INFLUENCE OF BANK LENDING POLICIES ON CREDIT UPTAKE AMONG CONSTRUCTION RETAIL SMALL AND MEDIUM ENTERPRISES IN KENYA: A CASE OF KAJIADO NORTH SUB-COUNTY

MOURINE MMBAKA, DR. MAKORI MORONGE

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INFLUENCE OF BANK LENDING POLICIES ON CREDIT UPTAKE AMONG CONSTRUCTION RETAIL SMALL AND MEDIUM ENTERPRISES IN KENYA: A CASE OF KAJIADO NORTH SUB-COUNTY

[1] Mourine Mmbaka, Dr. Makori Moronge

[1]Msc Candidate, Jomo Kenyatta University of Agriculture & Technology, Kenya

[2]Lecturer, Jomo Kenyatta University of Agriculture & Technology, Kenya

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ABSTRACT

The main objective of this study was to establish the influence of bank lending policies on credit uptake among construction retail SMEs in Kenya, a case of Kajiado North Sub County. The study specifically sought to establish the effect of interest rates and collateral requirement on the credit uptake by hardware entrepreneurs in Kajiado North sub County. The population of the study consisted of 800 licensed hardware shops in Kajiado North sub County. Proportionate stratified random sampling was employed to collect data from hardware entrepreneurs in Kajiado North Sub County to actualize the objectives of this research. Information was collected by use of a questionnaire. Data was tabulated quantitatively in form of charts, tables and percentages and analyzed using SPSS version 22 and Ms. Excel. It was notable that there existed a strong positive relationship between the indepedent variables and depedent variable. The study contributed the body of knowledge by determining that credit uptake among construction retail SMEs in Kenya is greatly affected by bank interest rates and collateral requirements. This study contributes to the existing literature in the field of entrepreneurship by elaborating exiting theories, models and empirical studies on the role of banking lending policies on credit uptake among construction retail SMEs in Kenya. The study thus contributes to the existing knowledge in entrepreneurship by reviewing theories and models that can be applied to improve credit uptake among construction retail SMEs. The study is a milestone for further research in the field of credit uptake among construction retail SMEs in Africa and particularly in Kenya. The current study should therefore be expanded further in future in order to enhance credit uptake among construction retail SMEs. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other organizations in Kenya and other countries in order to establish whether the explored factors can be generalized to credit uptake among construction retail SMEs.

Key Words: *Interest Rates, Collateral Requirements, Credit Uptake, Retail and Medium Enterprises*

INTRODUCTION

There is consensus among policy makers, economists and business experts that small and medium enterprises (SMEs) are drivers of economic growth. A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. SMEs are the first step towards development in economies towards industrialization. The dynamic role of SMEs in developing countries positions SMEs as engines through which the growth objectives can be achieved. Small and Medium Enterprises (SMEs) have over long time been recognized as boosters of economy in both developed and developing countries. The importance and contribution of SMEs to achieving macroeconomic goals of nations, especially in developing nations, has attracted the attention of scholars in the entrepreneurship discipline in recent years (Ngugi *et al.,* 2012) and citing (Shelley 2004).

A complex global environment in which SMEs survive, grow and thrive is considered an important objective of policy makers in both developed and emerging economies around the world since SMEs contribute to the national and international economic growth. Most large companies have their roots in small and medium enterprises suggesting that the future large corporations are the SMEs of today that must be nurtured to ensure their growth. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004).

A crucial element in the development of the SME sector is access to finance, particularly to bank financing, given the relative importance of the banking sector in serving this segment. Firm-level data collected by the World Bank show that access to finance is perceived as one of the main obstacles to doing business (World Bank, 2012). A number of studies have shown that financing is a greater obstacle for SMEs than it is for large firms, particularly in the developing world, and that access to finances adversely affects the growth of the SME sector more than that of large companies (Beck *et al*, 2006). It is, therefore, unsurprising that the international development community has listed SME access to finance as an important policy priority. In examining the effects of credit availability on small firm survivability over the period 2004 to 2008 for non-publicly traded small enterprises in the United States, it was found that small firms tend to be most affected by a credit squeeze. This was done using data from the 2003 US Survey of Small Business Finances to develop failure prediction models for a sample of small firms and found that credit constrained firms were significantly more likely to go out of business than non-constrained firms (Mach & Wolken, 2012).

