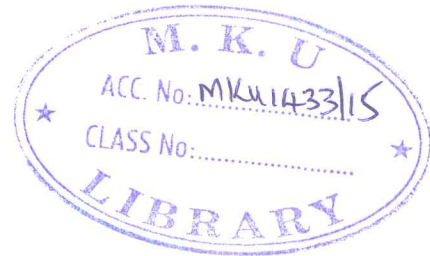


FACTORS AFFECTING FINANCING OF SMALL AND MEDIUM  
ENTERPRISES IN KENYA: A CASE STUDY OF NAIROBI CENTRAL  
BUSINESS DISTRICT



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## ABSTRACT

The general objective of the study was to investigate the factors influencing the financing of Small and Medium Enterprises (SMEs) in Kenya. The specific objectives were; to establish the effect of government policy, financial constraint, competition and collateral in financing of Small and Medium Enterprises in Kenya. The study used descriptive research design, where the target population of 80 respondents was divided into strata. Stratified random sampling technique was used to sample the population. From each stratum the researcher drew 70% respondents to form the sample size of 56 respondents from which the data was collected. Questionnaires were used to collect the data, which was analyzed quantitatively and qualitatively. The data was presented in tables and figures.

The study findings established that unfair support from relevant authorities, for instance, slows processing of documents. In brief, these constraints possibly made some businesses close down after a few years of operation when better conditions might have made them sustainable. Many capable entrepreneurs cannot overcome the obstacles in their businesses cash flow cycle and cannot understand why bankers and other lenders often cannot provide the financing as the SME often does not have the security to support the debt. Accurate market share of operators has not yet been calculated owing to the cut throat competition and lack of sufficient skills to implement competitive strategies in SMEs. Further, the loans are collateralized, high cost and often are bundled with a delay in receivables.

The study recommended that policies should aim to encourage and promote the development of local technologies. Emphasis should be on the promotion of the local tool industry to reduce reliance on imports. Since majority of small enterprises lack finance, government should establish friendly small loaning system. This would include low interests rates to ensure the continuity of these businesses. There is importance of using marketing information pertaining to customers and competitors in making marketing-mix decisions, which contributes to higher firm performance in the entrepreneurial setting. One way of getting around this is to develop partnerships with local companies who not only have the resources but also possess a deep understanding of local culture and market conditions.