POSSIBLE CAUSES OF POOR INVESTMENT PORTFOLIO: AN EMPIRICAL STUDY OF DEVELOPMENT FINANCIAL INSTITUTIONS IN KENYA.

BY:

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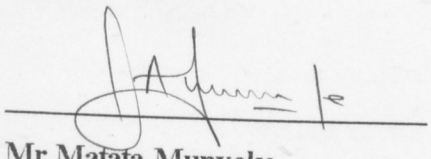
DECLARATION

This Management project is my original work and has not been presented for a degree in any other University.

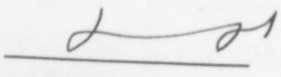


Mr Matata Munyeke

4th November, 1996

Date

This project has been submitted for examination with my approval as University Supervisor.



Mr Isaac M. Kiragu

11/4/96

Date

DEDICATION

To my parents, Mr and Mrs E.M Munguti and my aunt Mrs. S.M.Sila without whose efforts and encouragement I could not have come this far.

TABLE OF CONTENTS

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ABSTRACT

This study sought to find out the possible causes of poor investment portfolio of Development Financial Institutions(DFIs). The need of the study arose from the fact that DFIs projects are normally problematic as evidenced by high level provisions for bad and doubtful debts.

In order to achieve the objectives, primary data was collected from Investment Managers or their equivalent of DFIs operating in Kenya. This was accomplished through the use of a questionnaire administered by the researcher.

The results show the following to be possible causes of poor investment portfolio of DFIs:

* Engagement in risky business
* Overemphasis of developmental role
* Oversights by officers during the appraisal process
* Corruption
* Undue influence by promotors during appraisal process
* Weak research department or lack of the same
* Delays in project realization
* Impediments in monitoring exercise
* Failure to identify symptoms of failing projects
* Inefficient management of the project

* Unfavourable or adverse Government policies and Government interferences

* Insufficient raw materials

* Stiff competition

* Lack of generous dividend policy

These results should be interpreted in consideration of the limitations of the study and the findings of the study should be viewed as a tool to aid Investment Managers in their efforts to maintain clean investment portfolio.

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Growth has slowed, inflation is high and economic disparities within and between nations remain large and increasing. International trade is sluggish and payments imbalances are high[1], not to mention scarcity of capital investment funds yet industrialization rank high on the priority list of developing countries. These are some of the problems facing many developing nations today, Kenya inclusive.

Development Financial Institutions(DFIs) are employed by many developing countries as catalysts for required industrial and agricultural development. Development Financial Institutions(DFIs) are specialized public and private financial institutions that supply medium and long-term funds for the creation or expansion of industrial enterprises[2]. They have arisen in many developing countries because the existing banks usually focus on short-term lending for commercial purposes. Whereas the demand for funds in industry and commerce can be adequately catered for by the commercial banks, there are projects where for reasons such high risk or low profitability can not get private capital. In such cases Development Financial Institutions fill the gap in the financial systems by granting loans to such projects. Hence, DFIs supplement the availability of commercial bank loans and other short-term finance, with long-term finances for development.

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1. A.I MacBean & P.N. Snowden, "Changing needs and new roles", International Institutions in Trade and Finance Pg 231

2. Todaro Michael, "The emergency of Development Banking", Economic Development in the third world Pg 547-8

According to the Ireland Development Institute(IDI) Financial market study dated December, 1993 lending by commercial banks, non-bank financial institutions and DFIs as at 30th June, 1992 was as follows:

Table:1.1

Market Share of Lending Institutions

	Industry Only (Shs million)	%	Total Lending (Shs million)	%
Commercial banks	11,600	57	57,340	57
NBFIs*	4,664	23	38,213	38
ICDC**	1,638	8	2,008	2
IDB**	946	5	1,154	1
DFCK**	807	4	814	1
KIE**	585	3	585	1
	20,240	100	100,114	100

* Source: Central Bank Economic Report
** Source: Annual Accounts 1992

As it can be seen in the above table the DFIs and NBFIs market share of the loans or investment market (excluding housing and agricultural finance) was 43% of the total market.

Moreover, existing commercial banks set loan conditions that often are inappropriate for establishing new enterprises or for financing large-scale projects. Their funds more often are allocated to "safe" borrowers. True "venture capital" for new industries rarely finds approval. However, in addition to raising capital, DFIs have had to develop specialised skills in the field of industrial project appraisal. In many cases their activities go far beyond the traditional banker's role of lending money to credit-worthy customers. The activities of DFIs often encompass direct entrepreneurial, managerial,

and promotional involvement in the enterprises they finance. DFIs are thus playing an increasingly important role in the industrialization of LDCs.

However, DFIs as capital investors should carry out thorough project investments analyses to ensure that scarce resources are profitably utilized. In this regard various techniques for appraising capital investments are used to establish their suitability. Most Development Banks concentrate on large projects probably because smaller loans do not justify the time and effort involved in their appraisal.

Every player in the banking industry in Kenya has been affected by the liberalization of the industry hence DFIs being key players have been affected too. Competition from other financial institutions is stiff hence most DFIs are struggling for survival.

1.1.1 OVERVIEW OF RECENT CHANGES IN THE BANKING SECTOR IN KENYA

DFIs are key players in the banking sector. In the last three years the banking industry has undergone through a number of changes. These changes definitely affect the Development Financial Institutions and as follows:

(A) CONVERSION OF NON-BANK FINANCIAL INSTITUTIONS INTO COMMERCIAL BANKS

In 1993, the non-bank financial institutions were given an option to become fully-pledged commercial banks. This was in order to:

i). To better control the financial sector. Initially, the financial sector was operated under many duplicative and conflicting acts. All players in the financial sector now operate under the Banking Act which is now the Cardinal Act.

ii). To ease performance comparison among and between the bank/financial institutions. Formerly, such comparison was difficult to exercise owing to the unique undertaking of the respective institutions. With the conversion into banks, there is uniformity of operation.

iii). To enhance efficiency in the day-to-day operations of financial institutions on grounds of competitive advantage thereby reducing interest rates to manageable levels.

iv). To strengthen the Deposit Protection Fund (DPF). Initially only commercial banks were bound by law to subscribe to this fund. The mandatory subscriptions per bank was a minimum of Ksh. 100,000 p.a. and a maximum of 0.4% of the total deposit liability of each bank. There can certainly be no customer with a better dream than a 100% compensation assurance in the event of default, not to mention the surge of a greater sense of security.

This has the following implications:

i). Competition among and between banks is bound to hit the ceiling. The DFIs will be forced to focus more on customer needs leading to improvement in the services so offered.

ii). DFIs can now offer full range of financial services normally offered by commercial banks. These include offering counter services, savings and current accounts, call and fixed deposits among others just to mention a few.

(B) EXCHANGE RATE LIBERALIZATION

In 1993, the Exchange Act was revised. The exchange rate was allowed to float and the banks were allowed to become dealers[3]. Firstly, the banks therefore (including DFIs) have to grapple with the intricate forces of the market that determine the exchange rate in a liberalized environment.

Secondly, there has been transfer of work previously done by CBK to the Banks. Exchange control has in the past been used by the Government as a measure for allocating the little foreign exchange available through rationing by the Central Bank of Kenya (CBK). With the liberalization foreign exchange is currently available at the inter-bank market. Exporters are allowed to maintain foreign currency accounts for easy importation of their requirements. The scraping of import licensing that came just before the liberalization of the

3. T.O Konyango, "Predicting The Trend of Exchange Rate", Banking Times, March, 1995

Exchange Act also shoved more responsibilities. The bulk of importation paper work has been passed on to the commercial banks. The Banks are thus important focal point in the determination and allocation of foreign exchange.

(C) FOREX BUREAUS ESTABLISHMENT

As result of liberalization forex bureaus were established in Kenya. So far 40 forex bureaus[4] have been established with the approval of the Central Bank of Kenya and are in operation.

These bureaus sell and buy foreign currency to and from customers respectively. These bureaus not only sell or buy forex, but also issue travellers cheques at no commission. They compliment foreign currency activities of the banks. Currently forex bureaus control seven per cent of the foreign exchange market although it was still too early to say how successful this type of business will be eventually[5]. However, it is reasonable to conclude that banks and DFIs are abound to face stiff competition from these forex bureaus.

4. "List of Forex Bureaus", CBK Statistics, April,1996

5. Ali Jariwala, Chairman of KFBA, Managing Director of Chase Forex Bureau: "Forex Bureaus want to broaden scope", The East African Chronicles week ending March 8,1996, pg 28

(D) REGIONAL ECONOMIC INTEGRATION

The promotion of PTA and its conversion into a Common Market for Eastern and Southern Africa (COMESA) together with the recent revival of the East Africa Co-operation auger well for inter-territorial trade which will foster industrial development. Such regional economic cooperation is important in influencing growth and a country's industrial performance. A large economically integrated area offers opportunities for a larger market due to a higher population and income than the domestic market and can facilitate the establishment of medium and large-scale projects which can benefit from economies of scale. DFIs' operations are geared towards the financing of medium and large-scale projects and economic cooperation could be exploited for the benefit of these institutions. DFIs will benefit as industries make efforts to exploit the opportunities arising from regional cooperation.

The changes in Kenya's banking industry can be understood if we see them within the larger context of the banking industry worldwide. Kenyan banks do not operate in a vacuum. They are influenced by wider trends in the industry. If one takes this perceptive, the changes taking place within banks appear normal adjustment to wider changes in the global banking industry. Therefore the financial institutions(DFIs) are re-positioning themselves to better meet the changes from the environment and by doing so they are determining their future today. Indeed, our financial institutions(DFIs) are at the cross-roads.

Each of them has to choose the road that will take it into the next century and to the kind of clientele it wants[6].

1.1.2 DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs)

The following are DFIs involved in industrial and commercial activities operating in Kenya:

INDUSTRIAL DEVELOPMENT BANK(IDB)

IDB is a wholly owned government DFI established in January, 1973 by the Government of Kenya with the support of World Bank for the purpose of furthering the economic development of Kenya by financing industrial enterprises mainly using foreign currency resources.

IDB's mandate and mission is to promote economic and industrial development of Kenya by providing long term finance and accompanying financial services to medium and large scale industries in a manner that ensures profitability, liquidity and sustainability. This superordinate objective of the Bank is achieved by using funds mobilized both domestically and abroad. Over time the Bank diversified and offer a wider range of products and financial services to industrial projects.

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6. Dr Evans Aosa, "Banking in Kenya: An Industry at cross roads?", Banking Times Pg 5

The Bank's corporate mandate has been enunciated in the Bank's Statement of Policies and Operating Procedures[7] which has been adopted by the Board. According to this Statement the mandate of the Bank is achieved through the provision of:-

a) Medium and long-term loans;

b) Working capital, machinery finance and export trade related banking facilities; and

c) Corporate advisory services.