Globally SME sector has been reporting difficulties in access to finance (Irwing & Scott, 2010). Access to external finance to SMEs has become more costly and troublesome while their accessibility has done sharply declined. SMEs' financing constraints limit their investment opportunities and stagnant growth. SMEs in most developing countries lack access to financial services, particularly from formal institutions (both banks and non-banks).The problem of access to financial sources for SMEs exists when a business activity that would be internally financed if resources were available, does not get supports from external financial institutions (*Yongqian.,* 2012).

Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. For Kenyan SME's the formal banking system is too expensive and inconvenient. Whereas banks consider SMEs with no transaction history are too risky because their ability to repay loans is not yet known. These Unbanked SMEs may also not have collateral to access formal credit. Another issue is that these unbanked SMEs might not have the skills to run the business professionally. They may not have proper book-keeping procedures, inventory systems, business plans or income statements making it hard for a bank to evaluate them (Frempong, 2007).

Banks have a fiduciary duty to make prudent loans with their depositors' and investors' funds. Therefore, most limit their risk with the SME market either by not lending at all or by charging high interest rates and requiring at least 100-percent collateral coverage. Many SME's are reluctant to seek credit. In a survey, the vast majority of bank credit customers indicated that the costs and interest rates of getting a loan are high, it is difficult to meet the requirements for getting a loan and there is a common perception that borrowing from a formal lender will imply losing assets and property (Cowan *et al..,* 2007).

The Kenya government in the Vision 2030 plan has identified the SME as an important priority. In order to achieve growth, adequate sources of finance are needed for SMEs. This is not the case in Kenya where access to finance remains a key constraint to SME development (FSD, 2010).

Problem Statement

A critical component in the advancement of the SME sector is access to finance, mostly to bank financing, given the relative importance of the banking sector in serving this segment. Firm-level data collected by the World Bank show that access to finance is perceived as one of the main obstacles to doing business (World Bank, 2012). In separate studies findings reveal that only 39.62% of the total sampled population has access to credit in Kenya, for whom 5.82% and 33.80% accounts for formal and informal credit sources. The total adult population considered to be credit constrained (excluded) therefore stands at 60.38% (Kenya National FinAccess Survey, 2009).

Statistics show that banking sector in Kenya recorded a decline in growth of gross loans and advances from Ksh 1.29 trillion in June 2012 to Ksh 1.45 trillion in June 2013, translating to a growth of 12.9 percent (CBK, 2013) as compared to 19.0 percent growth from Ksh 1.08 trillion in June 2011 to Ksh 1.29 trillion in June 2012, (CBK, 2012).This trend was also reflected in the SME sector recording a growth decline from 57.30% to 38.2% during the same period. The problem therefore is the low loan uptake in the entire country , Kajiado North Sub County being not an exception. From the findings of Kenya National FinAccess Survey,(2009) and CBK(2012,2013) annual reports, the results were alarming and hence triggered my scholarly thinking to find out why Kenyans are not taking loans yet banks go around streets hawking loans. This study sought to find out the influence of banking lending policies on credit uptake among construction retail outlets SMEs in Kenya specifically in Kajiado North Sub-County.

Objectives of the Study

The general objective of the study was to establish the influence of bank lending policies on credit uptake among construction retail small and medium enterprises in Kenya. The specific objectives of the study were to:

- To find out how interest rates influence credit uptake among credit uptake among construction retail small and medium enterprises in Kenya.
- To establish how collateral requirements affect credit uptake among construction retail small and medium enterprises in Kenya.

LITERATURE REVIEW

Theoretical Review

Financial Intermediation Theory

Financial intermediation is a process which involves surplus units depositing funds with financial institutions who then lend to deficit units. Bisignano (1992) identified that 12 financial intermediaries can be distinguished by four criteria. First, their main categories of liabilities or deposits are specified for a fixed sum which is not related to the performance of a portfolio. Second, the deposits are typically short-term and of a much shorter term than their assets. Third, a high proportion of their liabilities are chequeable which can be withdrawn on demand and fourthly, their liabilities and assets are largely not transferable. The most important contribution of intermediaries is a steady flow of funds from surplus to deficit units. Diamond and Dybvig (1983) analyses the provision of liquidity that is transformation of illiquid assets into liquid liabilities by banks. In their model identical investors or depositors are risk averse and uncertain about the timing of their future consumption need without an intermediary all investors are locked into illiquid long term investments that yield high pay offs to those who consume later.

