, to improve existing scales, and to evaluate the reliability of scales already in use. Specifically, Reliability and item analysis aided in the design and evaluation of sum scales, that is, scales that are made up of multiple individual measurements (different items, repeated measurements, different measurement devices, etc.)(Creswell, 2008). The program computed numerous statistics that allowed the user to build and evaluate scales following the so-called

classical testing theory model. The assessment of scale reliability is based on the correlations between the individual items or measurements that make up the scale, relative to the variances of the items (Sekaran, 2006). In this context the definition of reliability is straightforward: a measurement is reliable if it reflects mostly true score, relative to the error.

### **3.7. Data Analysis and presentation**

According to Mugenda and Mugenda (2005) data obtained from the field in raw form is difficult to interpret. The data was cleaned, coded, and key-punched into a Statistical Package for social Sciences (SPSS) for analysis so that the researcher was able to make sense out of the data. The researcher used descriptive statistics to summarize the data. The researcher used both open-ended and closed-ended questions. The open-ended questions were analyzed qualitatively based on their content as closed-ended questions were analyzed using measures of central tendencies, measures of dispersion, frequency tables, bar graphs, pie charts, and percentages. The researcher also used inferential statistics which entails correlation, ANOVA (Analysis of variance) and multiple regression analysis. The regression equation that was used is:

$$[Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e], \text{ where;}$$

**Y**- Access to capital markets

**$\alpha$**  – Constant term

**$\beta_1$** - Beta coefficient

**$X_1$** - Capital contribution

$X_2$  –Information access

$X_3$  - Legal and regulatory requirement

$X_4$  – Cost of listing

$e$  – Error term

This is to determine whether there is a linear relationship between the variables. The researcher also used Spearman Rank correlation Coefficient whose purpose was to establish whether there is any form of association between two variables when the variables are arranged in a ranked form according to Lucey (2010).

### **3.8 Ethical considerations**

In the carrying out this research all the information collected were held confidentially and all participants were informed about it. No respondent was subjected to any form of intimidation and all respondents remained anonymous throughout the study. All participants were required to give their informed consent prior to participating in the study. Those who did not wish to participate were excused from the study.

## CHAPTER FOUR

### DATA ANALYSIS,PRESENTATION AND DISCUSSION

#### 4.1 Introduction

This chapter provides the data analysis, presentation and discussions. The findings are presented in line with the study objectives. Analysis of descriptive statistics and inferential statistics is conducted and the results presented in form of tables and figures.

#### 4.2 Response Rate

The number of questionnaires that were administered was 96. A total of 87 questionnaires were properly filled and returned. The results for the response rate are as presented in Table 4.1.

**Table 4.1: Response rate**

<b>SME segment</b>	<b>Administered</b>	<b>Returned</b>	<b>Unreturned</b>	<b>Percentage returned</b>
Medium	43	39	4	90.7
Small	53	48	5	90.6
<b>Total</b>	<b>96</b>	<b>87</b>	<b>9</b>	<b>90.6</b>

(Source: research data 2017)

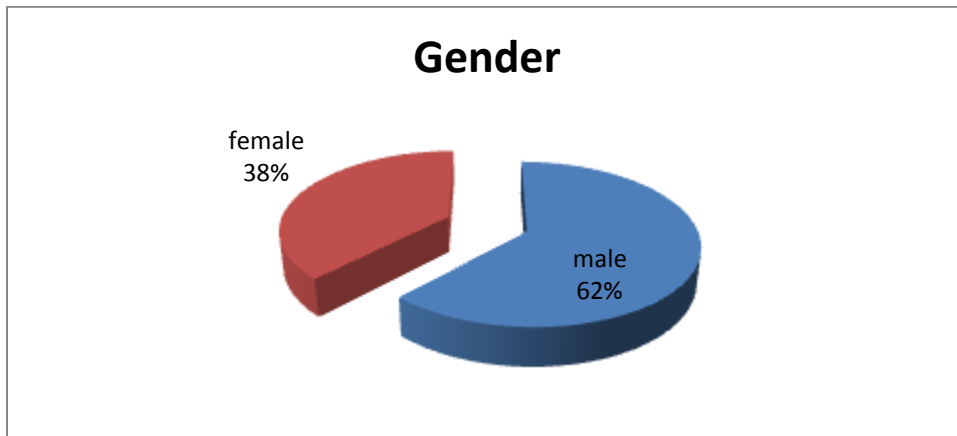
The results in Table 4.1 indicated that the response rate was very good for the study. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above fifty percent is adequate for a descriptive study. From the response results above, the return rate was excellent for the study.

### **4.3 Demographic Characteristics**

This section consists of information that describes basic characteristics of the respondents such as gender of the respondent, level of education, age and work experience. It was considered important to establish the background information of the SMEs. This was inspired by the need to establish whether there exists any close relationship among background information of SMEs firms and access to characteristics and access to capital markets.

#### **4.3.1 Gender of the respondents**

The respondents were asked to indicate their gender. The results are presented in Figure 4.1. It was necessary to indicate the gender of the respondents so as to establish whether there was any significant relationship between gender respondents and management of SMEs firms. This was guided by the logic that many psychologists argue that males and females perceive and interpreted things differently even though they may be exposed to the same kind of environment (Eagly & Steffen, 1986). Gender diversity is a significant aspect of corporate governance (Carter, Simkins & Simpson, 2003).



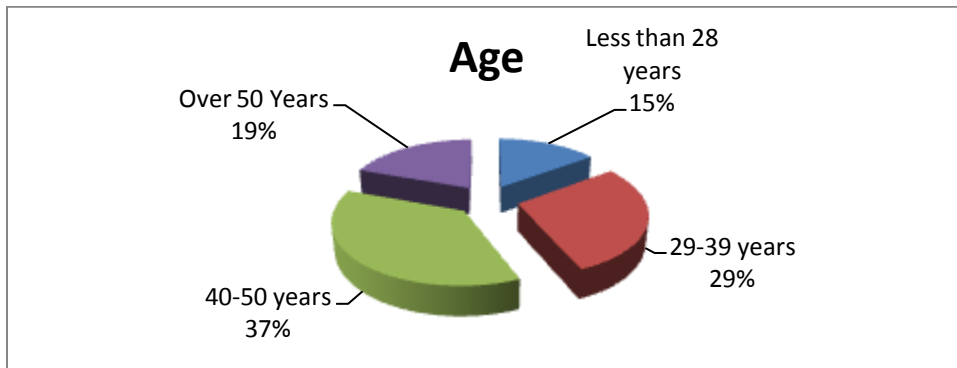
(Source: research data2017)

#### Figure 4.1 Gender

Results in Figure 4.1 indicate that majority of the respondents were males as compared to females. This implies that we have more males pursuing small and medium enterprises than females. This is an implication that women are tight up by domestic roles hence are not represented much in the SME sector.

#### 4.3.2 Age of the respondents

The respondents were asked to indicate their age. The results are presented in Figure 4.2. Studies show that age has a relationship with career commitment (Meyer and Allen 1984). The overall argument is that the age of a firm is directly related to its chances of getting listed in the capital markets. Older SMEs are able to plan their survival and growth activities.



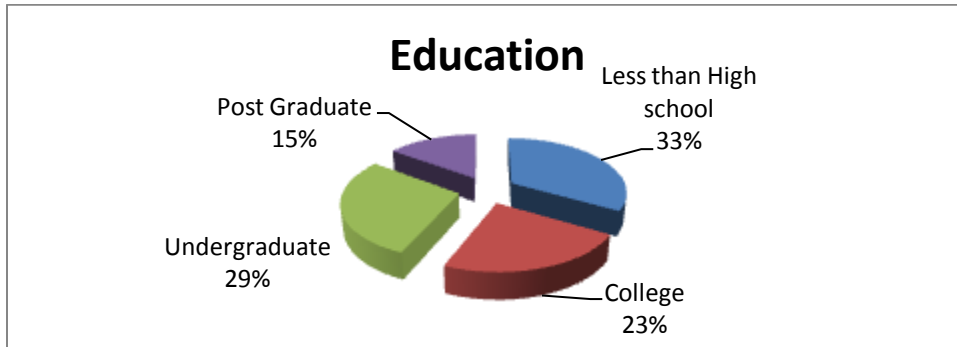
(Source:research data2017)

**Figure 4.2 Age**

Results in Figure 4.2 indicate that most of the respondents were aged 29-50 years. The results indicate that most people venture into SMEs business at their middle age. This could be attributed that at this age, people have more responsibilities that range from educating children and family sustenance hence need of more sources of income.