The principal activity of IDB is medium and long term lending. The minimum loan size for first time borrowers is Kshs.10 million while the bank does not normally invest in a project or group in which its maximum exposure to any one project or group is more than Kshs.75 million[8]. While the Bank assists all business sectors it concentrate on financing the expansion, modernization, balancing and diversification of successful projects with a proven track record.

The Bank gives preference to those projects with positive employment and balance of payments features for the Kenyan economy. All projects are, however, required to be economically sound, financially viable, technically feasible and those with or willing to engage competent management.

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7. IDB SPOP, 1995

8. IDB Brief, "Services, Policies and Procedures", 1992 Pg 1

The Bank co-finances projects with other DFIs and complement the activities of other financial institutions. In addition the Bank seeks to provide loan syndication services.To facilitate and enhance efficiency in its operations and ensure that its objectives are achieved the Bank's organization structure, management, portfolio and balance sheet have been restructured with the assistance of the Government and the Irish Development Institute (IDI) Consultants and any bottleneck identified removed[9].

While the bank has been successful in performing its developmental role its operating performance has not been as successful. Since its inception in 1973 the Bank has experienced various problems emanating from both internal and external environments leading to fluctuating financial performance. For the 23 years that the Bank has been in operation it has recorded profits for only 11 years with the rest recording losses.

INTERNATIONAL FINANCE CORPORATION(IFC)

IFC was created in 1956 as part of the World Bank family, as one of the stratagems to increase aid to the private sector. IFC was set up with objectives of providing capital for private enterprises, encouraging the development of local capital markets and promoting foreign private investment in developing countries. IFC does not require a Government guarantee, its functions are like those of any Investment Bank. It can participate directly in private ventures, providing upto 25 per cent of capital[10].

9. IDB Corporate Plan 1993-8

10. IFC Brochure, 1996

Originally it was not permitted to make equity investments but, since 1961, when the corporations articles were amended to permit equity investments, IFC normally does buy equity shares[11] as well as providing long term loans. Like any Investment Bank its criteria for lending includes the financial soundness of the project, but the IFC is also supposed to concern itself with the contributions of the project to the broader economic development of the nation.It is IFC policy to avoid investing in enterprises whose profits depended on excessive protection. IFC tries to sell off to private enterprise its shares in an enterprise as soon as this is commercially feasible so that it can "roll-over" its capital frequently and increase its overall impact.

IFC also offers line of credit to Development Finance Institutions (DFIs). Along with this it provides technical expertise, stand-by and other underwriting arrangements in support of public offerings or private placement of shares, debentures and other corporate securities[12].

EAST AFRICA DEVELOPMENT BANK (EADB)

It was established in 1967 as one the institutions of the East African Community with a view to generating and financing projects of regional significance and redressing the imbalance of industrial development in the three Member States of Kenya, Uganda and Tanzania[13]. Through EADB industries in East Africa are planned to avoid

11. MacBean A.I & Snoden P.N "Changing needs and roles", International Institutions in Trade and Finance pg.231

12. IFC, General Policies 1990, Pg.81

13. Guide To Investors In East Africa, 1996

wasteful competition and excess capacities(because the imported capital equipment is usually designed to produce more than may be required by individual national markets) and inability to exploit economies of scale. Hence the main objectives of EADB as they are stipulated in the Bank Charter, which was reviewed in 1980, are as follows:

a). To provide financial and technical assistance to promote industrial development of partner states.

b). To give attention to economic development in the region in such fields as industry, tourism, agriculture, infrastructure such as transport and telecommunication and similar or related fields of development.

c). To provide consulting, promotion, agency and other similar services for the region.

d). To supplement the activities of national development agencies of the Member States by joint financing operations, technical assistance and by use of such agencies as channels for financing specific projects.

e). To co-operate with other institutions and organizations, public or private, national or international, which are interested in development of EADB Member States.

f). To generally promote the development of the region and undertake such services as may advance the objectives of EADB.

The bank's capital resources comprise equity capital and loan capital. The partner states in equal shares provide at least 51% of the bank's equity capital. Other organizations within the co-operation or outside contribute the difference. EADB in

the usual way raises loan capital from within the co-operation and abroad. So far the main suppliers of loan capital from outside the co-operation have been the World Bank(specifically IBRD), African Development Bank(ADB), Swedish International Development Authority(SIDA), European Investment Bank, FMO, Nordic Development Fund and Exim bank of Japan. From external agencies the bank also gets some funds, which are classified as **specific funds**, but not ordinary capital funds. Special funds are administered according to the wishes of the donor and usually carry lower interest rates than EADB lending rates. However, the bank charges a commission on funds administered under its special operations.

EADB offers a range of financial products and services to satisfy the needs of its diverse clientele in East Africa. This include long term loans, short term loans, equity investment, advisory and consultancy and asset leasing.The bank may also make loans or quarantee loan to national development agencies for designated projects agreed to by the bank rather than providing finances directly to specific projects.

EADB is actively involved in the ongoing exercise to divest and privatize public enterprise in the Member States. Equity and loan facilities are available to assist the private sector in the acquisition, rehabilitation and operation of enterprises being privatized.

INDUSTRIAL & COMMERCIAL DEVELOPMENT CORPORATION(ICDC)

ICDC was established in 1954 and assigned crucial task of assisting "wananchi" to actively participate in the economic development of the nation. The corporation has put in place a number of small-scale programmes which have enabled thousands of Kenyans to set up commercial and industrial enterprises throughout the country.

Along or in partnership with other investors, ICDC has promoted over 60 medium and large projects[14] in all sectors of the economy. These projects now constitute an important foundation upon which development can be built.

To facilitate the industrial and economic development of Kenya, ICDC is mandated to provide[15]:

a). Venture capital finance in a minority capacity: This is subject to percentage of ICDC shareholding in any client company not greater than 40% of paid up ordinary share capital.

b). Secured long-term finance and export financing: As part of the conditions, lending rates are pegged to the ruling market rate.

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14. ICDC Brochure, 1996

15. ICDC Brochure, 1996

c). Management Advisory (consultancy) services:

ICDC provides general management advisory services on various displines. The services include: management, computer services, accountancy systems, internal audit, equity valuations of companies, estate management and advising on mergers, acquisition and disposals.

In keeping with the need to operate on a more commercial footing, the Corporation has over the past two years undergone a major restructuring exercise to enhance its effectiveness and profitability in an open market.

DEVELOPMENT FINANCE COMPANY OF KENYA (DFCK)

DFCK was incorporated in 1963 and its shareholders are:
ICDC, Commonwealth Development Corporation(United Kingdom), Deutsche Investitions(German), Nederlandse Financierings (Netherlands) and International Finance Corporation(USA).

DFCK's main objectives is to make contribution to the development and expansion of Kenya's industrial sector in order to help stimulate the country's economic progress within the overall framework of the Government's development policy. DFCK emphasizes the creation of new productive assets, and the maintenance or improvement of existing capacity through project expansions, diversifications and refurbishment programmes. In the evaluation of projects for investment, the broad criteria of commercial viability and development value are given particular attention.

It provides medium and long term foreign currency loans or equity capital to industrial enterprises . DFCK does not engage in the refinancing of existing projects, transfer of existing assets or in purely commercial enterprises.

DFCK gives financial assistance to only private or public companies and not to individuals, partnerships or proprietorships. DFCK's level of investment currently falls into two categories, firstly, upto Kshs.20 million or not more than 60% of the total project cost and secondly, upto Kshs.90 million or not more than 50% of the project cost[16].

SMALL ENTERPRISES FINANCE COMPANY LIMITED(SEFCO)

SEFCO is a subsidiary company of DFCK. In recognition of the need to promote small indigenous Kenyan investors, DFCK in partnership with some local and foreign development finance institutions established SEFCO in 1983 with its main objectives being to extend financial assistance to small entrepreneurs involved in viable business ventures. The company extents financial facilities directed towards the establishment of new small scale enterprises, expansion, modernisation and rehabilitation of existing small scale enterprises owned by Kenyans. In addition, SEFCO supports "Jua Kali" artisans by providing guarantees to commercial banks for the purchase of tools and implements. SEFCO finances businesses in all parts of the country subject to the business being viable[17].

16. DFCK Profile

17. Small Enterprise Finance Company Brief, 1996

KENYA TOURIST DEVELOPMENT CORPORATION(KTDC)

KTDC is wholly owned by the Government and operates under the State Corporation Act. The Kenya Tourist Development Corporation Act(Cap 382) outlines the powers and scope of the operations for the Corporation, including the investigation, formulation and carrying of projects for developing the tourist industry in Kenya. In pursuance of its functions, the Corporation operates commercial loans programme and revolving fund programme[18].

The objective of the revolving fund is to assist Kenyan entrepreneurs to become more competitive in the tourist sector in the line with the Government policy to Kenyanise not the tourism sector but the entire industrial and commercial sectors of the economy. This programme is geared towards raising the standard of the tourism accommodation and other facilities as well as ensuring a more equitable balance in the distribution of hotels and lodges in all parts of the country to serve the needs of the tourist and business sector. Business Loans(B.L) are provided for tour operation vehicles, curio shops, handcraft trade and related projects. Development Loans(D.L) are offered for development of new tourist facilities, hotels, restaurants or lodges. Kenyanisation loans are given to assist purchase of existing tourist facilities from foreign ownership while modernisation and extension loans are for purchase of existing facilities such as hotels, lodges or restaurants.

18. KTDC Lending Policy, 1996

Under commercial loans programme, loans are advanced to well established tourist enterprises including high class hotels and travel organisations again to facilitate realisation of the objectives.Financial assistance is eligible to all Kenyans. In case of limited liability companies and partnerships, a venture is deemed Kenyan if 51% or more its shares are held and owned by a Kenyan.

KTDC does not take over loans from other lenders. However, co-financing with other financial institutions can be permitted only in cases of an expansion of existing project where satisfactory financial results have been clearly demonstrated but working capital from commercial bank is not considered part of co-financing. In a co-financing situation, the Corporation share securities on "pari passu" basis.

KENYA INDUSTRIAL ESTATES(KIE)

KIE wholly owned by the Government and specializes in providing loans for small enterprises. It was established in 1967 as a subsidiary of ICDC, but was reconstituted in 1978 as an independent financial institution and principal Government agency for promoting small scale industries throughout the country.

KIE promotes entrepreneurship by financing and developing Small Jua Kali enterprises owned and managed by indigenous Kenyans. This mission is achieved through provision of credit, consultancy services eg. assisting in the planning and preparation of projects, assisting in the implementation of projects, supervision and

business counselling and training or referring clients to more specialised training etc, and developing industry sheds for sale or letting.