According to Scholtens and van Wensveen (2003), the role of the financial intermediary is essentially seen as that of creating specialized financial commodities. These are created whenever an intermediary finds that it can sell them for prices which are expected to cover all costs of their production, both direct costs and opportunity costs. Financial intermediaries exist due to market imperfections. As such, in a ‘perfect’ market situation, with no transaction or information costs, financial intermediaries would not exist. Numerous markets are characterized by informational differences between buyers and sellers. In financial markets, information asymmetries are particularly pronounced. Borrowers typically know their collateral, industriousness, and moral integrity better than do lenders. On the other hand, entrepreneurs possess inside information about their own projects for which they seek financing (Leland & Pyle, 1977). Moral hazard hampers the transfer of information between market participants, which is an important factor for projects of good quality to be financed. This theory supports bank interest rates on credit uptake among the construction retail SMEs.

Financial Literacy Theory

Financial literacy theory argues that the behaviour of people with a high level of financial literacy might depend on the prevalence of two thinking styles according to dual-process theories: intuition and cognition. Dual-process theories embrace the idea that decisions can be driven by both intuitive and cognitive process. Dual process theories have been applied to several fields, including reasoning and social cognition (Evans 2008). Financial literacy covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (Atkinson and Messy, 2015). Financial literacy empowers investors by educating them to acquire relevant knowledge and skills in financial management. Financial knowledge helps to overcome most difficulties in advanced credit markets. Financial literacy allows the investors to encounter difficult financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. More importantly, financial literacy enhances decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. Financial literacy leads to more effective use of financial products and services, greater control of one's financial future and reduced vulnerability to overzealous retailers.

Financially literate investors are able to create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller et al 2009). Greenspan (2002) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility. This theory supports collateral requirements on credit uptake among the construction retail SMEs.

Conceptual Framework

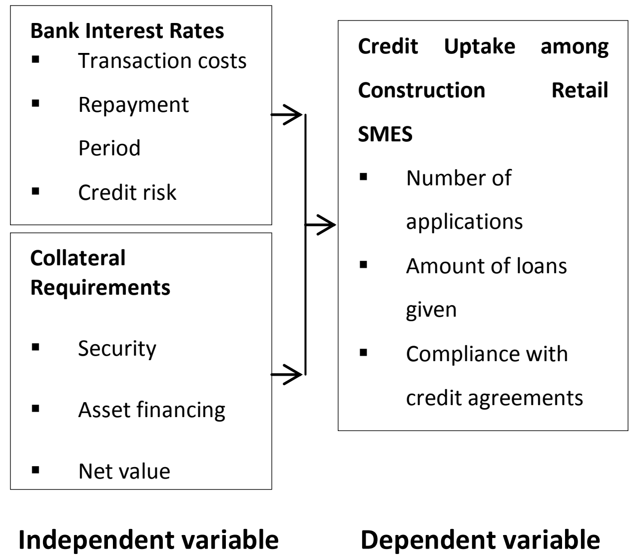

Figure 1: Conceptual Framework

Bank Interest Rates

Interest rate is the price a borrower pays for the use of money they borrow from a lender/financial institutions or fee paid on borrowed assets, (Crowley, 2007). Interest can be thought of as "rent of money". Interest rates are fundamental to a ‘capitalist society’ and are normally expressed as a percentage rate over one year. Interest rate as a price of money indicates market information concerning probable change in the purchasing power of money or future inflation (Ngugi, 2001).

Kimutai (2013) defines interest rate as the price one pays for using borrowed money (loans).In money – monetary economies money creates claims because it is an asset, store of value as well as a medium of exchange. Therefore those who lend money expect to be compensated for handing over their claims for the period of the loans to those who borrow money. This interest rate also covers the expose to credit risk by lenders. Therefore interest rate can be defined as the price lenders expect (and borrowers pay) for exchanging current claims for greater future claims to goods and services. Interest rates represent the cost of money.

