

BANKS' CREDIT DELIVERY SYSTEM AND THE PERFORMANCE OF SMALL SCALE AGRIBUSINESSES IN ELDORET MUNICIPALITY

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ABSTRACT

This study performed an investigation into the credit delivery system of banks and the performance of farmers as small scale enterprise in Eldoret Municipality. Improving the availability of credit facilities to this sector is one of the incentives that have been proposed for stimulating its growth and the realization of its potential contribution to the economy. The small and micro enterprises (SMEs) play an important role in the Kenyan Economy but Commercial banks and other formal institutions fail to cater for the credit needs of these smallholders, however, mainly due to their lending terms and conditions. It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can't afford the required collateral, they are considered uncreditworthy. This study aimed examining the credit policies of banks and its effect on the performance of agribusinesses. To identify the loan repayment patterns among banks on performance of agribusinesses. To investigate the features of lending policies among banks and the extent it affects performance of agribusinesses and finally to identify the priority sectors by banks on agribusinesses in Eldoret Municipality. The study was embedded in the long term financial theory about term loans as propagated by Pandey (2006). The study employed descriptive Survey Design. Besides, the study focused on the small scale enterprises found in Eldoret Municipality with the target population estimated to be about 500 agribusinesses, of this 10% was taken as the sample size. The research employed stratified random sampling in selecting respondents. The population was segregated into several mutually exclusive strata herein referred to as business categories. The actual businesses interviewed were arrived at by using simple random procedures to draw the sample from each stratum. A total of 50 interviews with business owners, distributed proportionately were carried out for this study. A pilot study was done to test the reliability of the research instruments. The main objective of pilot study was to test the suitability of the research method and data collection tools to ensure that they produced the intended result. Data was analyzed quantitatively by the help of SPSS (Statistical Package for Social Sciences) and was presented in graphs, pie charts and frequency table. The findings identified that restrictions like strict project risk assessment barred credit accessibility and thus affected credit delivery systems. Moreover, getting short term and small amounts was difficult. The study would help the small enterprises in Eldoret Municipality and Financial institutions not to mention potential investors and other interested parties to know the significance of the credit delivery system as it exists. These would assist in creating awareness and enhancing the participation of all concerned in the development of the sector for the better.