KIE assists enterprises ranging from Jua Kali artisans to modern small scale industries. It expects the business to be owned and managed by an indigenous Kenyans, located within the republic of Kenya, be a start or expansion, total investment not exceeding Kshs.5,000,000/-, economically viable and technically feasible.

Generally KIE helps to raise finance both from local and/or foreign sources. At the moment the Government is the biggest donor[19] but the programme has been assisted substantially by World Bank, ADB, NORAD, SIDA, KFW and DANIDA.

KIE considers loans from as little as Kshs.10,000/- to Kshs.250,000/- in the informal sector(Jua Kali) and upto Kshs.5,000,000/- for formal sector. No security is required for the informal sector.

PTA TRADE AND DEVELOPMENT BANK(PTA-BANK)

The PTA Treaty established the PTA as a first step towards the establishment of a common market and eventually of an economic community for the Eastern and

19. "Financing Small Scale Industries since 1967", KIE Brochure, 1996

Southern Africa states[20]. One of the financial institutions established by this Treaty is the PTA Trade and Development Bank in December, 1985. Its headquarters are in Bujumbura, Burundi but have been temporarily relocated to Kenya due to on-going civil wars.

The Bank provides loans to promote trade and development to the member states as well as opening up new job opportunities which would otherwise not have been possible[21]. The Bank also has attempted to create a database of information about the PTA countries, where member states can exchange technical information, ideas and experiences on production and supply of various countries.

The Bank issues PTA travellers cheques which promote travel and business in the region. However, Kenya was the last member state to issue such cheques[22].

1.1.3 SPECIFIC CONTRIBUTIONS OF DFIs TO THE ECONOMY

It should be noted that the DFIs contribution to the economic and social development of the country is not easily quantifiable. In some cases, for instance, DFIs role has been catalytic implying that in such cases its participation was necessary if the project was to be implemented at all. In spite of this DFIs have contributed in the following areas:

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20. PTA Treaty, Article 29:23

21. PTA Treaty, Article 32:27

22. Correspondent, Daily Nation April 18th, 1989 Pg.10

i. Mobilization of foreign currency resources

Most DFIs are quite successful in mobilizing foreign currency resources from bilateral and multilateral sources. Some of these sources include African Development Bank, USAID, IBRD, BADEA, EIB, SIDA, Swiss Mixed Credit and DEG. The foreign currency funds mobilized by DFIs are obtained inform of lines of credit guaranteed by the Government and are utilized mainly to finance imported machinery, spare parts and imported raw materials. This, together with co-financing facilitated by the funds contribute positively to the process of investment or capital formation which is necessary for economic growth. Considering the dearth of foreign currency resources in the country DFIs play, an important role in supplementing the country's efforts in getting foreign currency resources thereby freeing the foreign exchange available locally to be used for other purposes. In addition, the foreign resources mobilized by DFIs have supplemented domestic savings which alone are considered inadequate for capital formation.

ii. Creation of Increased Employment Opportunities

The creation of increased employment opportunities has been a major economic objective for Kenya considering the level of unemployment and the growing labour force in the country. All projects financed by DFIs are expected to generate new employment opportunities. For example in based on a project-by-project analysis it was estimated that IDB, through its assistance to projects, had since its inception

helped create direct employment opportunities for over 50,000 people[23]. This was a significant contribution to the total national wage employment in the manufacturing sector estimated at 189,600 in 1992[24]. DFIs also create employment opportunities indirectly.

iii. Transfer of technology

As stated above most of the DFIs foreign currency funds have been utilized largely for the procurement of foreign machinery, spare parts and to a lesser extent raw materials. Considering that technology is usually embodied in machinery, this activity has contributed to the process of transfer of foreign technology and related skills and expertise into the country. Through the process of project approval, which at times entails negotiations with potential suppliers, DFIs endeavour to ensure that the most appropriate technology is selected and brought into the country by their clients. For example , DFIs insist that second-hand machinery should not be imported and if so, there should be a certificate of technical inspection supplied.

iii. Balance of payments Support

Kenya has in the past experienced severe balance of payments problems which have slowed down the process of economic development thereby aggravating the unemployment and other problems in the country. Although in line with Government

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23. IDB Survey, 1992

24. Economic Survey, 1992

policy most of the projects financed by DFIs in the past have been import-substitution projects, the successful ones have nevertheless contributed to foreign exchange savings with positive balance of payments effects. Some projects however have been export-oriented and have led to foreign exchange earnings again with positive balance of payments effects. It should also be noted that by mobilizing foreign currency resources and using them productively in financing imported machinery and raw materials DFIs help in conserving foreign exchange generated in the country thereby making it available for use in financing other activities in the economy. In addition the very act of borrowing in foreign currency represents an inflow of foreign capital which has immediate and direct positive effects on the country's balance of payments.

iv. Acceleration of Economic Growth and Alleviation of Poverty

Economic growth is a major objective of the economy as it increases output and incomes, which if equitably distributed, help in the alleviation of poverty. By financing investment DFIs have supported projects which have contributed to the economic development of the country. When new, expansion or other projects are financed successfully output and incomes increase and society benefits by enjoying a higher standard of living. Traditional banks tend to avoid financing new projects because of the high risk involved but DFIs support such projects. In this way they act as a catalyst in industrial development and help finance projects that would not be realized or would be realized much later if the funding depends on the traditional commercial sources. Not all projects financed by DFIs, however, turn out to be successful and therefore they might be social projects.

v. Development of local entrepreneurs

Development of local entrepreneurs, most of whom are not conversant with modern business practices, is a risky process which the traditional commercial banks are not keen to engage in. DFIs, in compliance with Government policy, promote indigenous entrepreneurs in various ways eg. through undertaking a programme for financing Medium Scale Enterprises (MSEs) and specialized "Jua kali" loan schemes. The sponsors and management of such firms are provided with advice on various aspects of management and operations with view to making the projects more efficient and effective.

vi. Decentralization and diversification of Industry

One of the major economic objectives for Kenya has been to achieve a widely diffused process of industrialization and to ensure a more equitable distribution of resources and benefits throughout the country. In order to achieve this objective DFIs attempt to ensure that their portfolio is reasonably well diversified both geographically and by sector. In line with this policy DFIs finance projects that would probably never realize their funding from commercial banks which normally demand high commercial returns. Projects yielding the highest monetary returns are likely to be concentrated in the major urban areas which have well developed infrastructure and other facilities. Unfortunately some of the projects financed by DFIs while pursuing this policy are not very successful.

vii. Indigenization of industry

When most of the DFIs were created, there was a deliberate policy by the Government to ensure greater local participation and, if possible, transfer the control of industry into the hands of indigenous Kenyans. To implement this policy DFIs adopted a policy of combining loan and equity investment whenever it was possible to do so. There was also a deliberate effort by most DFIs to increase local participation in multinationals by taking equity in some profitable firms. However, most of the DFIs are divesting from such equity investments because of the low returns they have been getting.

1.1.4 OTHER PRODUCTS AND SERVICES OFFERED BY DFIs

DFIs have in the past relied heavily on long-term lending which has been their traditional product. In doing so they have developed special competence and expertise in this area which constitutes one of the greatest strengths of these institutions upon which their business has been built.

As discussed earlier, the changes that have taken place in the financial sector have brought the need to diversify and offer a wider range of products and/or services to their clients. This is necessary in order to make the institutions more attractive to existing and potential clients, minimize the risk associated with one product and enhance their overall profitability.

These other products are:

Letters of Credit

DFIs have a dealer's license and operate letters of credit for clients to facilitate importation of machinery, raw materials and spare parts. Over time these DFIs have been able to establish business relations with several overseas correspondent banks at the major international trading centres in the world.

Fixed Deposits

As licensed financial institutions, they are allowed to raise deposits from the public, although not many have done so. Some have received deposits on call and on fixed terms from the public and other institutions. They also participate in the inter-bank deposits market by receiving deposits from banks and financial institutions and placing their deposits with reputable institutions.

Foreign Exchange Dealing

DFIs are licensed dealers in foreign exchange under the Exchange Control Act and they have been earning dealing commission from this activity. With the recent exchange control liberalization, development of inter-bank foreign exchange market and restoration of foreign exchange retention accounts DFIs have become an active but cautious players in the market may be due to lack qualified staff in the area.

Management and Consultancy Services

DFIs have qualified and competent professional staff who are utilized to provide management and consultancy services eg computing services and accounting services as well as preparing feasibility studies for clients at a fee. While generating revenue for the institution such services benefit projects by improving their operating performance.

Bridging Loan

DFIs provide bridging finance to their projects whose loans have been approved and are pending disbursements from external lenders. This facility enables the project to proceed with their implementation programmes. This facility is also available to other clients with good financial backing.

Bills Discounting

Some DFIs in the past have been involved in bills discounting exclusively for their projects. However, this facility is now available to other reputable clients with adequate security and sound working capital management.

Correspondent Banking Services

Most DFIs offer correspondent banking services to their clients through their global network of reputable correspondent banks. Correspondent banking services include external loans, transfer of funds and provision of economic and financial intelligence information on overseas markets and suppliers.

Short Term Financing

This facility is available to projects for a period not exceeding twenty four months. The funds are in local currency and are used for acquisition of local raw materials and fixed assets such as machinery and equipment, construction of buildings and acquisition of motor vehicles.

Export-Import Financing

Under this scheme DFIs provide funds to projects involved in export-import activities. This enhances the letters of credit facility.

Rehabilitation Funds

There are sometimes when projects get into problems and fail to operate as originally envisaged due to various problems some of which could be resolved and the projects viability restored through injections of additional funds. Although concessional funds

would be ideal for rehabilitation cases, it is realized that such funds are difficult to get for the industry. Lending of such funds is done on commercial lending terms but projects benefit from longer repayment period up to 12 years including 3 years of grace.

Venture capital

Some DFIs provide seed capital inform of equity to projects. However, DFI do not under normal circumstances take a controlling interest in a project.

1.2 STATEMENT OF THE PROBLEM

Most DFIs yield marginal or no returns from most of their projects. In case of loan projects, most of them are repaying their loans with strains, or they are seeking for rescheduling or restructuring of the loan, or they either are under receivership or in the process of liquidation. In addition, most of DFIs' equity investments declare very low or no dividend at all. This is evidence of poor investment portfolio of these institutions characterised by high level provisions for bad and doubtful debts.