Ingram(2011) states that interest rates are important because they control the flow of money in the economy. High interest rates curb inflation but also slow down the economy. Low interest rates stimulate the economy, but could lead to inflation. When interest rates are high, people do not want to take loans out from the bank because it is more difficult to pay the loans back, and the number of purchase of real assets goes down. The opposite is also true. The effects of a lower interest rate on the economy are very beneficial for the consumer. When interest rates are low, people are more likely to take loans out of the bank in order to pay for things like houses and cars. When the market for those things gets strong, price decreases and more people can purchases these things. This also bodes well for investors, who perceive less risk in taking out a loan and investing it in something because they would have to pay less back to the bank. When people do not have to spend as much money on bank payments, they have more disposable income to put toward things they want to purchase. These effects, although certainly not direct, are enough to stimulate the market when interest rates are low. Low interest rates are not beneficial for lenders, who are seeing less of a return on their loan than in times when interest rates are high. This means that banks may find themselves having to lower the interest rates accrued on money deposited in the bank in order to maintain a steady profit.

Collateral Requirement

Collateral is property or other assets pledged as security by the borrower for repayment of a loan, to be forfeited in the event of a default. It serves to limit potential losses for lenders and serves as an incentive mechanism and commitment signal for borrowers. This requirement locks out potential borrowers leading to low credit uptake (Jimenez et al., 2006) and Pagani (2004), states that accessibility (ability to reach the required services) is one of the main advantages of mobile payment services. Small and micro businesses are among the greatest beneficiaries. The micro-business operators go to the bank less often and spend more time running their businesses. Equally, many unbanked Kenyans can now receive or send money wherever they are in the country (Omwansa, 2009). Majority of the micro business operators are familiar with the use of the mobile payment services as they are easy to use and require no formal training before use. With more time in the business, more customers are served leading to increased sales and therefore growth of the business. The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies (Omwansa, 2009). The cost of the mobile payments is affordable to most of the micro business operators and far below what the banks normally charge for their bank transactions. The reduced cost of transactions positively influences the growth of the business.

Empirical Review

Studies examined credit policies for ten banks in the United States using a multivariate model and found that banks that adopt advanced credit risk management techniques (proxies by the issuance of at least one collateralized loan obligation) experience a permanent increase in their target loan level of around 50%. Partial adjustment to this target, however, means that the impact on actual loan levels is spread over several years. The findings confirm the general efficiency enhancing implications of new risk management techniques in a world with frictions suggested in the theoretical literature. Privately owned banks are more likely to implement credit risk management polices than state owned banks (Nelson & Schwert, 2006).

An investigation of credit policies for state banks in china using a survey research design found out that with the increasing opening of the financial market, the state owned commercial banks in china are faced with the unprecedented challenges. As the core of national finance and vital of national economy, the state owned commercial banks could not rival with foreign banks unless they make profound changes. And the reform of credit risk management is a major step that determines whether the state owned commercial banks in china would survive the challenges or not (Kuo & Enders, 2004).

Research however faults some of the credit risk management policies in place. The European shadow Financial Regulatory Committee (ESFRC) (2007) researched on the impact of a basel II accord by conducting a survey of 93 banks and presented findings that objected to the highly complex approach of the draft New Basel Capital Accord (Basel II). It considered it to be excessively focused on the regulation of risk management by individual banks. In addition, it also objected to the treatment of operational risk, the politically influenced issues around lending to the small and medium sized enterprises (SMEs), the insufficient consideration of the issue of pro- cyclicality, and the reduced emphasis on the third pillar, that is market discipline. The study therefore recommended that European authorities apply the substance of the Basel II advanced approach only to very large internationally active banks. Remaining banks would have the opinion of a simplified standardized approach.

According to the study carried out by Calice et al (2012) on bank financing to small and medium enterprises in East Africa, findings of a Survey in Kenya, Tanzania, Uganda and Zambia indicates that obstacles to SME lending are perceived differently across the countries and perceptions are also influenced by the nature and ownership structure of the bank concerned. SME specific factors are the most serious obstacle to the development of SME lending. In particular, a large majority of banks in the region (88 percent) consider the lack of adequate information the most important deterrent to their involvement with the SME segment. Amongst Kenyan banks, the lack of quality information was the biggest SME specific hindrance and obstacle to SME lending, cited by 100 percent of the banks. Such is the perceived extent of the problem that some of the banks mentioned that they have allocated internal budgetary resources to assist SMEs through the extension of training services.

