Effects of Sources of Funds on the Performance of Small and Medium Enterprises (SMES); The Case of Farmlink Eldoret

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EFFECTS OF SOURCES OF FUNDS ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMES): THE CASE OF FARMLINK ELDORET

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ABSTRACT

The main purpose of the study was to investigate the effects of sources of funds on the performance of S.M.E.s, a case study of Farmlink Eldoret. Specific objectives of the study include the following: to determine the major sources of funds for Farmlink Eldoret, to find out major factors influencing the accessibility to funds by Farmlink Eldoret, to establish the effects of the sources of funds on the performance of Farmlink Eldoret and to find out challenges faced by Farmlink Eldoret in accessing to the sources of funds. The study will employ a case study research design. The study targeted a total population of 31 employees in the organization. Stratified and census sampling designs were employed to select the sample size of 31 respondents. Questionnaires were used as the main data collection instrument. Data collected was analyzed by the use of descriptive statistics and later presented in frequency distribution tables and percentages. The major sources of funds for Farmlink include self sponsored, friends' contribution, Harambee collection/fund raising, Sales of farm products form, CDF sponsorship and bank loan. Factors influencing the accessibility to funds by SMEs are the size of a business, interest Rates of funds or money, collateral requirements as a security for borrowed funds, currency stability and fluctuations and nature/source. The major effects of the sources of funds on the performance of SMEs are business sustainability, leads to business expansion, help SMEs out research and development to enhance effective competition and it encourages SMEs to invest. The major Challenges faced by SMEs in accessing to sources of funds are lack of security to secure loans/funds, short repayment period for borrowed funds, inadequate of knowledge on where to get the loan, high interest rates on borrowed money, long and tedious process of accessing funds and one is subject to exposure of personal details in order to get a loan. Based on the findings and conclusions of the study, the researcher recommends that the owners of SMEs should be educated through seminars and workshops on how to effectively utilize borrowed capital since they are required to pay back the money with interest on it. The researcher suggests that further research should be conducted to determine the role of management skills in the sustainability of SMEs.