### **4.3.3 Education level of the respondents**

Respondents were asked to indicate their level of education. The results are presented in Figure 4.3. It was important to establish the educational level of respondents. This is because the management and growth of SMEs is directly linked to the educational level of its managers. Storey (1994) indicated that levels of education possessed by owner-managers influence success of SMEs.



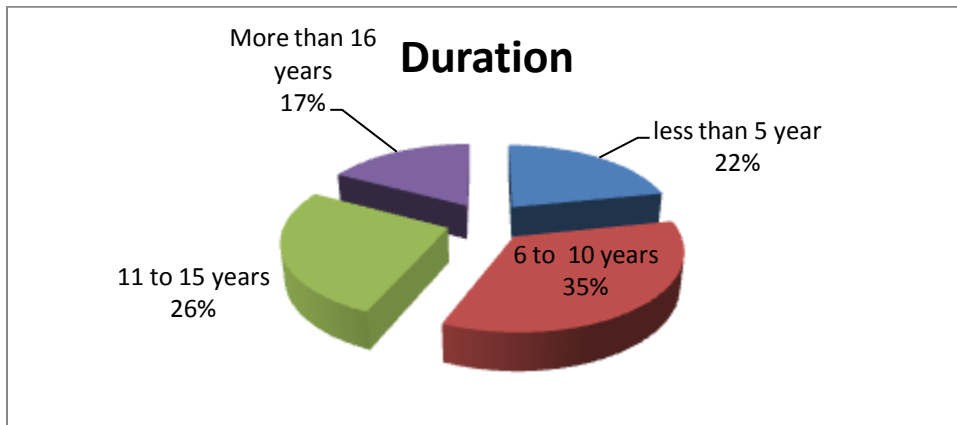
(Source: research data2017)

#### Figure 4.3 Education level

Study findings indicated that most of the respondents had college level of education and less than high school level of education. This implies that majority of small and medium enterprise owners are learned. They are therefore able to manage and grow their businesses.

#### 4.3.4 Period of service of the respondents

The respondents were asked to indicate the duration they have been running their enterprises. The results are presented in Figure 4.4. It is valuable to have an adequate experience for successful running of SMEs. Managers that are more experienced possess more management skills and innovative skills necessary for the growth of a business.



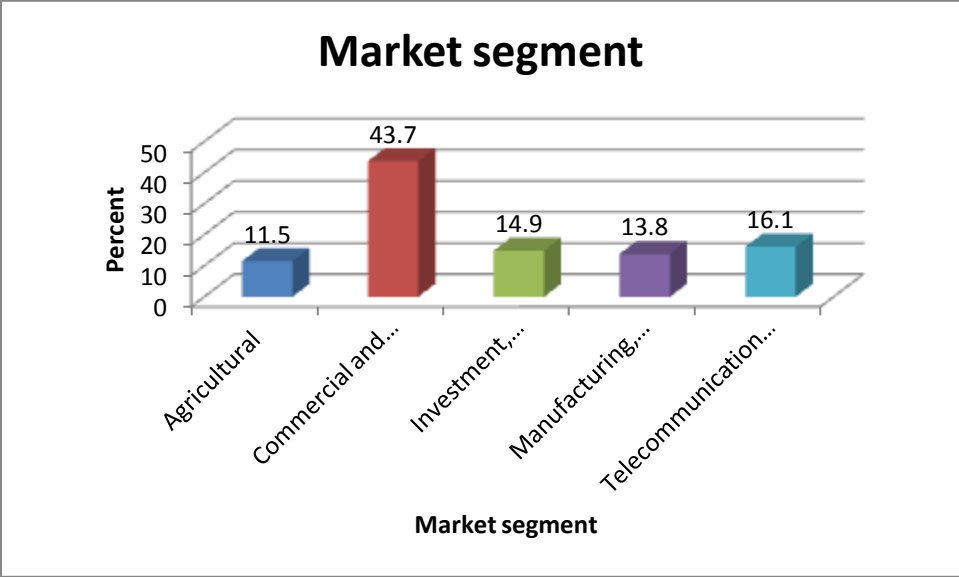
(Source: research data2017)

**Figure 4.4 Duration of service**

Most of the respondents indicated that they have been running the enterprise for the period of 6-10 years. This implies that small and medium enterprises have been in existence for long. It is an implication that business is a source of livelihood for most people.

#### **4.3.5 Market segment**

The respondents were asked to indicate their market segment. It was important to categorize the SMEs into different segments. This was to enable the researcher establish which market segment has more chances to be listed in the GEMS. The results are presented in Figure 4.5.



(Source: research data2017)

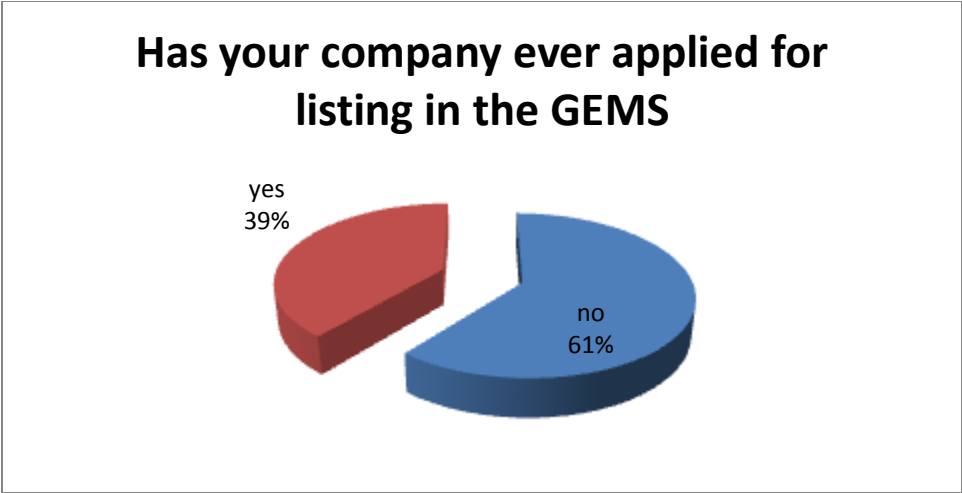
**Figure 4.5**Market segment

Majority of the respondents indicated that they were in commercial and services. This implies that small and medium enterprises are diversifying. The results also imply that commercial service is the commonest form of SME business.

**4.3.6 Has your company ever applied for listing in the GEMS**

The respondents were asked to indicate whether their enterprise had applied for listing in the GEMS. The results are presented in Figure 4.6. It was necessary to establish the number of times

some SMEs had applied for GEMS listing. From this, we can establish the factors that hinder SMEs firms from being listed by capital market authority.



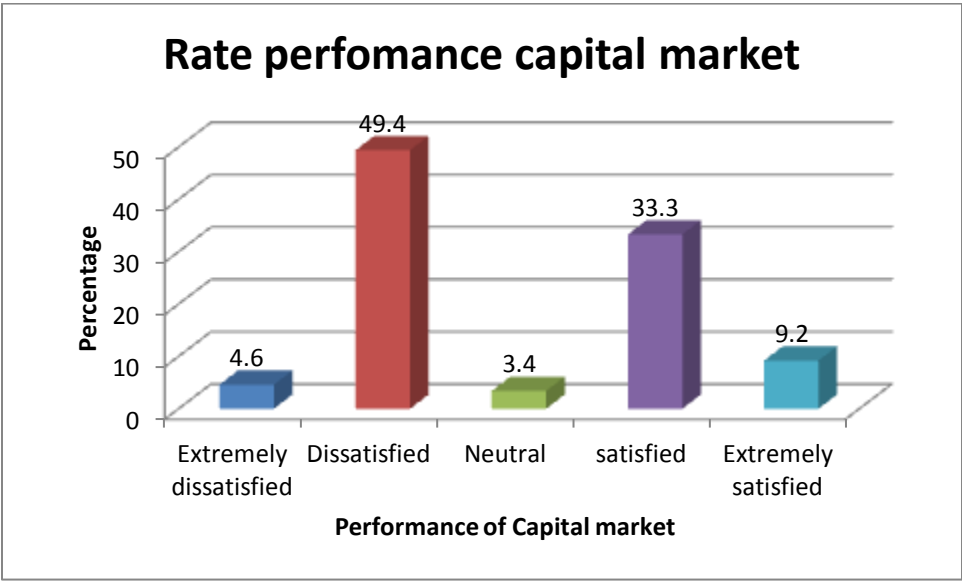
(Source: research data2017)

**Figure 4.6**Applied for GEMS listing

Results in figure 4.6 shows that majority 61% of the enterprises had not applied for listing in GEMS. This implies that majority of the SMEs had not applied for listed. This could be attributed to many legal procedures and high costs of listing.