The issue of collateral is a significant aspect in Kenya with 50 percent of the banks mentioning the lack of adequate guarantees as an obstacle to SME lending. Central Bank of Kenya stipulates that all loans above a certain minimum must be adequately secured, with first class guarantees or a bond over property as the preferred security type. However, this makes it difficult for Kenyan banks to lend to SMEs in view of the various challenges that this sector faces in terms of coming up with such acceptable security. Inability to standardize scoring models also came up from 50 percent of the banks, especially amongst those which have automated their SME lending systems (CBK, 2011).

Ninety-four percent of the banks in the sample demand collateral from their SME borrowers. Collateral requirements for SME loans are higher than for consumer loans, because SMEs’ credit risk is usually more difficult to evaluate according to 63 percent of the banks. SMEs are also considered riskier than other segments for half of the banks surveyed. Moreover, regulatory collateral requirements, which are usually a function of the size of the loan, contribute to explain why SMEs have to post more collateral relative to retail clients, according to one third of the banks (CBK, 2011).

The informality of SMEs came out as the main reason why banks in the region require SMEs to lodge security relative to corporate clients, according to 56 percent of the sampled banks. Half of the banks also mentioned that SMEs tend be more vulnerable to economic and political shocks relative to corporate clients, and this would justify an extra layer of security from an SME borrower. About half of the banks finally mentioned that the fact that SME-related information was usually harder to evaluate (and sometimes unreliable) made them more likely to seek collateral (Calice et al 2012).

Chelagat (2012) in her study on the determinants of loan default by SMEs in Kenya highlights that banks have credit policies that guide them in the process of awarding credit. Credit control policy is the general guideline governing the process of giving credit to bank customers. The policy sets the rules on who should access credit, when and why one should obtain the credit including repayment arrangements and necessary collaterals. The method of assessment and evaluation of risk of each prospective applicant are part of a credit control policy.

A firm's credit policy may be lenient or stringent. In the case of a lenient policy, the firm lends liberally even to those whose credit worthiness is questionable. This leads to high amount of borrowing and high profits, assuming full collections of the debts owed. With the stringent credit policy, credit is restricted to carefully determined customers through credit appraisal system. This minimizes costs and losses from bad debts but might reduce revenue earning from loans, profitability and cash flow (Bonin and Huang, 2001).

The guiding principle in credit appraisal is to ensure that only those borrowers who require credit and are able to meet repayment obligations can access credit. Lenders may refuse to make loans even though borrowers are willing to pay a higher interest rate, or, make loans but restrict the size of loans to less than the borrowers would like to borrow (FSD Kenya, 2008). The argument is that credit should be made available according to repayment capability based on current performance.

The inadequacies of the traditional approaches to loan processing like its problems arising from repayment and recovery have been the concerns of banking professionals over time. Credit scoring is a statistical method used to predict the probability that a loan or an existing borrower will default or become delinquent. This model assigns scores for potential borrower by estimating the probability of default of their loans based on borrower and loan characteristic data (Kagio, 2010).

These are data available at the time of the decision, such as the time at which credit was granted to an account. For SME models, sources would include credit applications, financial statements and (where available) "external" data such as data from consumer and business credit reporting agencies/bureaus. Only those types of data that will be consistently available once the final scoring model is implemented can be used for model development. (Latimer, 2000).

In assessing credit risk canon of lending is very important. This model looks at a range of aspects associated with lending which covers not just the finance that is being sought but the people who are seeking it. It stands for the first letters of the seven parameters that are analyzed in the process of assessing and evaluating a borrowing proposal, namely: Character, ability, Margin, purpose, amount, repayment and insurance. This technique covers a range of intangible aspects like: relationships and obligations among others (KCB, 2006). The five C‟s of credit analysis (capacity, capital, collateral, conditions and character) are also the basic components of credit analysis. The banker needs to be sure that the company generates enough cash flow to service the requested debt, there is sufficient collateral to cover the amount of the loan as a secondary source of repayment should the company fail, there is enough capital in the company to weather a storm and to ensure the owner's commitment to the company, the conditions surrounding the business do not pose any significant unmitigated risks, and the owners and management of the company are of sound character, people that can be trusted to honor their commitments in good times and bad (KCB, 2006).