This is evidenced by the following statistics extracts from the audited financial statements of the DFIs:

Table:1.2 **Provision of doubtful debts of DFIs(Million)**

Organization	Loan			Equity		
	Gross	Prov	%	Gross	Prov	%
IDB	821.0	88.0	10.7	55	35	63.6
ICDC	2110.8	614.8	29.1	685.2	198	28.9
SEFCO	101.8	12.43	11.5	-	-	-
PTA BANK-UPTA	37.092	3.26	8.8	0.97	-	-
KIE	909.6	139.5	15.3	11.2	-	-
DFCK	1277.7	3.1	0.24	71.2	-	-
EADB(SDR)	47.9	1.02	2.13	0.6	-	-
KTDC	55.06	3.80	6.71	110.94	-	-

Source:Annual Accounts, 1994

Table:1.3 **Provision of doubtful debts of Commercial Banks** (Million)

Organization	Loan			Equity		
	Gross	Prov	%	Gross	Prov	%
Barclays*	25792	893	3.4	534	-	-
Standard Chartered Bank	13013	1236	1.05	1925	-	-
KCB	24211	726	3.00	375	-	-
Credit & Commerce	538	8.4	1.56		-	-
Southern Credit Finance	270	5.62	2.08		-	-

Source: 1994 Annual Audited Accounts
*1995 Annual Audited Accounts

From Tables 1.2 and 1.3 it became apparent that commercial banks' provision for doubtful debts is far much lower than those of the DFIs'. This indicates signs of weak investment portfolio of the DFIs.

In the era of stiff competition DFIs must maintain healthy investment portfolio in order to survive. The management of every DFI in Kenya faces the challenges of developing strategies for cleaning-up their investment portfolio and ensuring that the institution invests on sound projects. There is need therefore for a study to be carried out to determine possible causes of poor investment portfolio.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study are two-fold:

(a) To identify possible causes of poor investment portfolio of DFIs as perceived by Investment Managers.

(b) To identify possible oversights or disfunctions in the project appraisal process which would lead to poor investment portfolio of DFIs as perceived by Investment Managers.

1.4 IMPORTANCE OF THE STUDY

This study may of importance to the following:

i) **Development financial institutions**

This study will highlight possible factors DFIs may overlook in selecting projects to invest in. It will create awareness within the banking industry, in particular DFI market segment, to be sensitive to such factors.

ii) **Promotors**

The study is likely to benefit potential customers of DFIs by creating awareness of possible reasons why projects failure.

iii) **Management**

The study is also likely to aid the management in ensuring that they direct loans to economically sound and financially viable projects. Further it can help the management in intensifying their monitoring efforts.

iv) **Investment Consultants**

This study forms a sound basis for preparation of feasibility study or bank proposals for credit considerations.

v) **Academia**

The study is expected to benefit scholars who may wish to pursue further studies in this area.

CHAPTER TWO

LITERATURE REVIEW

United Nations have defined project as a self contained capital investment, a separate entity capable of being costed with accuracy and of being broken into components and functions with definable sources and sequences. Projects can be classified as private or public. Private projects are those owned and operated by private citizens with minimum control and interferences by Government while public projects are essential for public welfare and are undertaken either by the Government as a department or by an autonomous body set-up by the Government. Also projects could be classified as sound or white elephant projects. Sound projects are those in which the risks are the minimum and the prospects of benefits to all concerned are at a maximum while white elephants projects are technically unsound, risky or over-ambitious and too large for the market or premature for the level of development in the country[25]. Nevertheless, any project has typical sequence of activities which it has to go through.

2.1 PROJECT CYCLE

The following is the typical sequence of activities and the procedures of large investment projects, from the evaluation of a venture to the beginning of commercial production. These projects include new factories or hotels, rehabilitations as well as

[25]. United Nations Guidelines for Project Evaluations

large extensions. In principle, a project is carried out in four steps, during which the amount of time and money spent is increased successively[26].

These four steps are as follows as seen by Hirtz(1992):

i. Evaluation of Venture

ii. Pre-project or Feasibility Study

iii. Project Concept Study and concept approval

iv. Project Realisation.

Formal decisions to proceed or not are taken after each of the first three steps in order to avoid putting too much effort into a project at too early a stage. In view of limited resources, it is indeed necessary to concentrate efforts on ventures which have a reasonable probability of materialising.These steps are briefly explained herebelow:

2.1.1 Evaluation of Venture

The initiative or idea for a venture might originate from a market or the organization. The evaluation of the idea mainly involves a qualitative assessment of market and profit potential. It typically includes the relevant business strategy as well as a concise outline of the manufacturing strategy as it relates to the business strategy.

26. L. Hitz, Nestec , T-Project Management:"Investment Ventures", Technical Communications 4/92 Pg 4

Investments, product cost and return are very roughly estimated, if at all. The evaluation of a venture typically takes about a week. If the venture looks promising, the organization will take steps to have a Pre-project or a Feasibility Study done.

2.1.2 Pre-project or Feasibility Study

A Feasibility Study is a qualitative and quantitative assessment of preliminary solutions regarding commercial, agricultural, technical, economic, financial and legal fields. It is typically required for new ventures, where such information has to be submitted to partners, governments, or financial institutions.

For projects whose feasibility is beyond doubt (but not the profitability), the study is limited to a Pre-project and an economic evaluation. It is typically required for new production centres or major extensions in existing markets.

In case where feasibility and profitability are beyond doubt, the study is limited to a Pre-project only, typically required to establish the Long-Term Plan.

A Pre-project study provides a tentative concept with preliminary parameters such as products, sales forecast and packaging sizes, the corresponding technical solution and investment cost estimates. A number of assumptions

may have to be made, since information on certain project parameters such as site, local conditions and facilities may be missing.

For economic evaluations, a planning horizon of 10 years is standard practice. In this case, the study consists of a Pre-project with investment figures over the 10 years, product cost, cash flow estimation and ROI calculation. Cost estimations are without uninflated and at current exchange rates.

A Feasibility Study is carried out by an ad hoc team of experts headed by a Project Coordinator. Since the different parameters can have a significant impact on cost and time of implementation, all parties concerned have to participate in the definition of the preliminary project concept and in working out alternatives.

A feasibility study takes minimum 1 month; it may take much longer. Since the input data are preliminary, the resulting figures have an accuracy of approximately 20%; a sensitivity analysis is therefore necessary.

2.1.3 Project Concept Study and Concept Approval

The objective is to provide information for the final decision on the project including approval of the credit. Obviously, one should have a high degree of confidence in what has to be done and in the estimates.

The Project Concept Study consists of the elaboration of the Project Concept, including time schedule and investment cost, as well as, if appropriate, a review of the profitability. The Project Concept typically includes:

- Products, packings and sales forecasts
- Future development
- Process and service facilities, quality assessment
- Site location
- Preliminary plans, layouts and master plan
- Organisation and manpower
- Preparation of production
- Warehousing and logistics
- Environmental protection and safety
- Information technology
- Procurement and importation
- Time schedule
- Investment cost.

The Project Concept Study is conducted by an ad hoc team headed by a Project Manager. He provides all the functional specialists with the necessary up-to-date inputs for their work. His/her responsibility includes the decision between technically proper and feasible alternatives defined by the technical specialists, but not decisions which affect the indepth functional expertise and

the mandatory standards of the company or Group. The Project Manager is also responsible for cost estimate, time schedule and resource planning.

Such a study typically takes 2-6 months and at least 1,000 man-hours. Under normal circumstances, and apart from unexpected inflation/exchange rate variations, the accuracy of investment estimations will be within +/- 10%.

A major step before the Project Realisation is the approval of the Project Concept by the Board of Directors of the company. This includes a review of the Concept as well as decisions regarding the following points:

- Proper balance between business goals and the technical solutions provided
- Speed and quality of functional input
- Final decision on speed of implementation, tasks, resources and responsibilities for all the subsequent phases of the project
- Identification of critical activities

Since it is important that all parties concerned participate in these activities, the Concept is submitted, together with the credit request, to the Board of Directors for formal approval. After the Board approves credit to be sought from a reputable financial institution, the management presents to the bank the credit request and a copy of the Project Concept Study. This is followed by Bank/DFI's project appraisal.

2.1.3.1 Bank/DFI'S project appraisal

DFI's lending policies and procedures are designed to ensure that projects financed are economically sound, financially viable, technically feasible, environmentally acceptable, socially desirable and have positive contribution to the national economy[27]. DFI's participation in the project starts from the basic project idea to a commercially operative enterprise and involves the following stages as outlined in IDB Brief:

a) **Project Identification**

The project ideas are received from potential sponsors and the Bank's own research activities.

b) **Project Preparation**

This stage involves collection of relevant information and basic data for use in the appraisal and the evaluation of the project. It is also during this stage that existing documentation such as feasibility studies and results on past performance and security arrangements are scrutinized and agreed on. This normally involves physical visit to the site for verification of

27. IDB Brief, "Services, Policies and Procedures",1992

infrastructural facilities, premises and the subject of security eg. search on the title deeds. The Bank utilizes its own multi-disciplinary working team comprising of a lawyer, an engineer, an economist and a financial analyst who undertake various aspects in project preparation process.

c) **Project Appraisal**

This is the most crucial stage of the project cycle at which the Bank makes a critical evaluation of the major technical, economic, financial, institutional and managerial aspects to determine the viability of the project and to make a decision on whether to finance the project or not. In brief, this evaluation takes into account the following factors:

* **Technical Aspects**

Site selection and location infrastructural requirements, physical requirements, engineering works and detailed examination of designs.

* **Economic Aspects**

Employment, domestic resource utilization, export potential.

* **Financial Aspects**

Past performance, financial strength, ability to service the loans, leverage, profitability.

* **Managerial Aspects**

Management competence, experience and qualification of key personnel; technical services, industrial relations.

* **Market Competition**

Market for the project's products, both domestic and export; laws and regulations or customs which affect marketing.

At the end of the appraisal exercise, an appraisal report is compiled and submitted to the Operations Department level meeting for discussion and recommendation to Bank Top Management for consideration and onward submission to the Investment Committee of the Board of Directors of the Bank.

d) **Project approval and legal documentation**

Upon the approval by Management, the detailed appraisal report together with recommendations on the requested finances is submitted to the Investment Committee of the Board of Directors for consideration and approval. The Investment Committee reviews in detail all the key issues of the loan request, in respect to sectorial policies, financial and economic viability and collateral security arrangements. The Investment Committee's approval and recommendations are submitted to the full Board of Directors final for approval. For Foreign Currency Loans whose funds are to be used for procurement of foreign goods and services, the terms and conditions of the loan are subject to approval by the external lenders.

The Legal Documentation process starts after approval and involves drafting a **Letter of Offer** notifying the sponsors of the approval of their loan terms and conditions under which the loan is to be granted. The other Legal documents prepared in regard to the loan is the **Loan Agreement** which is a more elaborate legal document that binds the Bank and the loan applicant.

2.1.4 Project Realization

Once a project is approved and the credits granted, the objective is to execute the projects as laid out in the project concept.

An appropriate project organisation is to be set-up. The project manager has the overall responsibility for the realization within the defined concept.

The major activities during project execution are:

- Detail planning and specification of facilities
- Design and specification of buildings
- Contracting and procurement
- Recruitment and training of factory operating staff
- Sourcing and purchasing of raw and packing materials
- Development and implementation of administrative systems
- Commissioning and start-up.