**4.3.7**How would you rate the performance of capital markets in Kenya

Respondents were asked rate the performance of capital market in Kenya. It was necessary to rate the performance of capital market so as to deduce possible reasons for the observed trend. Results are presented in figure 4.7.



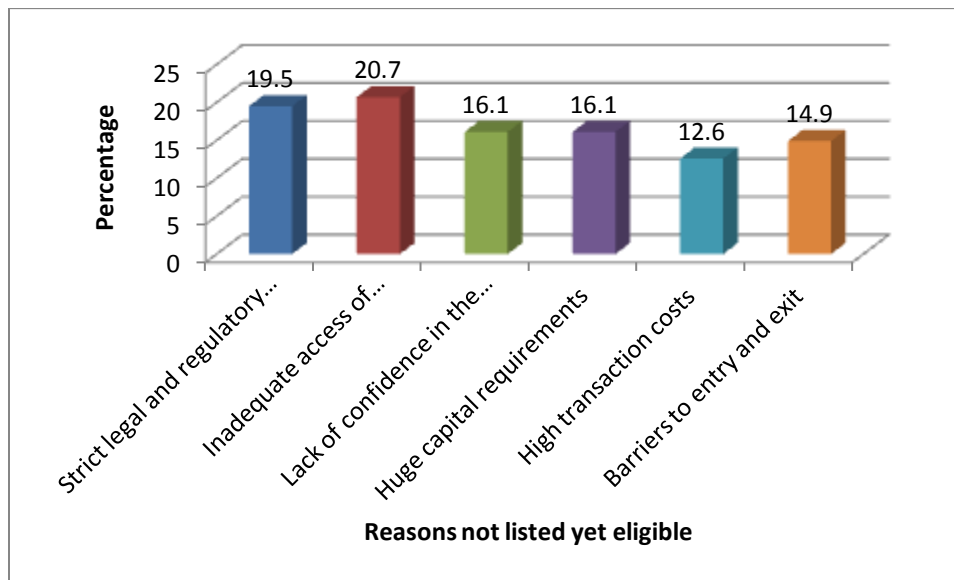
(Source: research data2017)

**Figure 4.7 Performance of Capital market**

Results in figure 4.7 shows that most of the respondents were dissatisfied with performance of capital markets in Kenya. Results imply that majority rated that they were dissatisfied by performance of capital market. This could mean that majority of SMEs are not listed in the capital market.

**4.3.8 What do you think make companies that are able and eligible for listing not to be listed in the GEMS**

Respondents were asked indicate reasons that make companies which are eligible not to be listed in the GEMs. This was important in establishing possible factors influencing listing of small and medium enterprises in Kenya. Results are presented in figure 4.8



(Source: research data2017)

**Figure 4.8**Reasons not listed yet eligible

Results in figure 4.8 showed that few of the respondents indicated that inadequate access of information on capital markets was the main reason why they could not be listed in the GEMS yet eligible, another portion indicated strict legal and regulatory framework while others indicated lack of confidence in the capital markets and huge capital requirements.

#### **4.4**Capital base and access to capital market by SMEs in Kenya

The first objective was to investigate the contribution of capital on access to capital markets by small medium sized enterprises in Kenya. The respondents were asked to respond on Loans carrying low spreads, against current yields demanded by investor, increase in spreads charged on SME loans, under-developed investor base for SME market-based finance, lack of liquidity in secondary markets and issuance price, that is, the discount applied by the market over the stock's price would be not fair. The result findings are shown in table 4.2.

**Table 4.2: Capital base and access to capital market by SMEs in Kenya**

Statement	strongly disagree	disagree	neutral	agree	strongly agree	Mean	Std Dev
Loans carrying low spreads, against current yields demanded by investors	2.3%	28.7%	8.0%	25.3%	35.6%	3.6	1.3
Increase in spreads charged on SME loans	5.7%	20.7%	8.0%	36.8%	28.7%	3.6	1.3
Under-developed investor base for SME market-based finance	8.0%	16.1%	10.3%	33.3%	32.2%	3.7	1.3
The lack of liquidity in secondary markets	9.2%	17.2%	6.9%	34.5%	32.2%	3.6	1.3
Issuance price, that is, the discount applied by the market over the stock's price would be not fair	5.7%	19.5%	5.7%	19.5%	49.4%	3.9	1.4
Average						3.7	1.3

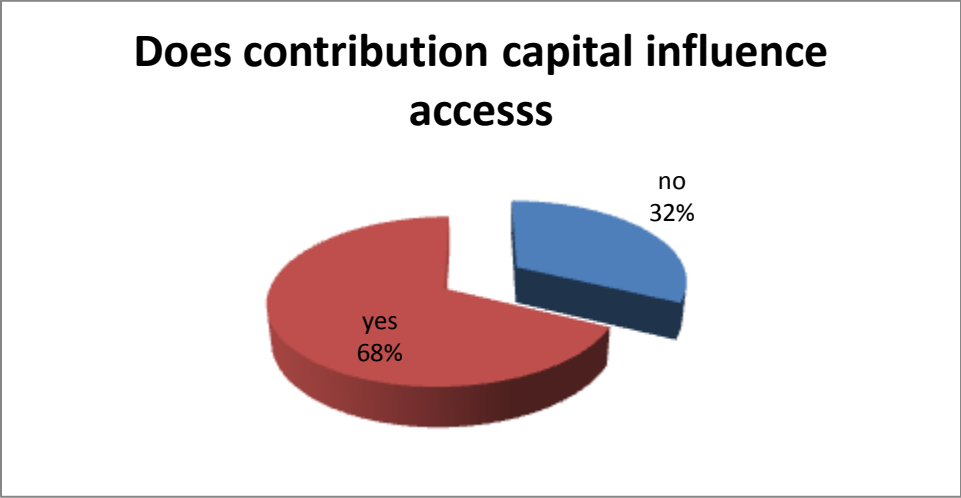
**(Source: research data2017)**

Results in table 4.2 revealed that majority of the respondents agreed that loans carrying low spreads, against current yields demanded by investors influenced access to capital markets. The results also showed that majority of the respondents agreed that increase in spreads charged on SME loans influenced access to capital markets. The results also showed that majority of the

respondents who were 65.5% of the respondents agreed that under-developed investor base for SME market-based finance influenced access to capital markets. The results also show that majority of the respondents agreed that lack of liquidity in secondary markets influenced access to capital markets. Results also showed that majority of the respondents agreed that issuance price, that is, the discount applied by the market over the stock's price would be not fair influenced access to capital markets. The results agree with Olusoji and Enofe (2012) that incorporation of the SMEs into the stock exchange transactions enhances the growth in the transactions of the capital market. Financial sources in SMEs varies, some have regular funds while others have irregular funds, translating that the sources of finances influence the financial management process. Finances are a major challenge in SMEs (McNamara, 2012). Considering that majority of them does not keep records. It is very difficult to establish the financial health of the business. This translates that consideration if a business is making loss or profits; it is just by mere speculation. SMEs are financed from own funds and assets.

On a five point scale, the average mean of the responses was 3.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.4 meaning that the responses were clustered around the mean response.

Further, respondents were asked to indicate whether capital contribution influenced access to capital market. Results of the study are shown in figure 4.9.



(Source: research data2017)

**Figure 4.9** Does contribution capital influence access

Results in figure 4.9 showed that majority of the respondents agreed that capital contribution influences access to capital markets.

**4.5 Information and access to capital market by SMEs in Kenya**

The second objective was to examine the influence of information on access to capital markets by small medium sized enterprises in Kenya. The respondents were asked to respond on insider trading, poor methods of disseminating of information, information asymmetry, unfair practices of capital markets, poor information technological infrastructures and information-poor environment.

The result findings are shown in table 4.3.