RESEARCH METHODOLOGY

This study used descriptive research design. The study was carried out in Kajiado North Sub County in 800 hardware shops licensed by Kajiado County as at end of 2015. The main trading centers are Ngong, Kiserian, Ongata Rongai, Em bulbul, Kerarapon and Nkoroi. The area was ideal for the study because it was among the areas with the highest number of hardware shops as a result of the many construction activities carried out being a residential region. The area was well represented in the banking industry; this was evident from the various banks represented in the region. The study relied mainly on primary data. The researcher used questionnaire as the research instrument. The content validity was achieved by subjecting the data collection instruments to an evaluation group of experts who provided their comments and relevance of each item of the instruments and the experts indicated whether the item was relevant or not. Data collected was analyzed using both quantitative and qualitative methods with the help of (SPSS) version 22.

FINDINGS

The study targeted a sample size of 267 respondents from which 187 filled in and returned the questionnaires making a response rate of 70%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. The research sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study found that majority of the respondent 52.45% were males whereas 47.55% of the respondent were females; this is an indication that both genders were involved in this study. The study requested the respondent to indicate the members of their family who were running independent business before them. The study revealed that most of the respondents 45% parents were running independent business before them, 15% of the respondents cited uncle/ aunt, 20% of the respondents posited brother/sister, whereas 10% of the respondents indicated grandparent and none respectively. The results agree with Davidson (1995) findings who established that successful entrepreneurs are most likely to come from families in which either a parent or a relative owns a business. According to Blackman (2004) owner-managers whose fathers were self-employed were more likely to survive in business than non-self-employed own-manager’s fathers. These studies confirmed that there exist a positive relationship between family businesses and a firm’s performance. The study requested the respondent to indicate the number of employees in their enterprises. The study revealed that most of the respondents 45% of the respondents had 1-5 employees, 35% of the respondents indicated that they employed 6-10 employees, 15% posited to had employed 11-25 employees, 5 % stated to had employed 25-50 employees in their enterprises. This implied that most of MSEs under study in Kajiado County had less than 50 employees. The findings of the study were in alignment with the Sessional Paper No. 2 of (ROK, 2005) define micro and small enterprises as businesses employing 1-50 workers which were the main focus of the study. In the Medium and Small Enterprises, (MSEs) National Baseline Survey of 2009, MSEs are defined as those enterprises whether in the formal or informal sector which employ 1-50 people. The number of persons a business employs helps to identify the size of the business and its economic value in terms of employment creation.

Bank Interest Rates

The study sought to assess the influence of bank interest rates on credit uptake among construction retail SMEs in Kenya. This section presents findings to statements posed in this regard with responses given on a five-point likert scale (where 5 = Very Great Extent; 4 = Great Extent; 3 = Moderate Extent; 2 = Small Extent; 1= Very Small Extent). Table 4.5 presents the findings. The scores of 'Very Great Extent' and 'Great Extent' have been taken to represent a mean score of 3.5 to 5.0. The score of 'Moderate Extent' has been taken to represent a mean score of 2.6 to 3.4. The score of 'Small Extent' and 'Very Small Extent' have been taken to represent a mean score of 1.0 to 2.5.

Table 1 presents the findings. As tabulated, a majority of respondents were found to small extent that security affect their business from acquiring loans from the bank (M=1.993) the bank require guarantors for the business to acquire loans from the bank (M=1.923); Current bank interest rate is a hindrance for the business acquiring loans (M=1.857); the bank interest transaction costs affect credit uptake of their business (M=1.714). Bank interest rates affect business profitability by providing a basis of establishment performance targets (M=2.675); The interest rates as determined by the banks are critical for the credit uptake and survival by the business (M=2.543). The study findings are in tandem with literature review by Pearce and Robinson (2007) who stated that bank interest rates affect credit uptake from the financial institutions in Kenya.

