EFFECT OF MICRO-FINANCE CREDIT REQUIREMENTS ON THE LEVEL OF CREDIT UPTAKE OF SMALL SCALE ENTERPRISES IN NAIROBI COUNTY, KENYA

BY

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other college, institution or university for examination / academic purpose.

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Declaration by the University Supervisor

This Research Project has been presented for examination with my approval as the KCA University Supervisor

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DEDICATION

This research project is dedicated to my loving and supporting wife Caroline Akinyi who has been shoulder to lean on and my two children Angel Moraa and Clayton Maluga whom in the hardest of times has given me the support needed and enabled me to complete my degree.

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My sincere thanks to the Almighty God for guiding and enabling me to work on this Research Projects and gain academic insight to this very topic.I also thank my supervisor Ibrahim Tirimba, my supervisor who has accorded me support, motivation and guidance during the proposal. Your outstanding capabilities as lecturer will always be remembered.Finally, this study is dedicated to my family and friends who acted as a source for motivation.

Contents

DEFINITION OF TERMS

Collateral : is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default (Newbery, 2006).

Financial information :provides information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions (Millinuex, 2007)

Financial Markets :these are pillar of civilized society, supporting people in their productive ventures and managing the economic risks they take on (McClelland, 1965).

Interest Capping :is an interest rate ceiling (also known as an interest rate cap) is a regulatory measure that prevents banks or other financial institutions from charging more than a certain level of interest (Mbonyane, 2011).**Interest rate** is the rate at which interest is paid by a borrower for the use of money that they borrow from a lender. Interest rates are normally expressed as a percentage of the principal for a period of one year (Mbonyane, 2011).

Small Micro Enterprises : Currently there are three broad parameters which define Small scale enterprises micro-entities are companies with up to 10 employees; small companies employ up to 50 workers, whilst micro-sized enterprises contain up to 250 employees Keister, (2008).

LIST OF ABBREVIATION AND ACRONYMS

F	:Frequency
MFIs	:Micro-Finance Institutions
Kshs	:Kenya Shillings
FSD	:Financial Sector Deepening
KNBS	:Kenya National Bureau of Statistics
SME	:Small Medium Enterprises
OECD	:Organization for Economic Co-operation and Development

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ABSTRACT

This study sought to establish the effect of micro-finance credit requirements on the level of credit uptake of small scale enterprises in Nairobi county, Kenya. The study was guided by three objectives which are to determine the effect of micro-finance interest rates, to evaluate the effect of micro-finance credit repayment duration, and to assess the effect of micro-finance collateral requirements on the level of credit uptake of Small Scale Enterprises in Nairobi County, Kenya. Some theories used to support the objectives included financial inclusion theory, imperfect information theory, and financial intermediation theory. The study used descriptive research to collect data; open and closed questionnaires were in the collection of data. The target population was 21,000 small scale enterprises out of which only 56 were sampled but only 48 questionnaires were used in the actual study of the research. To enhance validity the questionnaire was reviewed by the project supervisor. The researcher thereafter analyzed the data through sorting and editing of the questionnaire to avoid errors. MS excel was used to help in data entry and to spot any inconsistency. It was found out that the objective of the study affected the uptake of loan by the small scale enterprises. The study found out that interest rates had great effect to the level of credit uptake by SMEs and that if the interest rates were high then the uptake was low, credit payment duration affected the repayment rate of uptake; if the duration was longer then SMEs would opt for credit uptake than MFIs which offered short repayment period. The study found that collateral requirement was a major hindrance to SMEs taking up the loans. The study recommendation enabling environment for small scale enterprises to grow and thrive, therefore there is a need to develop strategies to enhance increased access to microfinance credit for small scale enterprises from commercial banks and other financial institutions and government to set up policies that will ease microfinance credit to small scale enterprises research. The study suggested for other areas to establish how interest rate, collateral requirement and credit repayment duration affects the profitability of the small scale enterprises and their operations.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and Micro Enterprises are imperative in advancing monetary development, intensity, business, advancement, and in making new employments (Habibulla, 2010). At present there are three expansive parameters which characterize small scale enterprises. Smaller scale substances are organizations with up to 10 representatives; little organizations utilize up to 50 specialists, while miniaturized scale examined undertakings contain to 250 workers (Wickham, 2008). There is a growing number of empirical studies on small and micro enterprises and the difficulty of small scale enterprises financing. Certainly, many researchers and policy makers have shown an increasing interest in this area in recent years (Kyaw 2008, Shen, Xu, & Bai, 2009). Numbers of studies have revealed that in all economies small scale enterprises are perceived as a growth engine.

Lack of access to credit is a major constraint inhibiting the growth of small scale enterprises sector. The issues and problems limiting small scale enterprises acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to small scale enterprises (Richard, 2008). Limited access to formal finance due to poor and insufficient capacity to deliver financial services to Small scale enterprises continues to be a constraint in the growth and expansion of the sector. Formal financial institutions perceive small scale enterprises as high risk and commercially not viable and as a result only a few small scale enterprises access credit from formal financial institutions (Raphael, 2012).

1.1.1 Microfinance Credit Requirement

Credit access is influenced by of several factors and some of these factors include interest charged, collateral security, number of financial institutions just but to mention a few.

Firstly, interest rates as a cost of the loan have a significant effect on a company's growth plans. They not only affect loan payments, but they also have an impact on an enterprise funding (Ndung'u, 2014). High interest rates reduce business earnings which ultimately hinders the business capacity to grow and also affect a business cash flow in that one has to set aside more money to repay the loans. This in turn reduces its disposable income hence affecting ability to pay its other creditors. Interest rates affect business planning in a way that it affects their projections in terms of profits and growth.

Secondly, collateral refers to an asset that a borrower uses to secure a loan from the lender. A lender gets a fall back in case of default where they can dispose the asset to recover their money. Kung'u (2013) noted that secured loans are seen to have a low risk of default hence they are charged a lower interest. Most Small scale enterprises' do not have tangible assets that they can use to secure their loans hence their borrowing is limited. Or sometimes in the projections of small business scale people, businesses do not turn as expected and they end up losing one of the important assets.

Thirdly, the number of financial institutions offering credit in an economy has an impact on the overall growth of an economy. As observed by Schoof (2006), an inadequate number of financial institutions offering credit services to small scale enterprises would constrain development of the industries. When number of small scale traders is many whilst the financial institutions with the services customized to them are few (demand exceeds supply) the price of the loan will be high therefore not affordable and hence low uptake by Small scale enterprises.

1.1.2 Level of Microfinance Credit Uptake

Credit uptake is the ability of potential applicant to have access loans from a given financial institution or market. Credit uptake is a function of collateral, the ability to pay, availability of liquidity, the rate of chargeable interest and the ability to handle the challenges of the lending institutions. These are the main factors affecting loan uptake in financial institutions (Micah & Gibbs, 2013). One of the factors that the government came up with to facilitate uptake was the capping law. Having access to credit is essential for small scale enterprises for their growth and sustainability.

1.1.3 Small Scale Enterprises in Nairobi County

Small scale enterprises are businesses with five or less employees and are normally privately owned corporations, sole proprietorship or partnership that has fewer employees that earn less that 5million annually turnover (KNBS, 2016). Businesses are termed as small when they can apply for government support and have preferential tax depending on the country or industry. Just like any other developing countries, Kenyan economy is driven by the small scale enterprises, recent report concluded that 98% of the economy in Kenya is driven by the small scale enterprises and it creates 30% of the jobs annually in Kenya (KNBS 2016).