**Table 4.3: Information and access to capital market by SMEs in Kenya**

<b>Statement</b>	<b>strongly disagree</b>	<b>disagree</b>	<b>neutral</b>	<b>agree</b>	<b>strongly agree</b>	<b>Mean</b>	<b>Std Dev</b>
Insider trading	6.9%	17.2%	3.4%	37.9%	34.5%	3.8	1.3
Poor methods of disseminating of information	10.3%	14.9%	0.0%	37.9%	36.8%	3.8	1.4
Information asymmetry	12.6%	16.1%	0.0%	32.2%	39.1%	3.7	1.4
Unfair practices of capital markets	2.3%	19.5%	5.7%	31.0%	41.4%	3.9	1.2
poor information technological infrastructures	5.7%	18.4%	5.7%	31.0%	39.1%	3.8	1.3
Information-poor environment	10.3%	8.0%	9.2%	10.3%	62.1%	4.1	1.4
Average						3.8	1.3

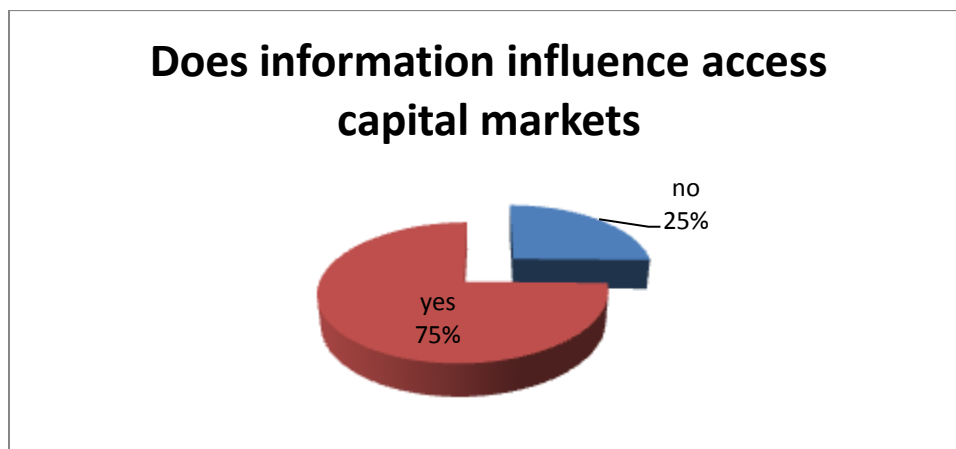
**(Source: research data 2017)**

Results in table 4.3 revealed that majority of the respondents who were 72.4 % agreed that Insider trading influenced access to capital market. The results also showed that majority of the respondents agreed that poor methods of disseminating of information influenced access to capital markets. The results also showed that majority of the respondents of the respondents agreed that information asymmetry influenced access to capital markets. The results also show that majority of the respondents agreed that unfair practices of capital markets influenced access to capital markets influenced access to capital markets. Results also showed that majority of the respondents agreed that poor information technological infrastructures influenced access to capital markets, and majority of the respondents indicated that information-poor environment influenced access to capital markets. The results agree with Kihika (2007) who found out that public awareness is one of the basic ingredients of a well-functioning capital market. Access to business information services has been identified as one area that needs attention from governments

and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya & Hussain, 2007).

On a five point scale, the average mean of the responses was 3.8 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.3 meaning that the responses were clustered around the mean response.

Further, respondents were asked to indicate whether information influenced access to capital market. Results of the study are shown in figure 4.10.



(Source: research data2017)

**Figure 4.10** Does contribution capital influence access

Results in figure 4.10 showed that majority of the respondents agreed that information sharing influences access to capital markets.

#### 4.6 Legal requirement and access to capital market by SMEs in Kenya

The third objective was to explore the influence of legal and regulatory requirement on access to capital markets by smallmedium sized enterprises in Kenya. The respondents were asked to respond on minimum paid up capital, minimum allocation to retail investors, minimum free float in percentage or in actual terms, minimum number of subscribers / shareholders required, amount of investment required by each investor, number of years of profitable operation and financial transaction taxes. The result findings are shown in table 4.4.

**Table 4.4:Legal requirement and access to capital market by SMEs in Kenya**

Statement	strongly disagree	disagree	neutral	agree	strongly agree	Mean	Std Dev
Minimum paid up capital,	3.4%	11.5%	2.3%	44.8%	37.9%	4.0	1.1
Minimum allocation to retail investors	5.7%	24.1%	10.3%	26.4%	33.3%	3.6	1.3
Minimum free float in percentage or in actual terms	8.0%	25.3%	6.9%	27.6%	32.2%	3.5	1.4
Minimum number of subscribers / shareholders required	8.0%	10.3%	3.4%	36.8%	41.4%	3.9	1.3
Amount of investment required by each investor	8.0%	19.5%	10.3%	33.3%	28.7%	3.6	1.3
Number of years of profitable operation	9.2%	17.2%	5.7%	35.6%	32.2%	3.6	1.3
Financial transaction taxes	10.3%	17.2%	11.5%	29.9%	31.0%	3.5	1.4
Average						3.7	1.3

**(Source: research data2017)**

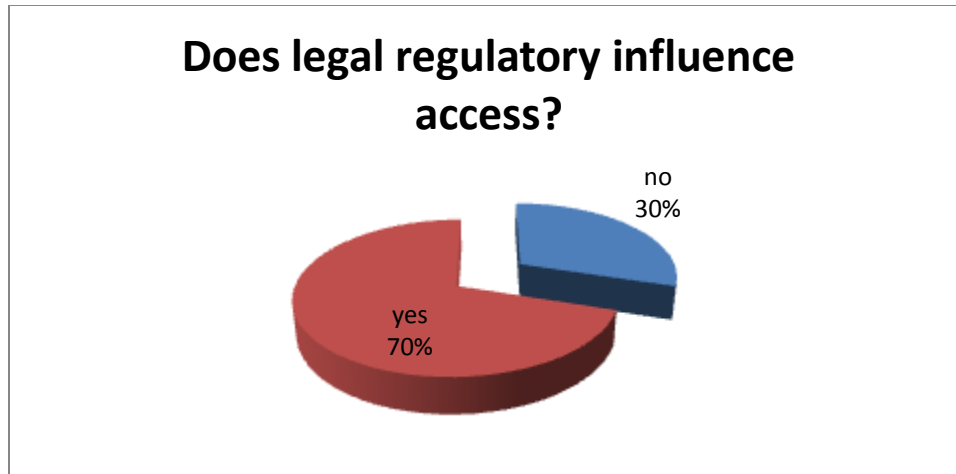
Results in table 4.4 revealed that majority of the respondents agreed that minimum paid up capital influenced access to capital market. The results also showed that majority of the respondents agreed that minimum allocation to retail investors influenced access to capital markets. The results also showed that majority of the respondents of the respondents agreed that minimum free float in

percentage or in actual terms influenced access to capital markets. The results also show that 68.2% of the respondents agreed that minimum number of subscribers / shareholders required influenced access to capital markets. Results also showed that 62% of the respondents agreed that amount of investment required by each investor influenced access to capital markets, and majority of the respondents indicated that number of years of profitable operation influenced access to capital markets while another portion of the respondents agreed that number of years of profitable operation influenced access to capital markets. The results agree with Cohn (2003); that company listing includes lots of protocols which include company laws limitations; listing on Stock Exchanges; tax and financial disclosure and control concerns. The process of registration is the same for both small and large company.

Further, African Development Bank (2013) found that enacting Supporting Regulatory and Legal Reforms, Improve Information Collection and Sharing, Encourage and Promote the Establishment of Private Equity and Venture Capital (PE/VC) catalyzes SME growth through capital markets. GEMS companies are required to produce regulatory documents for approval by the NSE. The NOMAD puts together a listing statement which in theory should be reviewed by the legal counsel (adviser) and then sent to the NSE for approval. It is relevant to note that this is an iterative process – the application has been pre-vetted by the NSE and adjusted accordingly so that success is the most likely outcome.

On a five point scale, the average mean of the responses was 3.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.3 meaning that the responses were clustered around the mean response.

Further, respondents were asked to indicate whether information influenced access to capital market. Results of the study are shown in figure 4.11.



(Source: research data2017)

**Figure 4.11 Does contribution capital influence access**

Results in figure 4.11 showed that majority of the respondents agreed that information sharing influences access to capital markets.

#### **4.7 Cost listing and access to capital market by SMEs in Kenya**

The forth objective was to investigate the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya. The respondents were asked to respond on Audit and accounting fees, legal fees, underwriters' fees, associated regulatory fees, exchange listing fees, communication, marketing and investor relations fees, printing, public relation service fees, transfer agency fees, nominated advisor (nomad) and market maker fees. The result findings are shown in table 4.5.