Table 1: Bank Interest Rates On Credit Uptake Among Construction Retail SMEs In Kenya

Statement	**Mean**	**Std. Dev**
Does security affect your business from acquiring loans from the bank?	1.993	.987
To what extent does the bank require guarantors for the business to acquire loans from the bank?	1.923	.268
Current bank interest rate is a hindrance for the business acquiring loans	1.857	.034
Do the bank interest transaction costs affect credit uptake of your business?	1.714	.167
Bank interest rates affect business profitability by providing a basis of establishment performance targets	1.675	.525
The interest rates as determined by the banks are critical for the credit uptake and survival by the business	2.543	.654
Composite Mean	**1.300**	

Collateral Requirement

The study sought to assess the influence of collateral requirements on credit uptake among construction retail SMEs in Kenya. This section presents findings to statements posed in this regard with responses given on a five-point likert scale (where 5 = Very Great Extent; 4 = Great Extent; 3 = Moderate Extent; 2 = Small Extent; 1= Very Small Extent). Table 2 presents the findings. The scores of 'Very Great Extent' and 'Great Extent' have been taken to represent a mean score of 3.5 to 5.0. The score of 'Moderate Extent' has been taken to represent a mean score of 2.6 to 3.4. The score of 'Small Extent' and 'Very Small Extent' have been taken to represent a mean score of 1.0 to 2.5.

As indicated by high levels of agreement in Table 2, a majority of respondents affirm that the source for funding their business from the bank loans (2.013); they prefer bank loans to own capital savings to start their business (2.953); the government policy enable the banks to require collaterals to start their business (2.791); the building and land acquisition, machinery and equipments, purchase of inventory act as collateral to access bank loans (2.701); the lack of accounting records, business plans, transaction costs, and distance to the lending institutions affect their business to access funding (2.713); the lack of knowledge about lending sources collateral hinder their business to access to bank loans (2.452.)The study findings collaborates with literature review by Rosner (2012) who established that the collateral requirements is highly dependent on credit uptake amomg the SMEs in Kenya.

Table 2: Collateral Requirement On Credit Uptake Among Construction Retail SMEs In Kenya

Statement	Mean	Standard Deviation
Do you source for funding your business from the bank loans?	2.013	.542
Do you prefer bank loans to own capital savings to start your business?	2.953	.061
Does the government policy enable the banks to require collaterals to start your business?	2.791	.683
Does the building and land acquisition, machinery and equipments, purchase of inventory act as collateral to access bank loans?	2.701	.943
Does the lack of accounting records, business plans, transaction costs, and distance to the lending institutions affect your business to access funding?	2.713	.231
Does the lack of knowledge about lending sources collateral hinder your business to access to bank loans?	2.450	.861

Composite Mean	2.791

Credit Uptake Among Construction Retail SMEs

On the extent to which, respondents were asked to indicate the level of extent to which the credit uptake among construction SMEs which was ordinal categorical. The data was therefore presented in frequency tables with the median being used as the appropriate measure of central tendency. The results were presented in Table 3. The first indicator for the dependent variable required to know what the level credit uptake among construction SMEs was compliance with credit agreement was, 0% of the respondents had 0-20%, 3% had 20-30%, 11% had 30-40%, 17% had 40-50%, 69% had had over 50%. The modal class is of the respondents who had over 50% compliance. The mode was found to be 5 which imply that on average the employee level of compliance with rules and regulations is over 50%.

The next indicator required the respondents to state the level of number of applications, 3% of the respondents had 0-20%, 3% had 20-30%, 14% had 30-40%, 26% had 40-50%, 49% had over 50%. The modal class is of the respondents who had over 50%. The mode was found to be 5 which imply that on average level of number of applications in the organization was by over 50%. When the respondents were asked what level of loan amount given was, 0% of the respondents 0-20%, 3% had 20-30%, 3% had 30-40%, 34% had 40-50%, 60% had over 50%. The modal class is of the respondents who had over 50% level of amount. The mode was found to be 5 which imply that on average the level of amount given is over 50%.

Finally, the respondents were asked what the level of amount of loans given was, 0% of the respondents 0-20%, 3% had 20-30%, 20% had 30-40%, 43% had 40-50%, 34% had over 50%. The modal class is of the respondents who had between 40-50% level of amount of loans given. The mode was found to be 4 which imply that on average the level of achievement of level of amount of loans given is between 40-50%.