The time required for a Project Realization varies widely from one project to another (1-3 years).During the realization phase, the Project Manager reports monthly through progress reports, which include expenditures and time schedule. Such progress reports have to be submitted to the bank to facilitate monitoring.

2.2 APPRAISAL OF CAPITAL INVESTMENTS

Capital investments are commitments of resources made in the hope of realizing benefits that are expected to occur over a reasonably long period of time in the

future[28]. Capital investments require large cash outlay and have long economic lives. As a result, they do involve many complex factors which need to be understood and anticipated. The economic lives and flow of cash proceeds of the investment proposals on the basis of which investment decisions are made are forecasts whose accuracy depends on circumstances surrounding the investment proposals. Therefore it is expected that actual results may deviate from original estimates. Being aware of this fact investors may seek to manipulate the estimates through provisions for risk and uncertainities to enhance their confidence about the profitability of the proposed investments. These issues should be analysed and arranged in a useful manner to avoid mistaken decisions. When dealing with complex investment proposals, decisions based on experience or rule of the thumb can not be relied upon[29].

In order, to make investment decision the following critical factors should be analysed by financial institutions; project background, managerial aspects, financial viability, economic soundness, technical feasibility and market competitiveness[30]. These factors are discussed in brief hereunder:

28. H. Bierman & Smidt, The capital Budgeting Decision, 1971

29. Brigham & Gapenski, "Capital budgeting decisions" Pg.261-2

30. United Nations Guidelines For Project Evaluations

A). FINANCIAL VIABILITY

Financial analysis measures the returns from the project accruing to the firm. Banks should analyse the financial statements of every proposed projects to determine their financial profitability and capacity to meet long-term and short-term obligations. Financial ratios as well as cash flows of the project should be analysed. This analysis is usually on pro-forma financial statements as well as recent performance reports of the firm if they are available like in the case of rehabilitation or expansion projects.

To be able to establish the financial viability of the project the following tools are normally used:

a). Financial ratio analysis

The general practice is to compare the ratios for the firm with the patterns for the industry or lines of business in which the firm operates[31]. This should be done wisely as the industry average is not a magic number that all firms must match. However, if firm's ratios are greatly different from the industry average, the analysts should find out the reasons. This emphasizes the main purpose of financial ratio analysis: It is a part of the detective work performed to try to evaluate how a firm is performing and how it is positioned for the future.

31. J.Fred Weston & Thomas E. Copeland, Managerial Finance Pg.179

Various financial ratios which should be computed include:

i). **Liquidity ratios**

Liquidity ratios measure the firm's ability to meet its maturing short-term obligations. Therefore it is crucial for the financial institution to ensure that the funds it loans to finance the projects are repaid. It does not make sense - financial or otherwise - for a banker to lend money to a business which is unable to repay its debts[32]. As a result, solvency or liquidity ratios should be computed to establish credit worthiness of the project.

ii). **Profitability ratios**

These measure management's effectiveness as shown by the returns generated on sales and investment. Profits are analysed as an ingredient that ensure continuity and growth of a business enterprise.

32. Derek Wanless, "Banks must play role in raising environmental standards", The official journal for banking and building society professionals, Issue No.4 Pg 2 -

iii). **Leverage ratios**

These measure the extent to which the firm has been financed by debt. Of concern should be the project's debt ratio, debt service coverage, times interest earned, debt-equity ratio and security coverage.

iv). **Activity ratios**

These measure how effectively the firm is in using its resources.

v). **Growth ratios**

These measure the firm's ability to maintain its economic position in the growth of the economy and industry.

vi). **Valuation ratios**

These measure the ability of management to create market values in excess of investment cost outlays. Valuation ratios are the most complete measure of performance in that they reflect the risk ratios and the returns ratios. They are of great importance, since they relate

directly to the goal of maximizing the value of the firm and shareholder's wealth[33].

b). **Project's financial rate of return**

This is the discounting factor which equates the project's expected cash inflows to cash outlay (investment cost). It is one of the tools that should be used to analyse the financial viability. It is relied upon as an overall measure of project's financial soundness and capacity to repay it's loans. However, the yield or financial rate of return should be greater than the bank's average cost of capital for the project to qualify for financial assistance[34].

c). **Break-Even Analysis**

Break-even analysis is a device for determining the point at which sales will just cover costs. If all of the firm's costs were variable, the subject of break-even would not come up[35]. But since the level of total costs can be greatly influenced by the size of the fixed investments the firm makes, the resulting fixed costs will put the firm in a loss position unless a sufficient volume of sales is achieved. The main objective of calculating break-even is to determine

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33. Weston & Copeland, Managerial Finance Pg.179

34. Little & Mirrles, Manual for Industrial Project Appraisal Vol.I, OECD

35. J. Fred Weston & Thomas E. Copeland, managerial Finance, Pg 213

the lowest production and price levels at which the firm can operate. Volume break-even should be computed using the following formula:

$$\text{Break-Even point(units)} = \frac{\text{Fixed costs(FC)}}{\text{Contribution margin}}$$

Volume break-even analysis should be supplemented by cash break-even analysis which is computed as follows:

$$\text{Cash Break-Even point(shs)} = \frac{\text{FC - depreciation}}{\text{C/S ratio}}$$

Where C = contribution margin in monetary terms
S = sales in monetary terms

This is another tool that should be used to analyse the profitability and financial soundness of the project.

B). **ECONOMIC SOUNDNESS**

Economic analysis measures the effect of the project on the whole economy while financial analysis measures returns from a project accruing to the firm. Economic evaluation covers five main areas:

a). **Economic Rate of Return(ERR)**

Economic profitability of a project is measured by economic rate of return. ERR is the discounting factor which equates the economic benefits to

economic costs. Little-Mirrles methodology is used to calculate ERR[36]. The methodology is based on the use of Cost Insurance Freight(C.I.F) prices and not market prices for all internationally traded items (output and inputs) and adjusted prices on all non-traded items. All components essential for development are incorporated in its computation. The analysis mainly focuses on :

i). Foreign exchange earnings or savings,

ii). Utilization of indigenous material resources,

iii). Provision of more employment opportunities,

iv). Promotion of development in other industries,

v). Distribution of income and projects,

vi). Enabling the country to be self-reliant.

These components are quantified and by making appropriate adjustments to the financial cashflows they are converted into economic measures or benefits. In the computation the only adjustment made on the annual financial cashflow of the project is the valuation of traded commodities in terms of border prices.

If ERR is above 10 per cent (or average cost of capital, whichever is higher) there would normally be a strong presumption that the project would meet minimum standards of economic attractiveness. The minimum required ERR is the same as the minimum required financial rate of return. Generally, in

36. "Guidelines for calculation of Economic Rate of Return on Sub-Projects" DFCD, World Bank

accordance with the concept of the opportunity cost, the projects with the highest ERR should be attended to first. If the rate is lower then the adoption of the project is a cost to the economy i.e misallocation of resources is bound to occur[37].

Any project on which the expected financial rate of return is above the bank's lending rate and the estimated rate of return is satisfactory and is clearly eligible for a loan. If the economic rate of return is satisfactory but the financial rate of return is below the bank's lending rate then the project should be considered for the loan only if soft loans are available or the bank has at its disposal special funds carrying lower rates of interest. No loans should be extended to projects on which economic rate of return is unsatisfactory unless there are unlikely to be sufficient projects available for the bank's consideration in the near future and the financial institution has substantial amount of unused funds.

b). **Employment Effects**

Another measure of economic soundness is employment opportunities created and the amount of investment per job created. The investment per job should then be compared with the "normal" figure for similar industries in the

37. "Guidelines for calculation of Economic Rate of Return on Sub-Projects", DFCD, World Bank

economy. Only direct employment opportunities should be considered in the analysis.

c). Value added of the project

It measures the payments to primary factors of production i.e land, labour and capital, engaged in a particular economic activity or a set of economic activities. It is a measure of contribution made by these factors in transforming a set of inputs into different output. It can be measured for a firm, an industry, a sector or the entire economy. Investment analyst or officer should be concerned only with the value added for the firm or industry.

There are four sets of choices to be made in calculating value added. The value added concept can refer to domestic or national value added; gross or net value added; value added at factor cost or market prices; and value added at domestic prices or world prices. For the purposes of economic evaluation of projects it is recommended that gross (domestic) value added be calculated as it is more commonly used concept of value added. It is inclusive of all payments to all factors of production which work in the firm or industry whether these are supplied locally or overseas.

There are two ways to calculate value added, either of which will give the same value:

i). Value Added = Rent + Wages + Salaries + Non-wage benefits + Depreciation + Interest + Profit

ii). Value Added = Total revenues - Expenditure on all non-factor inputs

Projects with gross local value added of less than 33% should not qualify for financing.

d). **Foreign Exchange Earned or Saved**

In view of the relative importance of foreign exchange in our economy it is necessary to assess the effect of a given investment on the foreign exchange position. Foreign exchange can be saved or earned.

Foreign exchange saved is estimated as follows:

C.I.F value of equivalent competing imports less

foreign exchange costs which include:

- C.I.F value of imported materials and spares
- Foreign exchange contract of domestic inputs
- Factor payments overseas eg repatriated salaries, interest to foreign lenders and dividends to foreign investors.
- Depreciation on import content of capital

Foreign exchange earned is computed as follows:

Free On Board(F.O.B) Value of all exports less F.O.B value of inputs(if not previously exported), C.I.F value of inputs(if imported), all factor payments abroad (which include repatriated salaries, interest to foreign lenders and dividends to foreign investors) and depreciation on import content of capital.

The effect of an investment on foreign exchange position determines its overall effect on the balance of payment position of the economy.

e). **Domestic Resource Ratio(DRR)**

Domestic Resource Ratio(DRR) is used to measure the effect of domestic resource utilization. DRR defines the number of shillings generated as a result of borrowing one unit of foreign currency. Projects relying on local raw materials should be encouraged on the basis that local materials are cheap and also reduce demand of the scarce foreign currency.

C). **ENVIRONMENTAL CONSIDERATIONS**

Environmental concerns can impact significantly on the well-being of the business, and in some circumstances, they may be the final straw which brings a business to its knees. Therefore, it must make sense for environmental risks to be integrated into

financial risk assessment procedures[38]. By integrating environmental risk into traditional risk assessment, banks do not see environmental risk as "add on", but part of the core business.

The following are some of the guidelines applicable as provided for by United Nations Guidelines for Project Evaluation:

i). **Waste treatment**

Analysis of all outputs including bye-products and wastes for the treatment, reuse and assimilation should be done. Need for treatment plant should also be investigated.

ii). **Site assimilative capacity**

Present or baseline analyses of air, water and land carrying capacity to determine original conditions and project's effect should be done. The plant should be ozone layer friendly. The project should not result to degradation of arable land or deforestation.

