

**THE CONTRIBUTION OF FINANCIAL INSTITUTIONS IN
PROMOTING BUSINESS ENTERPRISES IN TURKANA COUNTY**

A SITUATION STUDY OF LODWAR TOWN, KENYA

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CHAPTER ONE

1.1 Background of the study

The financial institutions have existed for a long period either in formal or informal. Investment can be traced long time before Christ; however in East Africa they have not taken long unlike developed countries like U.S. Despite the fact of their existence in East Africa, very few People have taken interest in studying them. However, there is some global literature that has been published through journals, reports, newsletters and books.

By 1996, financial systems in Kenya consisted of 2,670 savings and credit cooperatives, 51 commercial banks, 2 non-banking financial institutions, a capital market authority, 20 securities and equities brokerage firms. Unfortunately, it was only savings and credit associations that were noted to be involved in providing finances to micro entrepreneurs (Republic of Kenya, 1997). Business growth can take place when the company is in a process of searching for a minimum size that favors its survival (Barkham 1996). What is especially relevant is the case of companies created to exploit a new technological/marketing opportunity that is not detected or met by other firms. Human Capital theory has been frequently utilized as a useful framework to explain the performance of the firm in the general terms including growth, survival, entry and exit issues of the firm. In fact this theory re-allocates the attention towards internal capabilities of the firm, more specifically in direction of entrepreneur and employees, itself. Human capital theory posts that individuals with more or higher quality human