Nairobi County is one of the major hosts of small scale enterprises and these ranges from many business activities. Even with then government initiatives to facilitate its growth and regulation small scale enterprises in Kenya, are still facing a lot of challenges in credit uptake to facilitate its operations and cash flow. According to a report done by Delloitte (2016), are hindered by inadequate capital, limited market access to the market which have been dominated by the big companies, poor infrastructure, inadequate knowledge and skill and the rapid changes in technology. Corruption and unfavorable environments are other factors that are a challenge this vital sector of the economy. A report by KNBS (2016), reported that most of the micro, small and medium enterprises do not celebrate their second birthday because of the challenges, especially finance and regulation that stunts their growth.

1.2 Statement of the Problem

The money related issues of Small scale enterprises are the underlying driver for the various issues confronted by the small scale enterprises part. The little and small scale industrialists are for the most part obliged as far as financing because of insufficient modest credit. They fall into the grasp of cash loan specialists who charge high rates of enthusiasm, as an option they get from the merchants of their merchandise, who abuse them by convincing them to offer their items at low costs.

Small scale enterprises, in Kenya experience issues in development because of absence of back. They scarcely develop past start-up stage, others leave business at an early stage (Berger 2006). Despite the Small scale enterprises importance in the Kenyan economy, Sessional Paper No. 2 of 2005 indicates that three out of five businesses fail within the first three years of operation (RoK, 2005). The failure of Small scale enterprises leads to loss of jobs and consequently increased insecurity, low liquidity in the economy, and decline in economic growth (OECD, 2009). Failure of small scale enterprises has been linked to the failure of access credit from microfinance institutions. There might be numerous credit requirements which the small scale enterprises are not able to meet.

Gichuki *et al.* (2014), researched on challenges facing micro and small enterprises in Kangemi market. Karanja, Mwangi and Nyakarimi (2014) analyzed the factors influencing access to credit by empowered women in Kenya. Haron, Said, Jayaraman and Ishmail (2013) did a study on factors influencing SME in obtaining loans. This studies have not conclusively studied the effects of microfinance credit requirements on the level of credit uptake of small scale enterprises in Nairobi county, Kenya. Therefore, it is through this background that this study aims to fill the existing gap buy determining the effects of microfinance credit requirements on the level of credit uptake of small scale enterprises in Nairobi County, Kenya.

1.3 Research Objectives

1.3.1 General objective

The general objective of this study was to determine the effect of Micro-finance Credit requirements on the level of credit uptake of Small Scale Enterprises in Nairobi County, Kenya

1.3.2. Specific Objectives:

1. To determine the effect of interest rates on the level of credit uptake of Small Scale Enterprises in Nairobi County, Kenya

2. To evaluate the effect of credit repayment duration on the level of credit uptake of Small Scale Enterprises in Nairobi County, Kenya

3. To assess the effect of collateral requirements on the level of credit uptake of Small Scale Enterprises in Nairobi County, Kenya.

1.4 Research Questions

1. What effect does interest rate levels have on rate of credit uptake of small scale enterprises from micro-finance institutions in Nairobi County, Kenya?

2. What effect does credit repayment duration have on the level of credit uptake of small scale enterprise from micro-finance institutions in Nairobi County, Kenya?

3. To what extent does collateral requirements have effect on the level of credit uptake by small scale enterprises form micro-finance institutions in Nairobi County, Kenya?

1.5 Significance of the Study

1.5.1 Government

The findings of the study was of importance to the government. It assisted in

setting up specific management policies that enhance effectiveness of credit uptake by small scale enterprises seamlessly. Potential investors in the micro finance sector as well as entrepreneurs willing to start small scale enterprises shall find this study relevant to them.

1.5.2 Scholars and Researchers

This study helps be able to help academicians and future researchers in many ways. Future researchers find source of literature review especially for people who will be doing research in this line. Hence future researchers have an opportunity to confirm and disconfirm the findings of this study.

1.5.3 Management of Small Scale Enterprises

This study helps with the management of small scale enterprises and how they can be able to use credit to their advantage and grow to their full potential that is Multi-level Corporation. Small scale enterprises can know the factors that hinder their credit-worthiness and how to overcome it.

1.6 Justification of the Study

The members of small scale enterprises were the ones benefiting the most because they are the focus of this study. Given that their goals and plans need to be understood in order for them to have access to credit without one disadvantaging the other. This study also helps benefit the government in establishing policies that will be important for micro- finance institutions and small scale enterprises to work together so that they can have good relations in terms of credit uptake and repayments. The researchers and scholars will find useful knowledge in the gap addressed by this research through the general and specific objectives. It helps scholars especially in Kenya would find this research as a contributor to the body of knowledge.

1.7Scope of the Study

The scope of the study was owners and employees of Small scale enterprises operating in Nairobi Central Business District, Nairobi County and aimed at investigating the effect of microfinance credit requirements on the level of credit uptake of small scale enterprises in Nairobi county and their growth. This study was done within May to August. And considered with years 2015-2019.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The entire chapter reviews the literature related to the key study variables as depicted in the conceptual framework. Prior to empirical the section reviews three theories which show credit access can be influenced by several factors has been evaluated. The chapter also looks into the linkages in addition to establishing the existing relationships amongst these variables. Empirical studies related to the study variables will be reviewed in the chapter in order to lay down ground for research.

2.2 Theoretical Review

This section looks at the various theories that relate to access to credit by Small scale enterprises which include financial inclusion theory, imperfect information theory and financial intermediation theory.

2.2.1 Financial Inclusion Theory

This theory observes that there is a process of ensuring access to appropriate financial services and products needed by all sections of the society including the vulnerable groups such as low income groups, women, and the disable at an affordable cost, in a fair and transparent manner, by mainstream financial services providers (Chakrabarty, 2011).

Kempson *et al*. (2014) report that financial exclusion is most prevalent amongst people on low incomes. Unemployed people living on social security payments provided by the state are more vulnerable and also low income households from minority communities who may have relatively low levels of interactions with the financial services industry. Evidence from Family Resources Survey 2002-2005 supported Sammy (2014) report that uptake of financial products and services are lowest amongst African-Caribbean, Black, Pakistani and Bangladeshi households in UK.

Financial inclusion then becomes one of the core activities for a country to have a diversified growth and microfinance has tried to facilitate this kind of inclusion financially. In addition to that, according to Angadi (2003), has argued that, a well financial infrastructure is largely encouraging economic development in all sectors and regions in the country. This result has been supported by North (1990) verified that, more and well financial institutions in a given region has a better opportunity to enjoy economic growth. Likewise, Odedokun (1998) demonstrated that in real terms the growth of financial aggregates confirms a positive result on growth in developing nations regardless of the level of the economic development. Moreover, financial inclusion is a strategic way and plays a strong way toward improving the livelihood of poor farmers and rural enterprises alongside with different issues of financial inclusion. It shows that there are indeed large benefits from extending the financial market access and micro finance is one of the ways in Kenya to bridge the gap of credit access to small businesses.

Basically, the discussion on the level of financial inclusion is varies and inconclusive. The World Bank (2005) distinguishes between those who are formally served‘ that is those who have access to financial services from a bank and / or other formal providers and those who are financially served‘ who also include 25 people who use informal providers. Conversely, the term financially

2.2.2 Imperfect Information Theory

Information imperfection occurs when one party to a transaction has more and timely information than another party. This imbalance can cause one party to enter into a transaction or make costly decisions. According to Lofgren *et al.* (2002) information asymmetry is a common feature of any market interactions for example the seller of a good often knows more about its quality than the prospective buyer while a borrower knows more than the lender about his creditworthiness. Among the pioneers of this theory was Lofgren *et al*. (2002) who demonstrated how imperfect information can produce adverse selection in the markets. He argued that when a lender or a buyer has imperfect information, a borrower with weak repayment prospects or a seller of low quality may crowd out everyone else from their side of the market thereby hindering mutually advantageous transactions.