38. Derek Wanless, "Banks must play role in raising environmental standards", The journal for banking and building society professionals, Issue No.4 January 1996

iii). **Social aspects**

Effects of the project on human relations in settlement patterns should also be analysed. Therefore the project should be socially desirable.

iv). **Health aspects**

Effect on welfare and safety of population near the plant should be investigated. The project should not be emitting toxic gases.

However, ecological considerations are more important for some projects eg tanneries, fireboard plants, chemical plants, etc than others. Therefore the analyst should establish that there would be no harmful ecological effects arising out a proposed project.

D). TECHNICAL FEASIBILITY

It is crucial to evaluate the technical feasibility of the project in order to determine, not only whether it will work, but also whether efforts have been made to optimise the different functions.

DFIs should be satisfied as to the method of procurement of goods and services as well as to the suitability of factory buildings and other infrastructural facilities. Accessibility and reliability of transport should be assessed. Availability of input

factors eg raw materials, labour, electricity, water, fuel etc should be analysed. Sometimes technical management agreements do exist in projects. If tied to supply, technical management conditions should be scrutinised to see whether there are fair and whether the project is protected[39].

E). MANAGERIAL ASPECTS

Competent management of a project must be assured. Project plans should include comprehensive training of Kenyans for advancement at all levels. The analyst should examine whether the management pursues reasonable fiscal policies. This requires sound accounting, adequate control of resources, forecasting and budgeting of capital expenditures and outlays, quick and accurate reporting of conditions, and a maintenance of balance between equity and debt.

Every organisation should be alert to increase efficiency and to meet the challenge of competition in the use of new methods. Technological efficiency is not enough, the project should be efficient in its production. Production efficiency should include the development of loyalty and morale through recruiting, training, and sound personnel practices through out the enterprise. Therefore the management are charged with the responsibility of promoting production efficiency.

[39]. Cowen.N, Technical Environment of Banks and its implications, 1987

No enterprise can remain healthy without provision for originating and investigating new ideas, processes, and procedures. Appraisal must consider the number of usable ideas developed. Therefore investment analyst should assess how well the management are executing their research and development responsibility[40].

F). MARKET ASPECTS

Kotler asserts that without market, projects can not exist. Therefore the analyst should consider the market potential of the products of the project both for the local and export market. The extent of competition in the market should be analysed. Current marketing strategies employed by the firm to counter-attack stiff competition from its rivals should also be covered. Marketing tools the project uses or intends to use should be accessed. These include, inter alia, sales promotion, price-offs, extra-filling, exceptional packaging and advertising.

G). COLLATERAL SECURITY

Banks normally accept debentures, legal charge, banker's guarantee and directors' guarantee as security. These are briefly explained below:

40. Kotler, Marketing Mix

a). **Debenture**

Any instrument creating or acknowledging a debt might properly be called a debenture whether issued by a corporation or individual. It is usually under seal and create a charge over the whole or some part of the company's property[41]. A debenture contains at least four clauses on its face. These are:

i). The promise by which the company to repay the principal on a certain date

ii). A promise to repay interest in the meanwhile

iii). A charge on the company's assets

iv). A provision that the debenture is issued with the benefit of and subject to certain conditions which are frequently endorsed thereon, but may otherwise be annexed.

A debenture makes the principal sum payable at a fixed date, but provides for the immediate payment in certain events which usually are symptomatic of insolvency and in which the debenture holders' security may become endangered. Such events are the nonpayment of interest, a winding up order, or resolution for voluntary liquidation, the appointment of a receiver, or a distress or execution levied and not satisfied.

41. The encyclopedia of forms and precedents 4th edition Vol.6, London, Butterworths

When two series of debentures are issued successively, as the case for syndication of loans, constituting a floating charge they rank according to the date of issue of each series in the absence of anything to show that they are to rank **pari passu**. Debenture could be classified as first or second. Most banks insists that if debenture is to be used as security then it should be first and created on all movable assets of the borrowing company[42].

b). **Legal Charge**

Legal charge is one of the Bank Mortgage Forms and is usually created on freeholds. Hence it is created on all assets that are immovable i.e land and buildings. There are several advantages of employing legal charge as security[43] viz.:

i. The document means what it says. This makes it easier for a customer to understand the deed that he is executing.

ii. Precisely the same form may be used for mortgaging both freeholds and leaseholds. This saves unnecessary duplication of forms.

42. ICDC Brief, "Security arrangements", 1996

43. Holden J.M, "Bank Mortgage Forms",The Law and Practice of Banking" Pg.48

iii. The legal charge has a special advantage in relation to leaseholds. However, for the bank to accept to charge a leased property, the period of the lease should be at least as long as the period of the loan.

c). **Banker's Guarantee**

As at the time of seeking for financial assistance from a bank it may happen that the project's assets are pledged with another bank which is not willing to share the securities or release them. In such a case, the bank may request the promoters to obtain a banker's guarantee to be used as security. This is considered to be a safe security. However, the project has to meet charges for such a service.

d). **Directors' Guarantee**

In order the bank to have total security, it may require the directors of the company, each to give directors guarantee equivalent to the loan amount. Hence the directors of the company become joint and severally liable. Essentially, this is an additional security. When a banker is offered such a guarantee as security for the loan, it is necessary to ascertain the financial position of the proposed guarantee, as Mr R.W Jones observed, "the security behind a guarantee is the instant ability of the guarantor to pay when called upon"[44].

[44]. R.W Jones, Studies in Practical Banking pg.79

It is crucial for the analyst to understand the common causes of financial troubles so as to identify a potential problematic project, alert the management of the bank and assist them in taking corrective action before the situation becomes too serious. Newton(1985) pointed out possible common economic causes of business failures.

2.3 ECONOMIC CAUSES OF BUSINESS FAILURES

Business failures have been with us as long as businesses have existed, and their end is not in sight[45]. Failure has been defined by Webster as "the state or fact of being lacking or insufficient, falling short" While all businesses plan to be successful, not all of them accomplish their objective. The fact that many firms fail to achieve success is evidenced by the increasing number of businesses that discontinue operations or operate at very low level of their capacities. It is not easy to determine the exact cause(s) of financial difficulty in any individual case, however, Newton has enumerated the following as possible causes of business failure:

* Overextension of credit and subsequent inability to collect from the debtors.

* Inefficient management due to lack of relevant training, experience, ability, adaptation or initiative. Inefficient management is often evidenced by its inability to avoid conditions that have resulted in the following: inadequate

[45]. Grant W.Newton,Bankruptcy & Insolvency Accounting" Pg.20

sales, improper pricing, inadequate handling of receivables or payables, insufficient working capital including weak cash position, unbalanced capital structure (unfavourable debt-equity ratio), Inadequate insurance cover, Inadequate accounting methods and records, insufficient capital and lack of marketing efforts.

* Casualties (acts of God) like fires, earthquakes, floods and explosions.

* Other outside immediate causes eg stiff competition, unfavourable economic conditions, adverse movements in commodity prices, political reasons (Government interference) and adverse Government policies.

DFIs which have injected equity on projects expects return in form of dividends. Dividends received by the Bank therefore determine whether a project is success or not. However, these projects normally have dividend policies which determine the division of earnings between payments to stockholders and reinvestment in the firm[46]. These factors are enumerated below.

2.4 FACTORS THAT INFLUENCE DIVIDEND POLICY

Karanja (1987) underscored that the issue of dividend, return on equity projects, is a complex one, however, Weston and Copeland (1986) outlined the following factors as determinants of dividend policy of any company:

46. Weston & Copeland, "Dividend Policy" pg.645

a). **Liquidity Position:** This determines the firms ability to pay cash dividends

b). **Need to Repay Debt:** If a firm decides to retire its debt, it will generally require to retain its earnings

c). **Restrictions in Debt Covenants**: Debt contracts, particularly when long-term is involved, frequently restrict a firm's ability to pay cash dividends.

d). **Rate of Assets Expansion**: The more rapidly a firm is growing, the greater the needs for financing asset expansion.

e). **Profit Rate**: The expected rate of return on assets determines the relative attractiveness of paying out earnings as dividends.

f). **Stability of Earnings**: A firm that has relatively stable earnings is often able to predict approximately what its future earnings will be. Such a firm is likely to pay a higher percentage of its earnings than a firm with fluctuating earnings.

g). **Access to the Capital Markets**: A large well established firm with a record of profitability and stability of earnings has easy access to capital markets and other external financing. Inability of small firm to access capital markets make them retain their earnings for operations.

h). **Control:** Some corporations expand only to the extend of their internal earnings. This is because by selling additional common stock it will dilute the control of the dominant group. Reliance on internal financing in order to maintain control reduces the dividend payout.

i). **Tax Position of Stockholders:** The tax position of a corporation's owners influences greatly the desire for dividends. The owners prefer taking their income in the form of capital gains rather than as dividends, which are subject to higher personal income tax rates.

CHAPTER THREE

3. RESEARCH DESIGN

An exploratory research design was considered appropriate for this study as it would act as an eye-opener in the research area. It would be particularly helpful in breaking this broad problem statement into smaller, more precise sub-problem statements. In addition, it would clarify some of the concepts in the research area.

3.1 THE POPULATION

The population of this study consisted of all the Development Financial Institutions involved in financing industrial and commercial activities registered under the Banking Act and listed in the "Directory for Commercial Banks, Financial Institutions, Building Societies, and representative offices of foreign banks operating in Kenya as at 2nd April, 1996.

THE SAMPLE

Given the size of the population(nine in total), census survey was carried out.

3.2 DATA COLLECTION METHOD

The information sought in the study was collected using a structured questionnaire as shown in Appendix 2. The questions were developed from a study of the pertinent literature and informal discussions with some Investment Managers in these institutions.

The questionnaire consisted of five sections(see Appendix.2). It had both closed and open-ended questions and has been designed following the likert approach ie. five point likert scale. The divisions were meant to simplify work for the respondents and for classification purposes.

SECTION A

The section collected general information from the respondents. This information pertained to the name of the institution, the products or services offered, nature of projects they finance, and sectors they sponsor or promote.

SECTION B

This addressed itself specifically to project viability: technical feasibility, economic soundness and financial viability of new, expansion and rehabilitation projects. Factors considered to be important in making decision to provide venture capital were

covered. Omissions or disfunctions during the appraisal process by bank officers which could have adverse effects on the future of the project were covered.

SECTION C

This was aimed at obtaining information on project realization. Possible reasons for delays in appraisal and implementation of projects were captured.

SECTION D

The main aim of this section was to identify possible constraints in monitoring exercise and debt collection. Symptoms of failing projects and possible causes of the same were identified too.

SECTION E

This section addressed itself to return on equity projects with the aim of establishing possible reasons why such projects declare no or low dividends.