**Table 4.5: Cost listing and access to capital market by SMEs in Kenya**

<b>Statement</b>	<b>strongly disagree</b>	<b>disagree</b>	<b>neutral</b>	<b>agree</b>	<b>strongly agree</b>	<b>Mean</b>	<b>Std Dev</b>
Audit and accounting fees	4.6%	24.1%	10.3%	27.6%	33.3%	3.6	1.3
Legal fees	10.3%	12.6%	6.9%	36.8%	33.3%	3.7	1.3
Underwriters' fees	8.0%	20.7%	10.3%	29.9%	31.0%	3.6	1.3
Associated regulatory fees	5.7%	17.2%	12.6%	32.2%	32.2%	3.7	1.3
Exchange listing fees	3.4%	20.7%	3.4%	36.8%	35.6%	3.8	1.2
Communication, marketing and investor relations fees	2.3%	12.6%	5.7%	33.3%	46.0%	4.1	1.1
Printing, public relation service fees	1.1%	21.8%	14.9%	18.4%	43.7%	3.8	1.2
Transfer agency fees	10.3%	17.2%	10.3%	27.6%	34.5%	3.6	1.4
Nominated advisor (nomad)	6.9%	19.5%	9.2%	31.0%	33.3%	3.6	1.3
Market maker fees	10.3%	14.9%	4.6%	32.2%	37.9%	3.7	1.4
Average						3.7	1.3

**(Source: research data2017)**

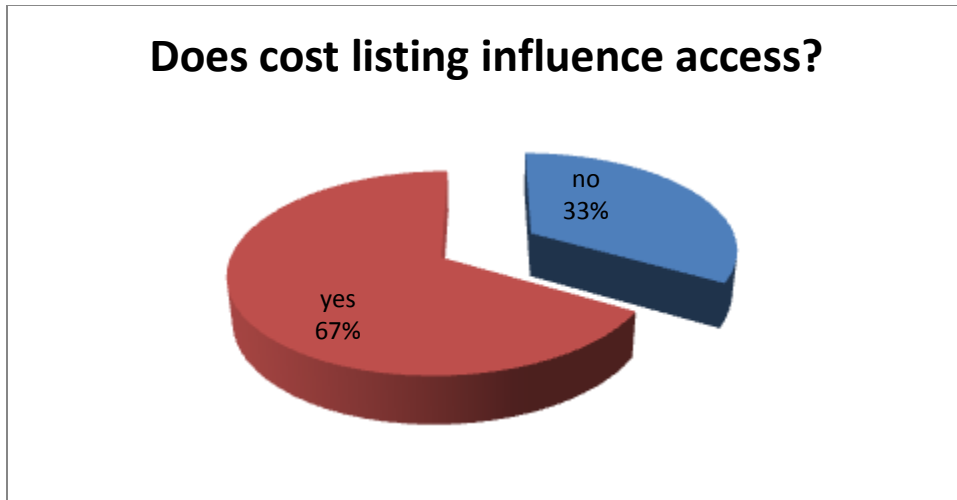
Results in table 4.5 revealed that majority of the respondents agreed that audit and accounting fees influenced access to capital market. The results also showed that majority of the respondents agreed that legal fees influenced access to capital markets. The results also showed that majority of the respondents of the respondents agreed that underwriters' fees influenced access to capital markets. The results also show that another portion of the respondents agreed that associated regulatory fees influenced access to capital markets influenced access to capital markets. Results also showed that another portion of the respondents agreed that exchange listing fees influenced access to capital markets, and another portion of the respondents of the respondents indicated that communication, marketing and investor relations fees influenced access to capital markets, another portion of the respondents agreed that printing, public relation service fees influenced access to

capital markets, another portion of the respondents also agreed that transfer agency fees influenced access to capital markets, while another portion agreed that market maker fees influenced access to capital markets. The results agree with Cohn (2003) that the process of getting listed is very costly and time consuming and there had not been any exception to the registration process. Cost of listing is a major factor that hinders small and medium scale enterprises from listing in the GEMS. According to CMA Director for Regulatory Policy and Strategy, the regulator is in talks with about 70 companies as it seeks ways of cutting the listing drought witnessed in the bourse. He added that despite a reduction in the eligibility requirements in terms of capitalization, free float shares and the number of minimum shareholders, there are other costs, both monetary and non-monetary which the regulator may consider cutting (Mwiti, 2017).

On a five point scale, the average mean of the responses was 3.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 1.3 meaning that the responses were clustered around the mean response.

Further, respondents were asked to indicate whether cost listing influenced access to capital market.

Results of the study are shown in figure 4.12.



(Source: research data2017)

**Figure 4.12** does cost listing influence access?

Results in figure 4.12 showed that majority of the respondents agreed that information sharing influences access to capital markets.

## 4.8 Correlation matrix

The study sought to establish the association among the study variables. The results are as presented in Table 4.6.

**Table 4.6: Correlation matrix**

		<b>Contribution capital</b>	<b>Information</b>	<b>Legal regulatory</b>	<b>Cost listing</b>	<b>Access to capital market</b>
Capital contribution	Pearson Correlatio n	1	.487**	-.263*	-.309**	.535**
	Sig. (2- tailed)		0	0.014	0.004	0.000
Information	Pearson Correlatio n	.487**	1	-.242*	-.212*	.557**
	Sig. (2- tailed)	0.000		0.024	0.049	0.000
Legal regulatory	Pearson Correlatio n	-.263*	-.242*	1	0.206	-.418**
	Sig. (2- tailed)	0.014	0.024		0.055	0.000
Cost listing	Pearson Correlatio n	-.309**	-.212*	0.206	1	-.364**
	Sig. (2- tailed)	0.004	0.049	0.055		0.001
Access to capital market	Pearson Correlatio n	.535**	.557**	-.418**	-.364**	1
	Sig. (2- tailed)	0.000	0.000	0.000	0.001	

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

\* Correlation is significant at the 0.05 level (2-tailed).

**(Source: research data 2017)**

The results in Table 4.6 indicated that capital contribution and information sharing are positively related with access to capital market. The results imply that as capital contribution and access to information increases, access to capital market by small medium sized enterprises' access to capital markets in Kenya increases. Results indicate that capital contribution are positively associated with access to capital market by small medium sized enterprises' in Kenya increases ( $r = .535$ ,  $p = 0.000$ ). The results are in agreement with McNamara (2012) that financial sources in SMEs varies, some have regular funds while others have irregular funds, translating that the sources of finances influence the financial management process. Results further showed that information and access is positively associated to access to capital market by small medium sized enterprises' access to capital markets in Kenya increases ( $.557$ ,  $p = 0.000$ ). The results are in agreement Oshikoya and Hussain (2007) that many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures. An increase in capital contribution and information leads to increased access to capital market in the positive direction. Results further shows that legal requirements and cost listing are negatively related with access to capital market. Results indicate that legal requirement ( $r = -.418$ ,  $p = 0.000$ ), cost listing ( $-.364$ ,  $p = 0.001$ ) are significantly and negatively related with access to capital market. An increase in legal requirements and cost listing leads to decreased access to capital market by small medium sized enterprises' in Kenya increases. The results agree with Mwiti (2017) that despite a reduction in the eligibility requirements in terms

of capitalization, free float shares and the number of minimum shareholders, there are other costs, both monetary and non-monetary which the regulator may consider cutting.

#### 4.9 Model summary

The results presented in table 4.7 presented the fitness of model used of the regression model in explaining the study phenomena. Capital contribution, information, legal requirements and cost listing were found to be satisfactory variables in explaining access to capital market. This is supported by coefficient of determination also known as the R square of 48.4%.

**Table 4.7: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.696 <sup>a</sup>	.484	.459	.44165

(Source: research data2017)

This means that capital contribution, information, legal requirements and cost listing explains 48.4% of the variations in the dependent variable which is access to capital market. This means that we have other factors which affect access to capital market which are not included in the model. The results further indicate that the model applied to link the relationship of the variables was satisfactory.

#### 4.10 Analysis of Variance

Table 4.8 provides the results on the analysis of the variance (ANOVA). This was to establish whether there was any significant difference among the variables means. Independent variables

were explored to determine whether they existed any significance difference with the dependent variable (access to capital market).

**Table 4.8: Analysis of Variance**

<b>Indicator</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	15.008	4	3.752	19.235	.000b
Residual	15.995	82	0.195		
<b>Total</b>	<b>31.002</b>	<b>86</b>			

(Source: research data2017)

The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of access to capital market. This was supported by an F statistic of 19.235 and the reported p value (0.000) which was less than the conventional 0.05 significance level. Therefore, the result findings from the ANOVA showed that there the model was significant in explaining how the selected independent variables affects access to capital market by small medium sized enterprises' access to capital markets in Kenya.