Table 3: Indicators of Credit Uptake Among Construction Retail SMEs

Statement	0%-20%	20%-30%	30%-40%	40%-50%	Over 50%	Mode
What is the level of compliance with credit agreements?	0%	3%	11%	17%	69%	5
What is the level of number of applications?	3%	3%	14%	26%	49%	5
What is the level of amount of loans given for the business?	0%	3%	3%	34%	60%	5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of the Study Findings

The general objective of the study was to determine the influence of bank lending policies on credit uptake among construction retail SMEs in Kenya. The study specifically determined the effect of bank interest rates and, collateral requirements on credit uptake among construction retail SMEin Kenya. The reviewed literature showed that banking lending policies played an important role on the credit uptake among construction retail SME. Further, it was revealed that bank interest rates and collateral requirements significantly affected credit uptake among construction retail SMEs. The major findings summarized from the objectives were as follows:

Bank Interest Rates

The study established that a majority of respondents were found to small extent that security affect their business from acquiring loans from the bank , the bank required guarantors for the business to acquire loans from the bank. Current bank interest rate was a hindrance for the business acquiring loans and the bank interest transaction costs affect credit uptake of their business. Bank interest rates affected business profitability by providing a basis of establishment performance targets. The interest rates as determined by the banks were critical for the credit uptake and survival by the business. The security affected their business from acquiring loans from the bank. The bank required guarantors for the business to acquire loans from the bank. Current bank interest rate was a hindrance for the business acquiring loans.

Collateral Requirements

The study found out that a majority of respondents affirmed that the source for funding their business from the bank loans. They preferred bank loans to own capital savings to start their business and the government policy enabled the banks to require collaterals to start their business. The building and land acquisition, machinery and equipments, purchase of inventory act as collateral to access bank loans and the lack of accounting records, business plans, transaction costs, and distance to the lending institutions affect their business to access. The lack of knowledge about lending sources collateral hindered their business to access the bank loans. The study findings corroborate with literature review by Rosner (2012) who established that the collateral requirements are highly dependent on credit uptake among the SMEs in Kenya.

Credit Uptake Among Construction Retail SMEs

It was notable that there existed strong positive relationship between the indepedent variables (bank interest rates and collateral requirements) and depedent variable (credit uptake among construction retail SMEs). This therefore means that other factors not studied in this research contributed credit uptake among construction retail SMEs. This implied that these variables were very significant therefore need to be considered in any effort to boost credit uptake among construction retail SMEs in the study area. The study therefore identified the variables as critical factors of bank lending policies on credit uptake among construction retail SMEs.

Conclusions of the Study

Based on the study findings, the study concluded that credit uptake among construction retail SMEs in Kenya was affected by bank interest rates followed by collateral requirements and they were the major factors that mostly affected credit uptake among construction retail SMEs in Kenya. The study concluded that bank interest rate was the first important factor that affects credit uptake among construction retail SMEs.

Collateral requirements were the second important factor that affects credit uptake among construction retail SMEs. This implies that increasing levels of collateral requirement by a unit would decrease the levels of credit uptake among construction retail SMEs. This shows that collateral requirements has a negative influence on credit uptake among construction retail SMEs

Recommendations of the Study

The study recommends that acquiring loans from the bank, the businesses need to be supported in terms of lowering the current bank interest rate which is a hindrance for the business acquiring loans. The bank interest transaction costs need to be lowered to increase credit uptake of their business. The collateral requirements are a major hindrance to the businesses accessing credit from the financial institutions. The firms need to be encouraged to have own capital savings to start their business and the government policy should enable the banks to require collaterals to start their business.

There is need to have banks credit policies that are conducive for the process of awarding credit to the business, the credit control policy in the process of giving credit to the business since the credit appraisal process is tedious. The policy sets the rules to obtain the credit including repayment arrangements and necessary collaterals are tedious. The financiers offer incentives to its clients in the credit appraisal process to encourage them to access funds for their business. The methods of assessment and evaluation risks of applications should not be tedious to encourage credit uptake.The businesses should enforce the e- credit access guidelines. The Manuals and Legal Notices provide guidance to the credit uptake plan process. The organizations should use standard credit uptake plan information available.

The study is a milestone for further research in the field of credit uptake among construction retail SMEs in Africa and particularly in Kenya. The findings demonstrated the important factors to credit uptake among construction retail SMEs to include; bank interest rates, collateral requirements, credit appraisal process and credit information sharing. The current study should therefore be expanded further in future in order to enhance credit uptake among construction retail SMEs. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other organizations in Kenya and other countries in order to establish whether the explored factors can be generalized to credit uptake among construction retail SMEs.

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