The final copy of the questionnaire was accompanied by a covering letter(Appendix I). Questionnaires were distributed to Investment Managers or Senior Investment Officers of the DFIs and collected later. In addition, the researcher interviewed the Investment Managers or Senior Project Officers at their offices.

3.3 DATA ANALYSIS METHOD

The objectives of the this study were to establish possible oversights or disfunctions during appraisal process and causes of poor investment portfolio. This section therefore contains a presentation and analyses of the data that was be collected in the survey. The two major tools of analysis that the researcher have used were descriptive statistics and factor analysis[47]. To perform factor analysis, SPSS statistical package was used.

47. Harper W., et al "Factor Analysis", Marketing Research Text and Cases Page 629-39

CHAPTER FOUR

4. DATA ANALYSIS AND FINDINGS

This section is divided into five parts each under a different heading. Under each heading, all the responses from the respective part of the questionnaire relating to the heading are presented and discussed. The first part reports on the findings relating to background information. The second part details with project viability and omission/disfunctions during appraisal process while the third part deals with reasons for delays in project realization. The fourth part covers monitoring and debt collection, symptoms and causes of failing projects. The last part embodies return on equity.

Out of the thirty DFIs' Managers or Senior Investment Officers approached, twenty two responded. This implies that a response rate of 73.3% (ie. 22/30) was achieved.

4.1 PRINCIPAL PRODUCTS OF DFIs

The principal products/service and the number of DFIs offering the service have been summarised in the following table below:

Table:4.4 **Principal Products of the DFIs**

Product/Service	No.of DFIs
Long Term Loans	9
Short Term Loans	6
Letters of credit	3
Bridging Finance	2
Rehabilitation Funds	5
Venture Capital	4
Guarantee	2
Consultancy	9

All these institutions ranked long-term loan as the most important product while short-term loans ranked second by 55.5%. Letters of credit was ranked third by 66.7% of DFIs but all of them ranked consultancy last.

Generally DFIs offer a number of products and it is evident from the statistics above that their major product is long-term lending which is inherently a risky business.

4.2 NATURE OF PROJECTS

Table:4.5 **Nature of projects**	Preference %
New projects	88.9
Expansion projects	100.0
Rehabilitation projects	55.5
Re-location projects	100.0
Diversification projects	100.0

From the above statistics, it is obvious that DFIs prefer to invest in expansion, re-location and diversification projects. Nevertheless, they invest in new and rehabilitation projects which are more riskier than expansion projects.

4.3 SECTORIAL PREFERENCE

All the DFIs ranked tourism(eg. hotels) sector first in their preference(see Annex.1). Food and beverages was ranked second while chemical and pharmaceutical was ranked third. Horticulture was ranked fourth. All the DFIs ranked textiles last in their list of preference. However, they had mixed feelings on all the other sectors as per their order of preference was concerned hence they never ranked them.

4.4 OVERALL VIABILITY

The following is a summary of number of respondents who ranked first various factors in deciding on the overall viability of the project.

Table:4.6(a) **Overall Viability**

Factor	No. of Respondents	%
Technical viability	3	13.6
Economic soundness	5	22.7
Managerial aspects	0	00.0
Market aspects	2	09.1
Financial viability	12	54.6
Collateral Security	0	00.0
	22	100.0

It is evident from the above statistics that majority of the respondents ranked financial viability first while 22.7% ranked economic soundness of the project first. No respondent ranked collateral security, managerial aspects and market aspects as first.

In addition, the following is a summary of the number of respondents who ranked last various factors when deciding on the overall viability of the project.

Table:4.6(b) **Overall Viability**

Factor	No. of Respondents	%
Technical viability	0	00.0
Economic soundness	2	09.1
Managerial aspects	4	18.1
Market aspects	0	09.1
Financial viability	0	00.0
Collateral Security	16	72.7
	22	100.0

Majority of the respondents(72.7%) ranked collateral security last when determining the overall viability of the project. Managerial aspects and economic soundness were ranked last by 18.1% and 9.1% respectively. However, no respondent ranked technical viability, market aspects and financial viability last.

From the above tables it is clear that majority of the Investment Managers believe that financial viability and economic soundness are the most important in determining the overall viability of the project. They are therefore accorded high weights when processing loans. There is therefore still overemphasis on development orientation.

4.5 INTERPRETATION OF FACTOR ANALYSIS SPSS OUTPUT

Part E of the questionnaire has been used to illustrate how to interprete the SPSS statistical package output.

4.5.1 CORRELATION MATRIX

Table:4.7 CORRELATION MATRIX

	X125	X126	X127	X128	X129	X130	X131	X132	X133
X125	1.00								
X126	.60	1.00							
X127	-.52	-.33	1.00						
X128	.99	.68	-.44	1.00					
X129	.73	.98	-.36	.80	1.00				
X130	-.01	.56	.59	.14	.50	1.00			
X131	-.35	-.12	.48	-.24	-.21	.42	1.00		
X132	.06	.80	.04	.19	.68	.78	.36	1.00	
X133	-.44	-.57	-.42	-.56	-.61	-.84	-.36	-.53	1.00

From the correlation matrix in Table:4.7, which is the basis of generating the factors, variables X125, X126, X128 and X129 were found to have at least strong positive correlation. Variables X130 and X133 are also correlated but negatively. Variables X125, X127 and X132 were weakly correlated[48].

4.5.2 FACTOR ANALYSIS OUTPUT OF VARIABLE AND COMMUNALITY

Table:4.8 SPSS output for Part E:

Variable	Communality	Factor	Eigenvalue	Pct of Var	Cum Pct
X125	1.0000	1	4.54321	50.5	50.5
X126	1.0000	2	2.85854	31.8	82.2
X127	1.0000	3	0.98678	11.0	93.2
X128	1.0000	4	0.61146	6.8	100.0
X129	1.0000	5	0.00000		
X130	1.0000	6	0.00000		
X131	1.0000	7	0.00000		
X132	1.0000	8	0.00000		
X133	1.0000	9	0.00000		

[48]. Harper, et al page 568

The communality is the proportion of the variable's variation to the total variation that is involved in the factors. Using Table:4.8 above, all the variables have communality value equals to 1. Therefore it can be deduced that all the variables rank the same in terms of their contribution to the factors. This supports the correlation matrix.

4.5.3 EIGEN VALUES, PCT OF VARIABLE AND CUM PCT

The measures in Table.4.8 indicate how well each of the identified factors fit the data from all the respondents on all statements. Eigen value is the sum of squares of its factor loadings. Because the responses to the statements are standardised, the variance associated with the responses to any statement equals to 1.0. For example, Factor 1 explains 50.5% of the total variation, Factor 2 explains 61.8% of the total variation and so on.

4.5.4 INITIAL FACTOR MATRIX

Table:4.9 FACTOR MATRIX

	Factor 1	Factor 2	Factor 3	Factor 4
X125	.72487	.57101	-.36843	.11302
X126	.94884	-.05202	.30584	-.05879
X127	-.19841	.85308	-.38099	-.29620
X128	.81693	-.43793	-.35024	.13481
X129	.97131	-.16049	.14989	-.09124
X130	.61861	.75564	.00142	-.21525
X131	-.02158	.75320	-.05729	.65494
X132	.70388	.47056	.52690	.07421
X133	-.76727	-.47410	.43164	.01480

Table:4.9 is the initial factor matrix shows the correlations between the factors and the variables.

Variables X126, X128, X132 and X133 load heavily on principal factor 1 while the second factor is loaded heavily by variables X127 and X131.

4.5.5 FINAL VARIMAX ROTATED FACTOR MATRIX

Table:4.10 **Final Varimax Rotated Factor Matrix**

	Factor 1	Factor 2	Factor 3	Factor 4
X125	.97261	.10910	-.12706	-.16122
X126	.50047	-.85901	.00237	-.10788
X127	-.37380	-.14164	.89598	.19348
X128	.97191	.21870	-.03639	-.07900
X129	.64040	.74686	.02216	-.17776
X130	.04471	.65133	.73584	.17975
X131	-.17948	.08908	.26531	.94311
X132	.01039	.95725	.14527	.24993
X133	-.54542	-.38128	.70450	-.24662

The rotated matrix gives the revised initial factor matrix after it had been orthogonally rotated using varimax. It attempts to simply the columns of factor matrix by making all values close to 0 or 1. This matrix represents the terminal solution of the factors. The coefficients of the matrix represent both regression weights and correlation coefficients.

In the final varimax rotated matrix(Table:4.10), variable X125 and X128 load heavily on factor 1. Variable X126, X129 and X132 load heavily on factor 2. Variable X127, X130 and X133 load heavily on factor 3.

4.6 FACTOR ANALYSIS AND DISCUSSIONS

4.6.1 VARIABLES CONSIDERED TO DETERMINE PROJECT'S VIABILITY

Annex.2 shows varimax rotated matrix of the variables considered by DFIs are crucial when making their investment decisions. Good past performance(X2), Low break-even(X4), project value-added(X6), domestic resource ratio(X8), foreign exchange effects(X9), capacity of machinery(X11), level of training(X15), adequacy of accounting system(X16), research and development(X17), export potential(X23), number of competitors(X24), promotion tools used(X25) and distribution(X27) load heavily on factor 1. In addition, favourable financial ratios(X1), financial rate of return(X3), employment generation(X5), economic rate of return(X7), availability of infrastructure(X10), technological appropriateness(X13), debenture(18), legal charge(X19), banker's quarantee(X21), size of local market (X22) and pricing policy(X26) load heavily on factor 2 while factor 3 is heavily loaded by technical agreement(X12). Factor 1 explains 62.7% while factor 2 explains 32.1% of the total variations.

DFIs are supposed to aid in reduction of unemployment problems and support transfer of appropriate technology. In addition, they are expected to support balance of payments through financing projects which are export-oriented. It is therefore evident from the above that DFIs underscore their developmental role sometimes at expense of their liquidity hence they may be obsessed by this role when appraising their projects and overlook financial viability of the project.

An analysis of the variables considered by Investment Managers or their equivalent in these organizations when evaluating new projects and degree to which they consider those variables to be important was done as shown in varimax rotated matrix Annex.3. Employment creation(X30) and availability of security(X33) among others loaded heavily on factor 1 while factor 2 was loaded heavily by, inter alia, utilization of local resources(X32) and export potential (X36). Popularity of promotors(X34) and Government influence(X37) loaded heavily on factor 3. This shows that DFIs consider security cover to be crucial for new projects and amplify their pursuit of Government policy through employment generation. The Investment Managers or their equivalent agreed that undue influence from promotors and Government affect their investment decisions hence these institutions may invest in projects which are not viable but merely because of the promotor behind the project or Government influence. Factor 1 explains 59.8% while factor 2 accounts for 29.2% of the total variations.