#### **4.11 Coefficients**

Regression of coefficients results in table 4.9 shows that capital contribution and information sharing are positively and significantly related with access to capital market. Capital contribution ( $r=0.301$ ,  $p=0.000$ ), information sharing and access to capital market are also positively and significantly related ( $r=0.376$ ,  $p=0.000$ ). The table further indicates that legal requirement and access to capital market are negatively and significantly related ( $r=-0.175$ ,  $p=0.000$ ), cost listing and access to capital market are also negatively and significantly related ( $r=-0.106$ ,  $p=0.000$ ).

**Table 4.9: Regressions of coefficients**

<b>Variable</b>	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
(Constant)	1.744	0.479		3.645	0.000
Capital contribution (CC)	0.301	0.111	0.256	2.714	0.008
Information (I)	0.376	0.101	0.341	3.709	0.000
Legal regulatory (LR)	-0.175	0.062	-0.234	-2.798	0.006
Cost listing (CL)	-0.106	0.055	-0.164	-1.944	0.031

**(Source: research data2017)**

Thus, the optimal model for the study is;

$$\text{Access to capital market} = 1.744 + 0.301CC + 0.376I - 0.175LR - 0.106CL$$

This overall model shows that capital contribution will increase access to capital market by 0.301 units. Information sharing will increase access to capital market by 0.376 units. Further, legal requirements decrease access to capital market by -0.175 units while cost listing will decrease access to capital market by -0.106 units. Finally, the positive constant (1.744) represents other factors which can increase access to capital market which are not included in the model.

#### **4.12 Discussion of Research Findings**

The study sought to investigate the influence of regulatory modularity on access to capital markets by small medium sized enterprises' access to capital markets in Kenya. Independent variables for this study were capital contribution, information, legal requirements and cost listing. The effect of each of the independent variable on the dependent variable was analyzed in terms of strength and direction.

The Pearson correlation coefficients between the variables revealed that a capital contribution and information sharing are positively and significantly related with access to capital market. The study

also showed that there exist a positive relationship between information and access to capital market by small medium sized enterprises' access to capital markets in Kenya. Further, results showed that that there exist a negative relationship between legal requirements and access to capital market by small medium sized enterprises' access to capital markets in Kenya while cost listing was found to have a negative relationship with access to capital market by small medium sized enterprises' access to capital markets in Kenya.

The model summary revealed that the independent variables: capital contribution, information, legal requirements and cost listing explains 48.4% of changes in the dependent variable as indicated by the value of  $R^2$  which implies that there are other factors not included in this model that influence access to capital market by small medium sized enterprises' access to capital markets in Kenya. The model is fit at 95% level of confidence since the F-value is 19.235. This confirms that overall the multiple regression model is statistically significant, in that it is a suitable prediction model for explaining how the selected independent variables affects access to capital market by small medium sized enterprises' access to capital markets in Kenya.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes the findings of the previous chapter, conclusion, limitations encountered during the study. This chapter also highlights the policy recommendations that policy makers can implement in promoting access to capital market by small medium sized enterprises' in Kenya. Lastly the chapter presents suggestions for further research.

#### **5.2 Summary of the study**

The purpose of this study was to investigate the contribution of regulatory modularity on small medium sized enterprises' access to capital markets in Kenya. The study objectives were; to investigate the contribution of capital on access to capital markets by small medium sized enterprises in Kenya, to examine the influence of information on access to capital markets by small medium sized enterprises in Kenya, to explore the influence of legal and regulatory requirement on access to capital markets by small medium sized enterprises in Kenya and to investigate the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya.

The first objective was to investigate the contribution of capital on access to capital markets by small medium sized enterprises in Kenya. Correlation result findings revealed that capital contribution was positively related with access to capital markets by small medium sized enterprises in Kenya. Regression of coefficients results showed that capital contribution and access to capital markets were positively and significantly related.

The second objective was to examine the influence of information on access to capital markets by small medium sized enterprises in Kenya. Correlation result findings revealed that information was positively related with access to capital markets by small medium sized enterprises in Kenya. Regression of coefficients results showed that information and access to capital markets were positively and significantly related.

The third objective was to explore the influence of legal and regulatory requirement on access to capital markets by small medium sized enterprises in Kenya. Correlation result findings revealed that legal and regulatory requirement was negatively related with access to capital markets by small medium sized enterprises in Kenya. Regression of coefficients results showed that information and access to capital markets were negatively and significantly related.

The fourth objective was to investigate the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya. Correlation result findings revealed that cost of listing was negatively related with access to capital markets by small medium sized enterprises in Kenya. Regression of coefficients results showed that cost of listing and access to capital markets were negatively and significantly related.

### **5.3 Conclusions**

The conclusions of this study were informed by the findings based on each study objective and also findings of other similar studies. Each objective was reviewed and a conclusion provided which covers both theory and practice. The purpose of this study was to investigate the contribution of regulatory modularity on small medium sized enterprises' access to capital markets in Kenya.

The SME sector accounts for 80% of the total persons engaged in employment and growth of economy.

The first objective was to investigate the contribution of capital on access to capital markets by small medium sized enterprises in Kenya. Based on the findings the study concluded that contribution of capital influences access to capital markets. Financial sources in SMEs varies, some have regular funds while others have irregular funds, translating that the sources of finances influence the financial management process. Finances are a major challenge in SMEs. SMEs are financed from own funds and assets which limited and insufficient. If this SMEs are listed on the GEMS market, the initiative will go a long way in providing them with the much needed capital to service their long-term needs, such as expanding in their own industry, into other related industries, or even geographically into new markets.

The second objective was to examine the influence of information on access to capital markets by small medium sized enterprises in Kenya. Based on the findings the study concluded that information influences access to capital markets. Access to business information services has been identified as one area that needs attention from governments and business services providers if the SMEs sector in developing countries is to achieve sustainable levels of growth and development. Many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures. Access to information has however not been given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training.

The third objective was to explore the influence of legal and regulatory requirement on access to capital markets by small medium sized enterprises in Kenya. Based on the findings the study

concluded that legal and regulatory requirement influences access to capital markets. GEMS companies are required to produce regulatory documents for approval by the NSE. The many legal requirements render most SMEs unable to get listed in the NSE.

The fourth objective was to investigate the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya. Based on the findings the study concluded that cost of listing influences access to capital markets. Cost of listing is a major factor that hinders small and medium scale enterprises from listing in the GEMS. According to CMA Director for Regulatory Policy and Strategy, the regulator is in talks with about 70 companies as it seeks ways of cutting the listing drought witnessed in the bourse. He added that despite a reduction in the eligibility requirements in terms of capitalization, free float shares and the number of minimum shareholders, there are other costs, both monetary and non-monetary which the regulator may consider cutting.

#### **5.4 Recommendations for study**

The following recommendations were made;

The study recommends that SMEs in Kenya broadens its capital base to increase its competitive advantage in the market. They should also ensure information flow regarding operations within the NSEs. The study recommends that SMEs firms ensure that they meet basic requirements of the Nairobi Securities exchange to qualify listing. NSE should ensure that their legal requirements for SMEs firms are not that tight as those of big firms.

The study further recommends that Capital Market authority should make its information access to SMEs. That way, small and medium enterprises will be able to understand the requirements when

applying for listing. Finally, NSE should cut down the costs of listing. This will ensure that SMEs firms are able to meet these costs with ease.

### **5.5 Contribution to knowledge**

The study identified major factors that influence accessibility of capital market by small medium sized enterprises in Kenya. The Capital Market Authority can revise their requirements to listing in order to allow small and medium enterprises get listed at the Nairobi securities Exchange. The findings above indicate that while SMEs in Kenya may appreciate the advantages of raising capital through listings at the NSE, few are likely to do so, with most preferring to access other forms of capital financing including debt and private equity. For the CMA and NSE, these findings would help them identify the key issues that influence the probability of listing and focus can be made on those that are of concern in order to increase the number of SMEs to be listed.

### **5.6 Suggestions for further study**

The study was not exhaustive since there are other factors for instance market capitalization influencing access of capital market by small medium sized enterprises in Kenya and this study recommends that further studies be conducted to incorporate market capitalization as a variable.