Robinson (2011) observed that this theory assumes that banks can't effectively differentiate between high risk and low risk loan applicants. The theory further argues that mainstream financial institutions are unable to compete successfully with informal lenders because such lenders (informal lenders) have access to better information about credit applicants than formal institutions have. The theory suggests that it would be difficult for banks to operate profitability in developing countries credit markets and to attain extensive outreach. Based on this theory, it would therefore be difficult for economists, policy makers, bankers, donors, financial analysts, donors and government decision makers to advocate for entrance of commercial banks into micro credit markets.

Informational imperfection in credit markets or borrowing constraints tends to amplify the impact of policy intervention. Greenwald (2005), suggest that by changing the financial position of credit constrained individual or organizations, the economic shocks will have significant effect on the economic behavior. This theory therefore assists in determination of applicants of loanees who have a high and low risk and how microfinance institutions can minimize risk coming from the small scale enterprises and yet make reasonable profits from their end.

2.2.3 Financial Intermediation Theory

This financial intermediation theory was developed by Mises (1912) who described the process where surplus units (savers) give funds, i.e. through deposits, to intermediaries who include financial institutions such as banks, credit unions, mutual funds and insurance companies) who in return channel out the funds to deficit units (spenders or borrowers) (Saunder & Cornett, 2011). Financial intermediation therefore refers to the transfer of funds from entities with surplus to entities with deficit through financial intermediaries (Andries, 2009). Financial intermediaries can therefore be described as the financial institutions specialized in buying and selling of financial capital. Gorton and Winton (2003) describe it more; financial intermediaries borrow from surplus entities and lend deficit entities. The borrowing and lending groups are large and this enhances diversification on each side of the balance sheet, and that the claims issued to the borrowers and to the lenders have different state contingent payoffs.

Schumpter (1911) supports the theory of financial intermediation by suggesting that efficient and well-functioning financial intermediaries enhance the overall economic growth through enabling the pool and allocating funds. Also he suggested that financial intermediation also promote innovation and entrepreneurship which are essential development for economic growth. This theory is relevant to this study for suggestion of the financial sector to act as an intermediary to enhance cash flow which increases liquidity and supports cash flow of small scale enterprises in Kenya. Intermediation of financial institutions facilitates the growth of small scale enterprises which in the long run has a ripple effect to the economy.

2.4 Empirical Review

Mwongera (2014), studied the impact of interest charged for access to credit by young women entrepreneur in Athi River, Machakos County. He used regression analysis to analyze the primary data collected from questionnaires distributed to 214 young women and 18 microfinance institutions in the region. Access to credit was measured by the uptake of loan, number of clients granted loan, microfinance offering credit and effectiveness of credit service. On the other side, interest charged was measured as per the amount borrowed, duration of payment, consideration of business nature and penalty for delay in repayment. The study found a significant positive relationship in the two variables. Further findings found that most of the participants were of the opinion that interest plays greater extent to credit accessibility. The researcher did not try to establish the rate determined by the combination of the interest charged and collateral though it was found to be intertwined.

Using correlation analysis Muratha (2015) examined effects of interest rate on credit access by young entrepreneurs in Family Bank Limited. He collected data from 220 respondents through open-ended and close-ended questionnaires which were distributed by a stratified sampling method based on the segments of classification as per the business type.

The researcher adopted descriptive survey research design. It was found that there was an insignificant positive relationship between the two variables-interest rate charged and credit accessibility. His choice of research design was appropriate for the study since the data collected was both structured and semi structured. Use of stratified sampling was also appropriate since the data needed to be representative of all the business segment.

(Kung'u 2011) conducted a survey in Westlands town, Kenya to examine factor affecting credit access to Small scale enterprises. Data was collected using 115 questionnaires. Participants were randomly selected from 6 sectors, namely industrial, technology, electrical, shopping, building and travel. This study found that start up business (those under 3 years) was faced with credit access, setbacks due to lack of collateral and information.

2.4.1 Interest rates and level of credit uptake

Demand and supply of funds offered as credit by financial institution is primary determinants of interest rates and its resultant effect on credit demand and uptake. Microfinance institution act as brokers linking savers to borrowers more so the ones deemed not able to take up loans and repay. Interest rate is determined by the price borrowers are prepared to pay and lenders ready to accept. On the demand side of the market, it can be safely said that the demand for credit and therefore uptake is a derived demand (Pretell & Brueggeman, 2010). Profitability reported by micro finance institution is attributed to the interest rate spread. (Pyle 1971) argues that the larger the range between deposits volumes and credit book, the easier it is for MFIs to carry out their intermediation role.

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 and businesses including SMEs 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 to SMEs. When interest rates are low, businesses are more likely to take loans out of the bank so that they can pay for their operational expenses. 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 businesses do not have to spend as much money on bank payments, they have more disposable income to put toward things they want to purchase and invest. 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 (Berger, 1995).

Experts have agreed that high interest rate of repayment make it difficult for the financially excluded like the small scale enterprises to pay back. While some studies have different opinion on interest rates, there is lack of broad studies to draw a conclusion. (Fernando 2006) asserted that financial institutions justify the charging of high interest rates and operational costs while advancing small loans which are not feasible for doing business with especially for the SMEs. Fluctuation of interest rates has been the cause of making the economy grows slow because the business people are not sure of the expected rates by the time they want to pay back the loans.

2.4.2 Credit Repayment Duration and Level of Credit Uptake

Loan repayment is one of the determinants of how well the MFIs are doing and operating. The length period of MFIs repayment is quite a long duration of time and thus why the small scale enterprises opt for such sources of finances. Study done in Ethiopia by (Sileshi *et al*, 2012) on factors affecting loan repayment performance of small holders farmers found out that small holders farmers within the study area source their credit from both formal and informal credit institutions. Multi stage sampling technique was used and a two limit habit regression model was employed to identify the factors that influenced loan repayment. The study found out that agro ecological zone, off farm activities and technical assistance positively influenced loan repayment and uptake.

According to Oke *et al*. (2007), when evaluating a small business for a loan, lenders ideally like to see a two-year operating history, a stable management group, a desirable niche in the industry, a growth in market share, a strong cash flow, and an ability to obtain short-term financing from other sources as a supplement to the loan. Most lenders will require a small business owner to prepare a loan proposal or complete a loan application. The package of materials provided to a potential lender should include a comprehensive business plan, plus detailed company and personal financial statements.

The lender will then evaluate the loan request by considering a variety of factors. For example, the lender will examine the small business's credit rating and look for evidence of its ability to repay the loan, in the form of past earnings or income projections (Copisarow, 2000). The lender will also inquire into the amount of equity in the business, as well as whether management has sufficient experience and competence to run the business effectively and thus be able to determine the duration that the small scale enterprises will pay at.

Khan and Ahmed (2001) argued that some banks factors that related to risk management structures put in place by banks were to blame for loan defaults. These banks factors include tax procedures used in credit risk assessment. Negligence in monitoring loan defaults, insider loans, lack of trained personnel and unaggressive credit collection methods. According to (Chijoriga, 1997) awarding credit is a journey, the success of which depends on the methodology applied to evaluate and award the credit. This journey starts from the application for credit through acquisition of credit sales and ends at the time the debt is fully paid.

