

**FACTORS AFFECTING ACCESSIBILITY AND ADOPTION OF NON BANK
SOURCES OF FINANCE IN
SMALL AND MEDIAM ENTERPRISES (SME s)**

(A CASE STUDY OF SMEs IN MOYALE TOWN MARSABIT COUNTY)

BY

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ABSTRACT

Small and medium-scale enterprises (SMEs) form the majority of the enterprises in the Kenyan economy. They employ a large share of the labour force. The sector is perceived as an alternative employer. Recent studies show that SMEs are at least as important as large firms in the creation of gross and net new jobs. Notwithstanding their importance, most SMEs are unable to exploit the increased market opportunities due to a number of constraints. This is because of either low productivity, incapacity to face competition from imports or in export markets, constraints to adapt new technologies and lack of finance. The purpose of this study is to examine the factors affecting small and medium enterprises from accessing and adopting and embracing other sources of finance other than bank loans. The most common source of financing businesses is bank loans, bank overdrafts and funds from financial institutions which operate in more similar way. The study employed survey research design methodology in which combinations of research methods were used. These included questionnaire survey, observation; face to face interviews and literature review. Various enterprise finance theories making up the theoretical framework: The empirical studies of small enterprises' capital structure model are discussed as a prelude to the empirical study. Empirical data was collected from 47 respondents in order to answer research questions and to come up with factors affecting adoption of non bank sources of finance of the enterprises in the study. Quantitative data from the survey was analyzed with the application of excel software and descriptive statistics. The main objective of the study was to investigate and establish existence, extent of awareness among SMEs, what influences their financial choice and importance of non-banking sources of funds to their businesses. A case study was used where the target population of 97 respondents was used. A sample size of 47 respondents was derived through stratified method. The questionnaires were personally administered and data analyzed using qualitative and quantitative method. The researcher undertook this topic to help SMEs in remote towns like Moyale to be aware of other alternative to bank loans when seeking funds for their business. The approximated population of SMEs in Moyale town is 1247.

The researcher will make public his findings and recommendations by publishing his research.