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## APPENDICES

### Appendix I: Questionnaire

This data collection tool is aimed at collecting information on "**SMALL AND MEDIUM SIZED ENTERPRISES AND ACCESS TO CAPITAL MARKET IN KENYA. A CASE OF TOP 100 MID-SIZED FIRMS**". Kindly answer the following questions as honestly and accurately as possible. The information given will be treated with a lot of confidentiality. Please do not write your name anywhere on this questionnaire. You are encouraged to give your honest opinion.

#### **Part 1: Demographic Information**

1. Gender of respondents

- a) Male [ ]
- b) Female [ ]

2. How old are you? (Years)

- a) Less than 28 years: [ ]
- b) 29-39 years: [ ]
- c) 40-50 years: [ ]
- d) Over 50 Years: [ ]

3. What is your level of education?

- a) Less than High school [ ]
- b) College [ ]
- c) Undergraduate [ ]
- d) Post Graduate [ ]

4. How long have you worked in this firm?

- a) less than 5 year [ ]
- b) 6 to 10 years [ ]
- c) 11 to 15 years [ ]
- d) More than 16 years [ ]

5. In which market segment does your company lie?

- a) Agricultural [ ]
- b) Commercial and services [ ]
- c) Investment, banking, or energy [ ]
- d) Manufacturing, construction or automobiles [ ]
- e) Telecommunication and Technology [ ]

6. Has your company ever applied for listing in the GEMS?

Yes [ ] No [ ]

7. How would you rate the performance of capital markets in Kenya?

- a) Extremely dissatisfied [ ]
- b) Dissatisfied [ ]

c) Neutral [ ]

d) Satisfied [ ]

e) Extremely satisfied [ ]

8. What do you think make companies that are able and eligible for listing not to be listed in the GEMS?

a) Strict legal and regulatory framework [ ]

b) Inadequate access of information on capital markets [ ]

c) Lack of confidence in the capital markets [ ]

d) Huge capital requirements [ ]

e) High transaction costs [ ]

f) Barriers to entry and exit [ ]

**Part 2: Contribution of regulatory modularity on small medium sized enterprises' access to capital markets in Kenya**

**Section A: Contribution of capital**

This section is concerned in investigating the contribution of capital on access to capital markets by small medium sized enterprises in Kenya. Please mark (x) in the box which best describes your agreement or disagreement on each of the following statements.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Loans carrying low spreads, against current yields demanded by investors					
Increase in spreads charged on SME loans					
Under-developed investor base for SME market-based finance					
The lack of liquidity in secondary markets					
Issuance price, that is, the discount applied by the market over the stock's price would be not fair					

In your opinion, does contribution of capital influence access to capital markets by small medium sized enterprises in Kenya?

- a) Yes
- b) No

## Section B: Information

This section is concerned with examining the influence of information on access to capital markets by small medium sized enterprises in Kenya.

Please mark (x) in the box which best describes your agreement or disagreement on each of the following statements.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Insider trading					
Poor methods of disseminating of information					
Information asymmetry					
Unfair practices of capital markets					
poor information technological infrastructures					
Information-poor environment					

In your opinion, does information influence access to capital markets by small medium sized enterprises in Kenya?

- a) Yes
- b) No

### Section C: Legal and regulatory requirement

This section is concerned with exploring the influence of legal and regulatory requirement on access to capital markets by smallmedium sized enterprises in Kenya.

Please mark (x) in the box which best describes your agreement or disagreement on each of the following statements.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Minimum paid up capital,					
Minimum allocation to retail investors					
Minimum free float in percentage or in actual terms					
Minimum number of subscribers / shareholders required					
Amount of investment required by each investor					
Number of years of profitable operation					
Financial transaction taxes					

In your opinion, does legal and regulatory requirement influence access to capital markets by smallmedium sized enterprises in Kenya?

- a) Yes
- b) No

### Section D: Cost of listing

This section is concerned with investigating the influence of cost of listing on access capital markets by small medium sized enterprises in Kenya.

Please mark (x) in the box which best describes your agreement or disagreement on each of the following statements.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Audit and accounting fees					
Legal fees					
Underwriters' fees					
Associated regulatory fees					
Exchange listing fees					
Communication, marketing and investor relations fees					
Printing, public relation service fees					
Transfer agency fees					
Nominated advisor (nomad)					
Market maker fees					

In your opinion, does cost of listing influence access to capital markets by small medium sized enterprises in Kenya?

- a) Yes
- b) No

### Section E: Access to capital markets by small medium sized enterprises in Kenya

This section is concerned with assessing the overall access capital markets by small medium sized enterprises in Kenya.

Statement	Increased	Fairly increased	Can't say	Fairly decreased	Decreased
	1	2	3	4	5
Number of Enterprises listed					
Expansion capital through issue of shares to investors					
Improved liquidity of the firm as the investors can buy and sell securities at will					
Improved corporate image					

## **Appendix II: Eligibility criteria for listing on GEMS**

1. Public company registered under the Companies Act
2. Minimum fully paid up capital of 10 million;
3. At least 100,000 shares in issue;
4. Free transferability of shares;
5. Adequate working capital and solvency
6. Operation for at least one year;
7. No profitability record required;
8. Directors, 1/3 non-executive
9. Directors with no bankruptcy, fraud, criminal offence or financial misconduct proceedings for 2 years
10. Competent board and senior management – at least 1 year experience in the business
11. 1/3 board must have completed Directors Induction Program and the rest within 6 months of listing
12. All issued shares to be immobilized
13. 15% of the shares must be available for trading & held by at least 25 independent shareholders within 3 months of listing
14. Controlling shareholders lock in for 24 months

15. NOMAD appointed by written contract

### Appendix III: Top 100 mid –sized firms

Tabulations of top 100 mid –sized firm by market segment a survey done by KPMG and Nation Media group in 2015.

Market Segment	No	Company
Agricultural	1	PALMHOUSE DAIRIES LTD.
	2	ZEN GARDEN LTD
	3	KANDIA FRESH PRODUCE SUPPLIERS LIMITED
Commercial And Services	1	PHARMA KEN LIMITED
	2	PROFESSIONAL CLEAN CARE LTD
	3	IZMIR ENTERPRISES
	4	BONFIRE ADVENTURES LIMITED
	5	LEAN ENERGY SOLUTIONS LIMITED
	6	SUPERBROOM SERVICES LTD
	7	WELL TOLD STORY LTD
	8	PINNACLE (K) TRAVELS & SAFARIS LTD.
	9	RUSHAB PETROLEUM LTD
	10	LOGISTIC SOLUTIONS LTD.
	11	HAJAR SERVICES LTD.
	12	SUPREME PHARMACY LIMITED
	13	NORTH STAR COOLING SYSTEMS LTD
	14	RAVENZO TRADING LIMITED.
	15	GENERAL CARGO SERVICES LIMITED
	16	MPPS (1998) LTD
	17	KISIMA ELECTRO MECHANICALS LTD.
	18	SPECIALIZED ALUMINIUM RENOVATORS LTD
	19	SPENOMATIC LTD.
	20	EXPRESS COMPANY LTD.
	21	RILEY SERVICES LIMITED
	22	EXON INVESTMENTS LIMITED
	23	PRAFULCHANDRA & BROTHERS LTD
	24	AIRTOUCH COOLING SYSTEMS LTD

	25	RILEY FALCON SECURITY
	26	WOTECH KENYA LTD
	27	SILVERBIRD TRAVEL PLUS LTD
	28	NDUGU TRANSPORT CO. LTD.
	29	KENCONT LOGISTICS SERVICES LIMITED
	30	SMART BRANDS LIMITED
	31	FURNITURERAMA LTD
	32	MASTERFABRICATORS LTD.
	33	KENBRO INDUSTRIES LTD
	34	NATIONWIDE ELECRICAL LTD.
	35	OIL SEALS AND BEARINGS CENTRE LTD.
	36	STATPRINT LIMITED.
	37	BAGDA'S AUTO SPARES LTD.
	38	TYPOTECH IMAGING SYSTEMS
	39	HYDRO WATER WELL (K) LTD.
	40	EUROCON TILES PRODUCTS LTD.
	41	KENYA BUS SERVICE MANAGEMENT
	42	ORBIT ENGINEERING LTD
	43	EDUCATE YOURSELF LTD.
	44	EXECUTIVE HEALTHCARE SOLUTIONS LTD.
	45	CUBE MOVERS LIMITED.
	46	NEWLIN LIMITED
	47	SPECIALISED HARDWARE LIMITED
	48	NAIROBI ENTERPRISES LTD
	49	FARMPARTS LIMITED
	50	SOLOH WORLDWIDE INTER-ENTERPRISES LTD
	51	IDEAL MANUFACTURING CO. LTD.
	52	TROPIKAL BRANDS A LTD
	53	SYNERGY GASES (K) LTD
	54	IRON ART LIMITED
	55	KISIMA DRILLING (EA) LTD.
	56	ROY TRANSMOTORS LIMITED
Investment, Banking, And Energy	1	WAUMINI INSURANCE BROKERS LTD
	2	D&G INSURANCE BROKERS LTD
	3	BTB INSURANCE BROKERS LTD
	4	MIC GLOBAL RISKS INSURANCE BROKERS LTD
	5	GACHICHIO INSURANCE BROKERS LTD
	1	WARREN CONCRETE LTD