Numerous approaches have been developed for incorporating risk into the decision making process by lending organizations such as MFIs. They range from relatively simple methods such as the use of subjective or informal approaches to the use of fairly complex methods like the computer simulation models (Lino, 1999). Many lending decisions by the financial institutions are based on the decision makers' subjective feelings about the risk in relation to the expected repayments of the borrower. Lending institutions commonly use this approach in decision making because it is both simple and inexpensive (Payner and Redman, 2002).

2.4.3 Collateral Requirement and level of credit uptake

Collateral is one important factors that microfinance institutions have been with when issuing loans. A study by Wafusla (2008) indicates that land-related assets are the most utilized as collateral in Kenya. Land system in Kenya has its unique challenges, making clearing of the said asset quite slow and costly. For example to create and perfect a building in the capital city of Nairobi as collateral for a loan of Ksh.10,000,000, it will cost a total of Ksh.577,995 or 5.78% of the loan amount and sixty working days (FSD-Kenya 2009), this will lead to a long for the loan to be approved. This in turn erodes the value of the loan advanced against such collateral because lenders transfer all the related financial and time costs to the borrower. Although there are measures being implemented by various stakeholders to remove these inefficiencies, they are likely to take a longer period to bear outcome and cannot promise an immediate solution to the policy concern of high cost of credit in the country.

Berger (2006), further indicates that collaterals are used as a mechanism to reduce equilibrium credit rationing and other problems that arise due to asymmetric information between borrowers and lenders. However, as Berger et al (2006) observe, if it would be possible to shrink the information gap between borrowers and lenders, then this would lower the incidence of collateral. Besides, increases in a firm's collateral value relax the credit constraint faced by the firm, enabling the firm to borrow more (Chen & Wang, 2006). Berger et.al, (2011) noted that the lender selection effect appears to be especially important for outside collateral, the "risk-shifting" or "loss mitigation" effects for liquid collateral, and the "borrower selection" effect for no divertible collateral. The study also document that the lender selection effect is particularly strong for residential real estate collateral and that the risk shifting effect is important for pledged deposits and bank guarantees.

The lender has the right, if you default on the loan, to obtain the collateral from you in lieu of payment (Baker, 2009). The research further claims that there are a various things that can be used as collateral. These include equipment, accounts receivable, business inventory fixed assets like cars, houses (Wallace, 2013) and gold (Belke et al., 2013). Leitner (2006) defines inside collateral as to the case where the borrowing firm pledges assets it owns, such as machines and inventories. The debt contract contains a bankruptcy clause that defines the project's assets as the inside collateral of the contract. This clause enables the creditor to seize the firm's assets in the event of default. Elsas and Krahnen (2002) found out that inside collaterals not only define priority over future cash flows of the firm among lenders, but also providing incentives and/or valuable information for monitoring. Cadot (2011) observed that while collaterals may reduce the risk of overinvestment by entrepreneurs and so reduce the risk of repayment default, contracting collaterals may lead the bank to reduce the monitoring effort. For a long time, collateral has been one of the most widely-used features of debt contracts which in effect has impact to the repayment of the loan. The SMEs take loans soberly knowing that if they do not abide by the rules, they might end up losing an important assets that might set them back big time.

2.5 Conceptual Framework

This framework illustrates the linkage between dependent and independent variables in the Study Mugenda and Mugenda, (2003). In this study, the independent variables are interest rates charged, number of lending institutions, collateral security and literacy levels while the dependent variable will be access to credit. Figure 2.1 shows us the conceptual framework:

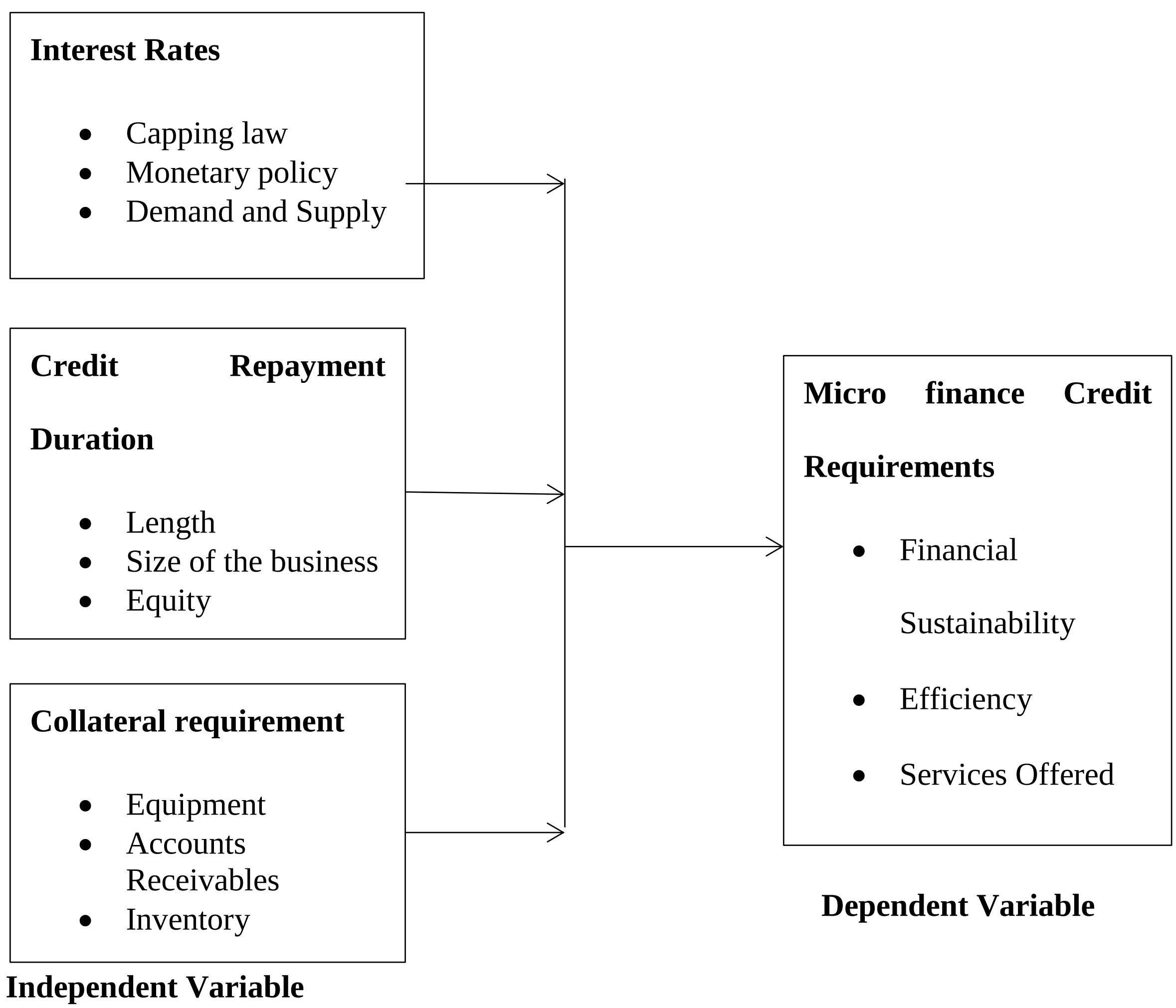


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the logical framework that was used to carry the study. This includes the research design adopted for the study, target population, data collection tools and techniques used to data analysis and presentation. This research methodology aimed at enabling the researcher to obtain the data, process and interpret it.

3.2 Research Design

Kerlinger and Lee (2000) viewed research as a strategic plan which aims at answering the research questions with minimal deviations. In the current study descriptive research design was used (Mugenda & Mugenda 2009). Research design was not limited to a particular type of research and may incorporate both quantitative and qualitative analysis (Kombo 2012). The design will be appropriate for the current study since it seeks to examine the factors influencing credit access among Small scale enterprises in Nairobi County.

3.3 Target Population

Population refers to the total collection of elements about which one wish to make some inferences (Cooper & Schindler, 2003). It was recorded that Kenya has 50,043 small scale enterprises which are licensed, out of this only 21,100 small scale enterprises are in Nairobi (KNBS, 2016). The target population will comprise of all the 21,100 small scale enterprises in Nairobi County. This study targeted credit or finance department in each small scale enterprises.

3.4 Sample and Sample Procedure

A sample size alluded to small group gotten from the open populace, which was chosen precisely to be an agent of the entire population with important qualities Mugenda and Mugenda (2003). Since the population of the study was too wide, the sample study was arrives at using this formulae (Kothari 2004).

$n = NC^2/ C^2 + (N-1)e^2$

Where n is the sample size, N is the population size, C is the coefficient of variation which is < 30% and e is the margin of error which is fixed between 2-5%. The study sample will be calculated at less than 30% coefficient of variation which was 15% and 2% margin of error.

$n = 21100*(0.15)^2 / 0.15^2 + (21100 - 1)0.02^2$

The sample frame gave a total number of 56 small scale enterprises using a random sampling technique from the population identified. This number was considered appropriate for sampling because of the time and resources constraints considering the data collected is not from a homogenous group.

3.5 Data Collection

The study used primary data. Primary data was collected using structured questionnaires with both open and closed since they are effective in collecting data within a shorter time.

A total of 56 questionnaires was given out to individuals to fill.

Prior to the data collection the researcher personally visited the Small scale enterprises and notifies the owners of the intention to carry out the research. A questionnaire is free from interviewer's biases and can be administered to a large number of respondents (Kothari 2009).

3.6 Data Analysis

This involves interpreting data collected from respondents once the questionnaires and recordings of the secondary data have been completed and collected from each respondent. With the help of spreadsheets, the results was compiled by use of data editing, data sorting, and data coding to develop relationships. Data collected was analyzed qualitatively and quantitatively to describe and summarize the findings. The study used frequency tables and graphs to present the data.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

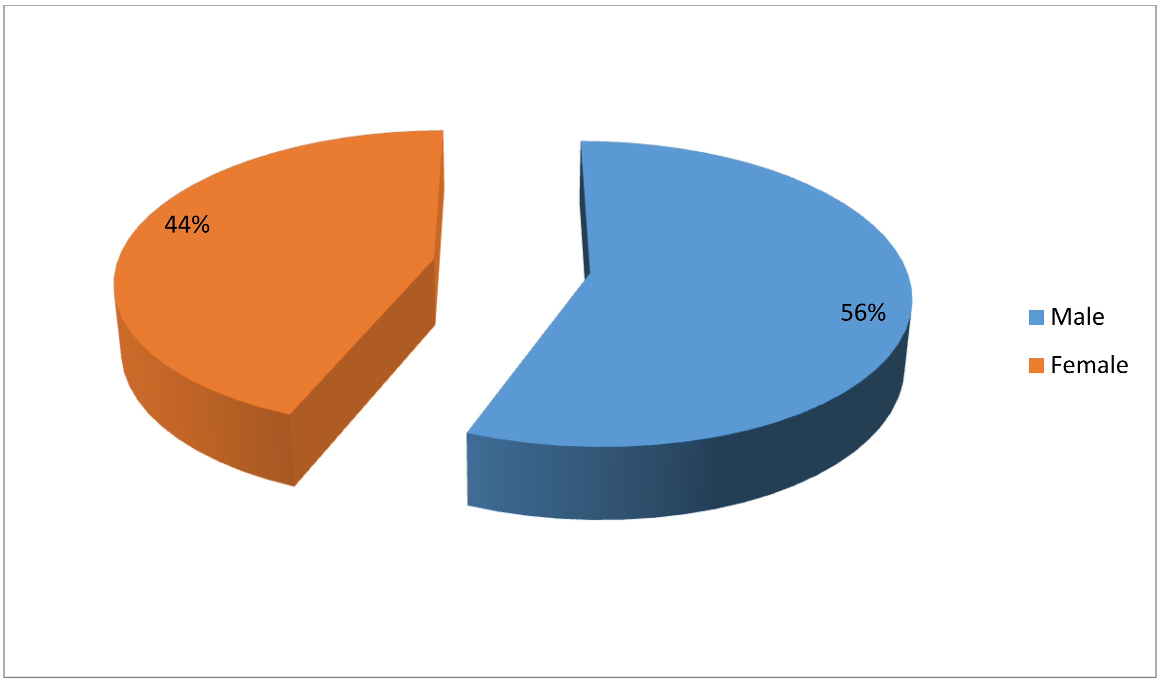
This chapter presents analysis and presentation of the study as set out in the research objectives and methodology. The study interpretation and discussion are presented on the perception of different small scale enterprises. This study utilizes primary data, which was gathered from the analysis of questionnaire distributed to the various respondents. Descriptive analysis were used to analyze the data collected.

4.2 Response Rate

Out of the total 56 questionnaires were issued to the respondents from the selected small scale enterprises in Nairobi County, only 48 which is 84% were answered and returned and could be used for data analysis, while 8 which is 14% of the questionnaire were not returned. A response rate of 84% is adequate enough for this type of study since a rate of 50% and above is viable for data study and analysis (Mugenda & Mugenda 2003).

4.3 General Information

4.3.1 Gender

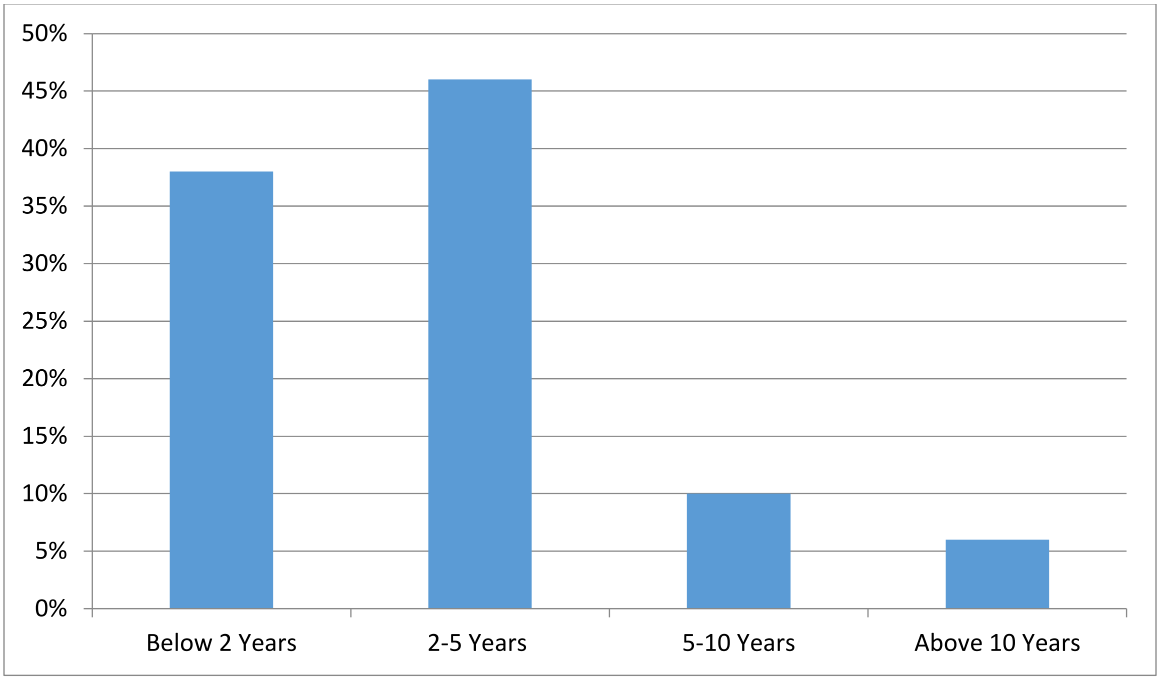


Source: Author (2019)

Figure 4.1 Gender

The figure 4.2 below shows the gender of the respondents who were involved in the research as shown. Males dominated the response of 56% (f=27) and female were 44% (f=21). This implied that the gender presentation was fair in this study.