Manufacturing, Construction, Automobiles	2	SUPERIOR HOMES KENYA LTD
	3	AMEX AUTO & INDUSTRIAL HARDWARE LTD
	4	ALLWIN PACKAGING INTL. LTD.
	5	SHEFFIELD STEEL SYSTEMS LIMITED
	6	COAST INDUSTRIAL & SAFETY SUPPLIES LTD
	7	UNITED EAST AFRICA WAREHOUSE LTD.
	8	JO WORLD AGENCIES LIMITED
	9	MANDHIR CONSTRUCTION LTD.
	10	ASTRAL INDUSTRIES LIMITED.
	11	ARK CONSTRUCTION LIMITED.
	12	HOMESCOPE PROPERTIES LTD
	13	TRIDENT PLUMBERS LTD
	14	SOLLATEK ELECTRONICS (K) LTD
	15	GENERAL AUTOMOBILE CORPORATION LTD
	16	NAPRO INDUSTRIES LTD
	17	DEVSONS INDUSTRIES LTD
	18	DUNE PACKAGING LIMITED
	19	DEEPA INDUSTRIES LIMITED
	20	RELIABLE CONCRETE WORKS
	Telecommunication and Technology	1
2		HIPORA BUSINESS SOLUTIONS
3		DATA GUARD DISTRIBUTORS LTD
4		NOVEL TECHNOLOGIES EA LTD
5		POWERPOINT SYSTEMS EA LTD.
6		MACHINES TECHNOLOGIES (2006) LTD.
7		BLUEKEY SOFTWARE SOLUTIONS (K) LTD
8		IMPAX BUSINESS SOLUTIONS
9		CIRCUIT BUSINESS SYSTEMS LTD.
10		TOTAL SOLUTIONS LTD.
11		COMPULYNX LTD
12		AVTECH SYSTEMS LIMITED
13		HOSPITALITY SYSTEMS CONSULTANTS
14		BELL ATLANTIC COMMUNICATIONS LTD
15		EMOMENTUM INTERACTIVE SYSTEMS LTD.
16		DE RUITER EA LIMITED

## **Appendix IV: 2015 RANKING**

Tabulations of top 100 mid –sized firm by rank a survey done by KPMG and Nation Media group in 2015.

### **RANK      NAME OF COMPANY**

1. PHARMA KEN LIMITED.
2. PROFESSIONAL CLEAN CARE LTD.
3. IZMIR ENTERPRISES.
4. WARREN CONCRETE LTD.
5. BONFIRE ADVENTURES LIMITED.
6. SUPERIOR HOMES KENYA LTD.
7. LEAN ENERGY SOLUTIONS LIMITED.
8. SUPERBROOM SERVICES LTD.
9. SOFTWARE TECHNOLOGIES LTD.
10. HIPORA BUSINESS SOLUTIONS.
11. WELL TOLD STORY LTD.
12. AMEX AUTO & INDUSTRIAL HARDWARE LTD.
13. DATA GUARD DISTRIBUTORS LTD.
14. WAUMINI INSURANCE BROKERS LTD.
15. PINNACLE (K) TRAVELS & SAFARIS LTD.
16. TROPIKAL BRANDS A LTD.
17. RUSHAB PETROLEUM LTD.
18. ALLWIN PACKAGING INTL. LTD.
19. D&G INSURANCE BROKERS LTD.
20. SHEFFIELD STEEL SYSTEMS LIMITED.
21. COAST INDUSTRIAL & SAFETY SUPPLIES LTD.
22. NOVEL TECHNOLOGIES EA LTD.
23. POWERPOINT SYSTEMS EA LTD.
24. MACHINES TECHNOLOGIES (2006) LTD.
25. LOGISTIC SOLUTIONS LTD.
26. HAJAR SERVICES LTD.

27. SUPREME PHARMACY LIMITED.
28. NORTH STAR COOLING SYSTEMS LTD.
29. UNITED EAST AFRICA WAREHOUSE LTD.
30. JO WORLD AGENCIES LIMITED.
31. RAVENZO TRADING LIMITED.
32. GENERAL CARGO SERVICES LIMITED.
33. MPPS (1998) LTD.
34. KISIMA ELECTRO MECHANICALS LTD.
35. BTB INSURANCE BROKERS LTD.
36. SPECIALIZED ALUMINIUM RENOVATORS LTD.
37. SPENOMATIC LTD.
38. BLUEKEY SOFTWARE SOLUTIONS (K) LTD.
39. MANDHIR CONSTRUCTION LTD.
40. ASTRAL INDUSTRIES LIMITED.
41. EXON INVESTMENTS LIMITED.
42. EXPRESS COMPANY LTD.
43. RILEY SERVICES LIMITED.
44. IMPAX BUSINESS SOLUTIONS.
45. MIC GLOBAL RISKS INSURANCE BROKERS LTD.
46. PRAFULCHANDRA & BROTHERS LTD.
47. ZEN GARDEN LTD.
48. ARK CONSTRUCTION LIMITED.
49. HOMESCOPE PROPERTIES LTD.
50. TRIDENT PLUMBERS LTD.
51. SOLLATEK ELECTRONICS (K) LTD.
52. AIRTOUCH COOLING SYSTEMS LTD.
53. RILEY FALCON SECURITY.
54. WOTECH KENYA LTD.
55. CIRCUIT BUSINESS SYSTEMS LTD.
56. SILVERBIRD TRAVEL PLUS LTD.
57. GENERAL AUTOMOBILE CORPORATION LTD.
58. HOSPITALITY SYSTEMS CONSULTANTS.
59. TOTAL SOLUTIONS LTD.
60. NDUGU TRANSPORT CO. LTD.
61. NAPRO INDUSTRIES LTD.
62. DEVSONS INDUSTRIES LTD.
63. DUNE PACKAGING LIMITED.
64. KANDIA FRESH PRODUCE SUPPLIERS LIMITED.

65. KENCONT LOGISTICS SERVICES LIMITED.
66. COMPULYNX LTD.
67. SMART BRANDS LIMITED.
68. FURNITURERAMA LTD.
69. MASTERFABRICATORS LTD.
70. EXECUTIVE HEALTHCARE SOLUTIONS LTD.
71. EDUCATE YOURSELF LTD.
72. ORBIT ENGINEERING LTD.
73. KENYA BUS SERVICE MANAGEMENT.
74. EUROCON TILES PRODUCTS LTD.
75. HYDRO WATER WELL (K) LTD.
76. TYPOTECH IMAGING SYSTEMS.
77. BAGDA'S AUTO SPARES LTD.
78. STATPRINT LIMITED.
79. OIL SEALS AND BEARINGS CENTRE LTD.
80. NATIONWIDE ELECTRICAL LTD.
81. KENBRO INDUSTRIES LTD.
82. CUBE MOVERS LIMITED.
83. NEWLINE LIMITED.
84. SPECIALISED HARDWARE LIMITED.
85. NAIROBI ENTERPRISES LTD.
86. FARMPARTS LIMITED.
87. SOLOH WORLDWIDE INTER-ENTERPRISES LTD.
88. DEEPA INDUSTRIES LIMITED.
89. RELIABLE CONCRETE WORKS.
90. AVTECH SYSTEMS LIMITED.
91. BELL ATLANTIC COMMUNICATIONS LTD.
92. IDEAL MANUFACTURING CO. LTD.
93. EMOMENTUM INTERACTIVE SYSTEMS LTD.
94. PALMHOUSE DAIRIES LTD.
95. GACHICHIO INSURANCE BROKERS LTD.
96. SYNERGY GASES (K) LTD.
97. IRON ART LIMITED.
98. KISIMA DRILLING (EA) LTD.
99. DE RUITER EA LIMITED.
100. ROY TRANSMOTORS LIMITED.