4.3.2 Time worked in the sector

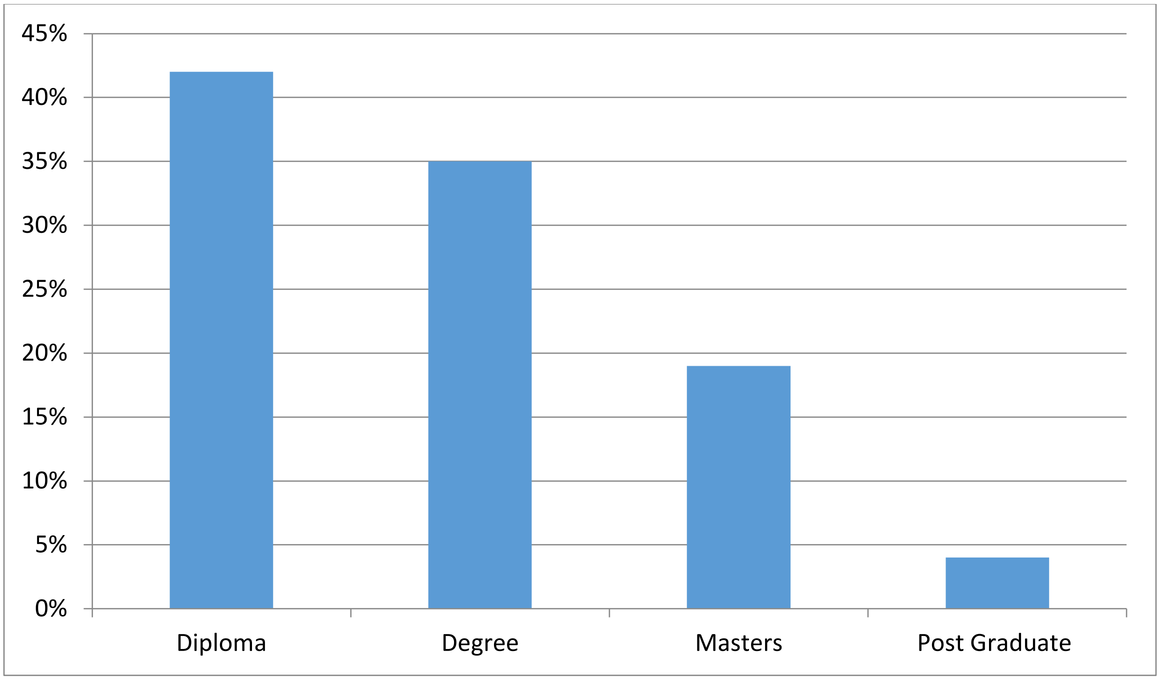


Source; Author (2019)

Figure 4.2: Time in the Sector

The figure below shows the time the small scale enterprises have been in the existence in the sector. In relation with the findings, it established that 46%of the enterprises had been in existence for 2-5 years, 38% claimed to have been in operation for less than two years, only 10% had been in existence for more than 5 years and 6% had been in operation for more than ten years. This further implied that most of the small scale enterprises lived for more than 2 years and this was in contradiction with the benchmark for small scale enterprises that for constant profits and long term duration the business must at least get to the 5th year of operation. This implies had good experience to respond to the study questions

4.3.3 Level of Education of the respondents



Source; Author (2019)

Figure 4.3: Education Levels

The figure above showed the level of education of the respondents and it established the level of education of the respondents in the small scale enterprises. 42% of the respondents had attained diploma as the highest level of education, 35% had attained degree as highest level of education, 19% had master's qualification and 4% had post graduate qualification. This showed that all of the respondents had good level of education and thus they could respond favorably to the study questions.

4.4 Interest rate and Level of Credit uptake

This section sought to determine the effects of interest rates to operations of the small scale enterprises. The key determinants will range from 1-5 point scale (Likert). Whereby 5-strongly agree, 4-Agree, 3- Neutral, 2- Disagree and I Strongly Disagree

Table 4.1 Interest Rate and Credit Uptake

statement	**SA**	**A**	**N**	**D**	**SD**
a) Higher interest rate signifies low borrowing capacity.	27 (56%)	10 (21%)	8 (17%)	2 (4%)	1 (2%)
b) When interest rate fluctuates means low uptake of credit.	18 (37%)	15 (31%)	7 (15%)	4 (8%)	4 (8%)
c) Moderated interest rates enable us to borrow as we will be able to repay.	17 (35%)	20 (42%)	5 (10%)	4 (8%)	2 (4%)
d) Our Increased investment is as a result of flexible repayment terms due to rates charged.	15 (31%)	10 (21%)	10 (21%)	10 (21%)	3 (6%)
e) When there is low uptake of credits from financiers, our investments is rendered futile due to rates wave.	8 (17%)	10 (21%)	20 (42%)	4 (8%)	3 (6%)
f) Interest rates charged by different MFI's helps us to choose the best to apply credit from hence our business blossom.	30 (63%)	9 (19%)	4 (8%)	3 (6%)	2 (4%)

56% and 21% strongly agreed and agreed respectively that higher interest rate results to low borrowing capacity 17% were neutral and 4% and 2% disagreed and strongly disagreed respectively. This further implied that that if the interest rate went higher then the rate of borrowing went low because of the cost of servicing the loan and this agreed with other studies done that experts have agreed that high interest rate of repayment make it difficult for the financially excluded like the small scale enterprises to pay back (Pyle 1971).

Fluctuation of the interest rate meant low uptake of loans, 37% strongly agreed to this and 31% agreed. This suggested that most of the respondents in the small scale enterprises avoided borrowing if the interest rate were not stable because the cost could be high or low depending on the market demands which in effect will hinder the small scale enterprises to make their projections in the future as researched by this means that banks/ MFIs may find themselves having to lower the interest rates accrued on money deposited in the bank in order to maintain a steady profit (Berger, 1995).

35% and 42% strongly agrees and agreed respectively to the fact that moderate interest rate enabled them to pay cause they could service the loan and pay it back. And about 8% and 4% were not in agreement with the statement that when interest rates are moderated then it helped them make significant profits as they pay back the principle and cost of the loan.

The increased investment in the small scale enterprises was attributed to the flexible interest rate by the micro finance institutions and this was supported by 31% and 21% of the respondents. This further implied that if the small scales were given flexible repayment rates then they would take up the loans for investment in their businesses because this will be established by the economic conditions prevailing at the time which was in line with the studies made by other researchers.

42% of the respondents were neutral that low uptake of credit from the financiers, their investment is rendered futile due to rates wave. 17% and 21% strongly agreed and agrees respectively while 8% and 6% disagreed and strongly disagreed respectively. This implied that small scale enterprises were not sure if low uptake of credit rendered their investment not substantial. In the other studies made that low uptake of credit affected the MFIs in such a way that the lack of economies of scale had low returns and this made the small scale traders meaningful in the investments hence rendered futile.

Most of the respondents were in agreement 63% and 19% strongly agreed and agreed respectively that the different interest charged with the different MFIs gives them variety and hence choses depending on what favors them. This is one of the competing factors of the MFIs, the services offered and the rate of interest charged to the small scale enterprises which make them feel inclined to some MFIs because of the interest charged.

4.5 Credit Repayment Duration and Level of Credit Uptake

This section sought to determine the effects of credit repayment and level of credit uptake to operations of the small scale enterprises. This was done through the questionnaire issued. The key determinants will range from 1-5 point scale (Likert). Whereby 5- strongly agree, 4- Agree, 3- Neutral, 2- Disagree and I Strongly Disagree

Table 4.2 Credit Repayment Duration and Credit Uptake

statement	SA	A	N	D	SD
a) Short credit repayment time, does not give us time to gather calibrated profit.	20 (42%)	15 (31%)	7 (15%)	4 (8%)	2 (4%)
b) When the repayment duration is prolonged it helps us to plan on how to repayment with ease.	27 (56%)	12 (25%)	7 (15%)	1 (2%)	1 (2%)
c) Prolonged repayment time makes us lazy in planning on how to repay hence we forget about it.	2 (4%)	3 (6%)	10 (21%)	6 (13%)	27 (56%)
d) Adequate time for repayment enables us to investment more so as we repay we can get more credit.	29 (60%)	15 (31%)	2 (4%)	1 (2%)	1 (2%)
e) When there is enough time to plan on how to repay the credit offered, we are able to diversify our investment.	26 (55%)	16 (33%)	3 (6%)	1 (2%)	2 (4%)

42% and 31% of the respondents strongly agreed and agreed that longer time given to the small scale enterprise will give them enough time to reap their expected profits and hence be able to last in the long run. 15% were neutral and 8% and 4% disagrees and strongly agreed.

Prolonging of the repayment duration helps the small scale enterprises to plan with ease and this will not affect their operations and this was supported by most of the respondents by

56% who strongly agreed and 25% agreed to that statement. This was in line or agreed with the empirical research and thus why small scale enterprises go for MFIs services because they give a long duration to pay back the loans needed (Sileshi *et al*, 2012).

13% and 56% disagreed and strongly agreed that if the repayment period is prolonged then it made them lazy to plan on how to repay the loan. This implied that most of the respondents actually planned better when in operation with a loan to avoid higher rising cost to service the loan. This was also in line with the objectives of the MFIs because they offer prolonged the duration for the repayment of the loans and thus the small scale enterprises go for their services.

Most of the respondents were in support that if they are given adequate time then this increased their investment as they paid and get more credit. 60% and 31% strongly agreed and agreed respectively to that statement. Time and investment were relative in that, the longer the time, the small scale enterprises sought ways to make other investment so as to pay the loans back with the accrued interest.

55% and 33% of the population strongly agreed and agreed respectively that enough time allotted to repay the loan helped them diversify their investment and this in the long run increased their investment portfolio and profits increment and hence makes it easy to repay the loan.

4.6 Collateral Requirement and Level of Credit Uptake

This section sought to determine the effects of collateral requirement and level of credit uptake to operations of the small scale enterprises. This was done through the questionnaire issued. The key determinants will range from 1-5 point scale (Likert). Whereby 5- strongly agree, 4-Agree, 3- Neutral, 2- Disagree and I Strongly Disagree

Table 4.3 Collateral Requirement and Level of Credit Uptake

statement	SA	A	N	D	SD
a) When the security in terms of collateral requirement is beyond what we can afford, we are opposed to take that credit.	30 (63%)	15 (31%)	1 (2%)	1 (2%)	1 (2%)
b) Type of collateral required is determined by the amount of credit worthiness hence higher collateral high credit.	25 (52%)	18 (38%)	2 (4%)	1 (2%)	1 (2%)
c) In terms of collateral requirement, this signifies being embodied to the business investment intended to.	20 (42%)	17 (35%)	6 (13%)	3 (6%)	2 (4%)
d) When there is absentia of collateral, it symbolizes that there is freedom of seeking for credit most often.	16 (33%)	20 (42%)	7 (15%)	4 (8%)	2 (4%)
e) Collateral requirements minimize chances of defaulting hence seriousness in investment.	28 (58%)	17 (35%)	1 (2%)	1 (2%)	1 (2%)
f) There is need to adjust to the collateral requirement so as to have freedom of investment through credit uptake.	10 (21%)	22 (46%)	11 (23%)	3 (6%)	2 (4%)

63% and 31% respectively strongly agreed and agreed respectively to the statement that if the collateral requirement were high and they couldn’t afford then this will lead them not to take credit which in effect stunted their growth and diversification ability. High collateral requirement pushed away the loan uptake by the small scale enterprises (Leitner 2006).

Most of the respondents agreed to the fact that when high credits were requested then the collateral demanded were also of high value. This was 52% who strongly agreed and 38% agreed to this statement. The collateral asked for by the MFIs signified the amount of loan that would be given for business investment because ideally MFIs do not ask for collateral for businesses but instead monitors the operations and growth of the business (Gachuki 2014).

Collateral requirement signifies the embodied to the business investment intended to, 42% and 35% strongly agreed and agreed respectively that the requirement would signify the magnitude of the investment. Cadot (2011). If the business is intended to make investments that would require high loans then the MFIs would request for collateral to minimize the risk in case the investment made by the small scale enterprise fails to bear the expected fruit.

Lack of collateral symbolizes freedom of small scale enterprises to seek credit most often because there is less too loose on their side in case of default. And this was supported by 33% strongly agreed and 42% agreed of the respondent which agrees to the studies made that lack of collateral attracts most of the small scale traders because of the freedom of operation.

58% strongly agreed and 35% agreed to the fact that the presence of collateral minimized the chances of default rate by the small scale enterprises (Baker, 2009). This implied that collateral make the MFIs institutions be safe from losses because of default rates.

21% and 46% were in support for the adjustment of the collateral requirement so that it could favor different SMEs in the sector and enhance their operations. Collateral requirement strains the small scale enterprises to make repayments because of the fear of sometime losing the asset which is attached to the loan Elsas and Krahnen (2002) noted that this affected the cashflow.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The purpose of the study was to examine effects of micro-finance credit requirements on the level of credit uptake of small scale enterprises in Nairobi County, Kenya. This chapter presents findings of the study, conclusion, recommendations, limitations of the study and the suggestion for further studies.

5.2 Summary of the Findings

The summary of findings was based on determining effects of micro-finance credit requirements on the level of credit uptake of small scale enterprises in Nairobi County, Kenya.

5.2.1 Interest Rates and Level of Credit Uptake

The summary of the findings was in relation to the effect of interest rate on the level of credit uptake of small scale enterprises in Nairobi County. After the research it was established that interest has a great influence on how small scale enterprises took loans from the micro finance institutions. Where the interest rates are, the uptake of loans by the enterprises was low because of the inability to service the loans in terms of requirements and costs. It was also noted by the traders that if given flexible repayment rates then they could have diverse investment since they could have more yield and yet be able to find ways to repay back the loans. It was also noted that when there is low intake the investments are rendered useless ns thus the enterprises have cash flow problems which has led to some of them closing down. It was also established that the different interest rates charged by MFIs would facilitate the best time to apply credit and which MFI to apply credit to. This findings was supported by Pyle

(1971) who attributed profit reported by micro finance institution is due to the interest rate spread he argues that the larger the range between deposits volumes and credit book, the easier it is for MFIs to carry out their intermediation role.

5.2.2 Credit Repayment Duration and Level of Credit Uptake

The summary generated from the findings was about credit repayment duration and level of credit uptake and it was gathered that when the small scale enterprises are given small duration to pay their credit then it does not give them enough time to calibrate their profit which makes most of them vulnerable to closure of the enterprises and on the contrary most of the respondents agreed that the longer time given to the small scale enterprises to repay the loan then the better they could plan and be able to make enough profits from the investments made with the borrowed funds. Most of the enterprises were in disagreement that if given longer time it makes them lazy to repay the loans within due time. It was also established that the diversification of investment was dependent on the longer time given to repay the investment. From the researcher credit repayment was a major factor and this helped to build or finish the small scale enterprises

5.2.3 Collateral Requirement and Level of Credit Uptake

This section also established the effects collateral had on the level of credit uptake by the small scale enterprises. It was established that the collateral required by the microfinance institutions is beyond what most of the respondents could afford and thus it hinders their growth and ability to take more loans. Most of the respondents agreed that the collateral required was determined by credit worthiness and thus higher collateral credit. This meant the higher the collateral the higher the loan given. Also it was established the collateral given was one that was thatched to the business in that if they default then they stood a good chance of not having the business in operation. Most of the respondents were also in agreement that the lack of collateral could give them freedom to seek other loans from other financial institutions. It was also established that collateral minimizes the chances of defaulting and thus it helps with the constant reminder that the loan taken has to be paid back so that the business can operate freely. Most also agreed that there is need to adjust the requirements of collateral so that the enterprises can have freedom of venturing into other investments. It was established that one of the factors limiting the uptake of credit is the levels of collateral requirement by the microfinance institutions.

5.3 Conclusion

5.3.1 Interest Rates and Level of Credit Uptake

The study sought to establish the effect of micro-finance credit requirements on the level of credit uptake of small scale enterprises in Nairobi County, Kenya. It was found that interest rates determines to what extent the small scale enterprises are willing to engage with the credit facilities. The higher the interest, the lower the uptake of credit which in itself affects the growth of the economy which limit the diversification of investment which the small scale enterprises might be willing to engage in but limited due to the lack of convenient operational funds which is credit. It was also established that the small scale enterprises will look for the MFIs which offer good interest rates to operate with.

5.3.2 Credit Repayment Duration and Level of Credit Uptake

Credit repayment and time duration was a factor that determines the profitability of the enterprises and their existence. Shorter credit repayment periods were established to work against the enterprises because it does not give them time makes the profit to pay the principal and the interest charges that come with it. It was also found that longer repayment period of credit facilitates better planning for the enterprises and hence reasonable returns could be achieved.

5.3.3 Collateral Requirement and Level of Credit Uptake

Collateral requirements and credit requirement was also found to be a factor that facilitated the uptake of credit requirements. If the MFIs asked for large collateral then this limited the chances of small scale enterprises taking up the loans. Also the collaterals were found to be motivator for the enterprises to keep up with rates of payments and this keeps them attached with the MFIs because defaults will make them loose the assets attached to the credit.

5.4 Recommendations

The study which focused on the effect of micro-finance credit requirements on the level of credit uptake of small scale enterprises in Nairobi County, the researcher felt that the following recommendations will enhance credit uptake by the small scale enterprises.

There is need to provide an enabling environment for small scale enterprises to grow and thrive, therefore there is a need to develop strategies to enhance increased access to microfinance credit for small scale enterprises from commercial banks and other financial institutions.

It is important for the government to set up policies that ease microfinance credit to

small scale enterprises. These policies should be in line with both the owners of small scale enterprises and financial institutions in order to prevent putting hindrances to potential and credit worthy customers who seek to expand or start up a business. This creates a window for growth and development of the economy as a result of more job opportunities and increased flow of money circulation in the economy

5.5 Limitations for the Study

The researcher encountered funding constraint that could not enable wider coverage of all the small scale enterprises in Nairobi that would provide necessary information for broader and detailed coverage. The time and cost were also a constraint in this research, limited time led to not collecting enough data and conducting wide analysis of the research. Some respondents were unwilling to responds relevantly to the information desired.

5.6 Suggestion for further Research

This study recommend further research in other areas to establish how interest rate, collateral requirement and credit repayment duration affects the profitability of the small scale enterprises and their operations. In future similar research should be done in other towns as this only focused in Nairobi County.

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APPENDICES

APPENDIX A : LETTER OF INTRODUCTION

ARNOLD MOTURI MALUGA

P.O. Box 34390-00100,

NAIROBI

Mobile phone 0710200759

Dear Respondent

REF: RESEARCH REPORT QUESTIONNAIRE

I am a bachelor's student at KCA University pursuing Bachelor degree in Commerce. This is to introduce to you to the academic based research study being conducted on **EFFECT OF MICRO-FINANCE CREDIT REQUIREMENTS ON THE LEVEL OF CREDIT UPTAKE OF SMALL SCALE ENTERPRISES IN NAIROBI COUNTY, KENYA.** I kindly request for your assistance in filling the attached questionnaire to enable me complete my research. The questionnaire is only for academic purposes and any information given shall be treated with strict confidentiality. Please give the information as accurately as possible and do not write your name on the questionnaire. Thank you in advance and I look forward for your cooperation.

Yours sincerely,

ARNOLD MOTURI MALUGA

AMD NO: 18/00626

KCA UNIVERSITY

APPENDIX B : QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Gender:

   ☐ Male

   ☐ Female

2. How long have you been working with the within this sector?

   ☐ Less than 2 years

   ☐ 2 to 5 years

   ☐ 5 to 10 years

   ☐ More than 10 years

3. What is your level of education?

   ☐ Diploma

   ☐ Degree

   ☐ Masters

   ☐ Post graduate ____________________

PART B: RESEARCH VARIABLES

In this section, you will be required to indicate the level of acceptance in relation to the variable under study. The key determinants will range from 1-5 point scale (Likert)

Whereby 5- strongly agree, 4-Agree, 3- Neutral, 2- Disagree and I Strongly Disagree

4: Interest rate and credit uptake

Please tick appropriately

statement	**SA**	**A**	**N**	**D**	**SD**
g) Higher interest rate signifies low borrowing capacity.					
h) When interest rate fluctuates means low uptake of credit.					
i) Moderated interest rates enable us to borrow as we will be able to repay.					
j) Our Increased in investment is as a result of flexible repayment terms due to rates charged.					
k) When there is low uptake of credits from financiers, our investments is rendered futile due to rates wave.					
l) Interest rates charged by different MFI’s helps us to choose the best to apply credit from hence our business blossom.					

5: Credit repayment duration and level of credit uptake

statement	SA	A	N	D	SD
f) Short credit repayment time, does not give us time to gather calibrated profit.					
g) When the repayment duration is prolonged it helps us to plan on how to repayment with ease.					
h) Prolonged repayment time makes us lazy in planning on how to repay hence we forget about it.					
i) Adequate time for repayment enables us to investment more so as we repay we can get more credit.					
j) When there is enough time to plan on how to repay the credit offered, we are able to diversify our investment.					

6: Collateral requirements and level of credit uptake

statement	SA	A	N	D	SD
g) When the security in terms of collateral requirement is beyond what we can afford, we are opposed to take that credit.					
h) Type of collateral required is determined by the amount of credit worthiness hence higher collateral high credit.					
i) In terms of collateral requirement, this signifies being embodied to the business investment intended to.					
j) When there is absentia of collateral, it symbolizes that there is freedom of seeking for credit most oftenly.					
k) Collateral requirements minimize chances of defaulting hence seriousness in investment.					
l) There is need to adjust to the collateral requirement so as to have freedom of investment through credit uptake.					

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