A further analysis on the variables considered when making investment decisions on extending rehabilitation funds was done. Rehabilitation funds are given to projects which are failing but have untapped potential. Varimax rotated matrix shown in Annex.4 indicate that Investment Managers have the same value for internal rate of return(X39), availability of social infrastructure(X42) and export potential(X47), which are variables loading heavily on factor 1. Popularity of promotors(X45) and Government influence load heavily on factor 2 while factor 3 is loaded heavily by adequacy of security(X44). This amplifies the notion that DFIs do support industrial development and their operations are not autonomous due to Government influence.

Only few DFIs give seed capital. Annex.5 show a varimax rotated matrix of an analysis of certain variables considered by Investment Managers when deciding to give venture capital. Employment creation(X50), utilization of local resources(X52) and promotion of indigenous promotors (X53) are variable that loaded heavily on factor 1 while availability of social infrastructure(X51) and export potential(X55) loaded heavily on factor 2. The implication of this is that DFIs stress on the economic soundness when injecting an equity capital into the project.

4.6.2 OMISSIONS OR/AND DISFUNCTIONS BY BANK OFFICERS DURING APPRAISAL

A varimax rotated matrix on Annex.6 show that failure to use audited accounts(X58), use of unreasonable estimates (X60), omission of some estimates(X61), non-procedural or informal arrangements between the officer and investor (eg. bribery)(X67) and failure to do market survey(X69) load heavily on factor 1. Lack of quotations or inadequate number(X59), failure to have industry standards for comparison(X65) and failure to conduct raw material supply study(X70) load heavily on factor 2 while failure to get consent from other banks to share securities(X63), failure to do a search on the securities(X64) and failure to be consistent in appraising projects(X66) load on factor 3. Factors 1, 2 and 3 explains 54.6%, 23.3% and 19.2% of the total variations respectively.

It can be presumed from the above that failure to use audited accounts is either due to the fact that their clients are new, do not keep the accounts or simply difficult. Corruption is eminent in these institutions as officers accept favours from the clients hence lack professionalism, accountability and transparency. Most of these institutions do not conduct a market survey and raw material supply study in order to ascertain the expected market share and reliability respectively, this confirms that their research departments are weak or do not exist. Further it can be inferred from the above that it is not upon the officer appraising the project to ensure that all security arrangements are in place as this is the responsibility of the legal department.

4.6.3 REASONS FOR DELAYS IN PROJECT REALIZATION

Many projects fail because they started on a wrong phase hence their implementation and commercial production delaid. It is worth to not that loans arrears accrue as the project implementation delays. Varimax rotated matrix Annex.7 show that lack of bank proposals or feasibility studies(X71), delays in legal documentation(X73), promotor's failure to inject owner's equity(X74), lack of commitment by promotors(X75), problems of security arrangements(X76) and failure to tie-up the financial plan in case of syndication in good time(X77) load heavily on factor 1. In addition, delays in loan approval(X72), unwillingness to share securities with other banks(X78), insufficient securities (X79), long time taken by external lenders to approve the loan(X80) and long time take by machinery manufacturers to fabricate and ship the machinery(X81) load heavily on factor 2. Lack of commitment by project managers(X82) and interference by the Government with the project(X83) load on

factor 3. Factors 1, 2 and 3 accounts for 62.2%, 20.2% and 16.6% of the total variations respectively.

4.6.4 MONITORING AND DEBT COLLECTION POLICY

A final varimax rotated matrix Annex.8 show possible constraints in monitoring and debt collection. Lack of financial statements of the clients(X84), limited site visits (X87) and inaccessibility to promotors(X88) loaded heavily on factor 1 while skeleton monitoring staff(X85), mode of payment-bankers or company's cheque(X89) and debt collection policy(X90) loaded on factor 2. Factor 1 explains 54.5% while factor 2 accounts for 35.4 % of the total variation.

It is a requirement in the letter of offer that the loanee should supply the bank with its monthly or/and audited accounts. However, it is evident from the above that they do not abide to this requirement hence frustrate monitoring efforts of the officers. This may be due to size of the clients especially those lending to small enterprises which do not see the essence of preparing accounts. Officers infrequently visit the clients due to lack of necessary facilities like vehicles and therefore do not remain in touch with the client after the loan is disbursed. Most of the promotors are inaccessible due to their political connections or use private managers to cushion them. This act as constraint in monitoring the projects. The number of officers involved in monitoring are few. This is partially due to retrenchment or neglect of monitoring exercise all together. Most clients use their own cheques to make payment to the DFIs some of which bounce due to inavailability of funds.

4.6.5 SYMPTOMS OF FAILING PROJECT

A final rotated varimax matrix Annex.9 show variables which can signal the Investment Managers on failing projects. Decline in profitability(X91), sales volumes dropping at constant rate(X92), liquidity deterioration(X94), dubious accounting policies(X95), declining market share(X98) and lack of individual accountability(X101) loaded heavily on factor 1. Increase in debt(X93), rapid management turnover(X97) and lack of strategic thinking or planning(X99) load heavily on factor 2 while fear or stress incapacitating top management(X96) and reduction or elimination of dividends payments(X102) load heavily on factor 3. Lack of attention to detail by owners or management(X100) load heavily on factor 4. Factor 1, 2, 3 and 4 explains 69.6%, 14.7%, 10.4% and 5.3% of the total variations respectively.

The respondents strongly agree that decline in profitability, sales volume and market share are key symptoms of failing projects. In addition, accountants may use dubious accounting policies to window dress hence report distorted results. This is further amplified by the fact that individual or owners lack accountability. Increase in debt, rapid turnover of managers in key positions and lack of vision in the organization can also be used to alert the Investment Manager about the well-being of the project. However, fear of reduction or elimination of dividends can indicate failure of the project. Also, the respondents strongly agreed that lack of attention to detail by owners or management can be used as a manifestation of failing project.

4.6.6 CAUSES OF FAILURE OF PROJECTS

A final rotated varimax matrix Annex.10 show variables which the respondents perceive to be possible reasons for failure of their projects. Inadequate sales (X103), improper pricing(X104), excessive overhead expenses and operating costs(X105), insufficient working capital(X108), inadequate financial and management controls(X111), lack of marketing effort(X118), adverse government policies(X121), unfavourable location(X122) and diversion of funds(X123) load heavily on factor 1. Excessive interest charges on long-term debts(X106), overinvestment in fixed assets and inventories(X107), unbalanced capital structure(X109), adverse movements in foreign exchange rates(X112), competition(X114), changes in market demand(X115), adverse movements in commodity prices(X116), political reasons i.e Government influence(X117), overdiversification(X119) load heavily on factor 2. Although, overextension of credit(X113) and acts of God(X124) load heavily on factor 3.

Factor 1 accounts for 63.1% of the total variations. However, it can concluded from the above that, with exception of adverse Government policies, the rest of the variables relate to inefficiency of project management. Government policies which do not favour our embryo industrial sector definitely affect the industries and their future. DFIs projects borrow loans dominated in hard currencies hence due to adverse movements in foreign exchange rates the loans grow to an extend that the company can not service and therefore has to put under receivership. Cut-throat competition especially from cheap imports substantially reduce the sales of the firms. Some firms fail because of overdiversification as a result the scarce resources of the company are

stretched to unbearable limit or some of the divisions go burst adversely affecting the main business. It is also evident that some projects close their doors because of political reasons i.e Government interferences, this is so in cases where projects have parastatal status. Most of the projects in Kenya rely on agricultural sector for raw materials hence acts of God like prolonged droughts affect their performance.

4.6.7 RETURN ON EQUITY PROJECTS

Most of the equity projects declare no or low dividends. In fact some declare dividend when they want to approach the bank for a repeat business. A final varimax rotated matrix Annex .11 show that unfavourable liquidity position(X125) and need or rate of asset expansion(X128) load heavily on factor 1. However, The need to repay debt(X126), low profit rate(X129) and the need to maintain control(X132) load on factor 2. Unstable earnings(X130) and high tax position of some shareholders load heavily on factor 3 while factor 4 is loaded by easy of access to the capital markets(X131).

Retained earnings is a cheaper source of money in case a firm want to expand. Therefore if a firm resorts to this, it declares no or very low dividend. Poor management of DFIs projects coupled with poor performance deteriorates their liquidity position rendering them unable to declare good dividend. In case of highly geared projects, directors may opt to lower the debt level by repaying the debt hence reduce the amount available to pay cash dividends. The investment Managers

somewhat disagree that high tax position of some shareholders influence dividend policy of any of their clients.

CHAPTER FIVE

5. SUMMARY AND CONCLUSIONS

The objective of the study was to explore into the area of poor investment portfolio of the DFIs operating in Kenya. Among other things, the study was to come up with possible reasons for failure of DFIs projects and omissions or disfunctions by investment officers that adversely affect the future of the project as perceived by Investment Managers or their equivalent in the organization.

The literature covered in this study dwelled much on the project appraisal process which is the backbone of any investment decision, reasons of economic failures and factors that influence dividends of any company.

5.1 CONCLUSIONS

From the research findings as presented in Chapter four of this study, several conclusions may be drawn. These are discussed in light of the objectives of the study.

5.1.1 CONCLUSIONS ON SECTORS, PRODUCTS OF DFIs AND VARIABLES CONSIDERED TO DETERMINE PROJECT'S VIABILITY

From this section, it can be deduced that long-term lending is the main stay of DFIs although they offer a wide range of products. Ideally, long-term lending is inherently a risky business since the future of any project is uncertain. Any change affecting the project over the loan period has riffle effects on the status of the portfolio.

Secondly, DFIs prefer investing in sectors which are more prone to demand variability like tourism and food and beverage or depend on imported raw materials like metal and engineering and chemicals. In addition, they invest in new and rehabilitation projects which are more riskier.

Essentially, DFIs support Government policy as concerns industrialization, reduction of unemployment problems, support transfer of appropriate technology and balance of payments. It became evident from the study that DFIs have been involved in excessive development orientation which have adversely affected their investment portfolio. Such obsessation by this role when appraising their projects definitely affect the status of their investment portfolio.

5.1.2 CONCLUSIONS ON OMISSIONS OR/AND DISFUNCTIONS BY BANK OFFICERS DURING APPRAISAL

According to the analysis in this section, the respondents strongly agreed that failure to use audited accounts could adversely affect the future of the project. Non-procedural arrangements(eg.bribes) or officers accepting favours from the clients result to projects which do not qualify for financial assistance if appraisal was done the right way. In addition the respondents agreed that they are influenced by promotors when making their investment decision. Most of these institutions do not conduct a market survey and raw material supply study in order to ascertain the expected market share and reliability respectively, this confirms that their research departments are weak, do not function properly or do not exist.

5.1.3 CONCLUSIONS ON REASONS FOR DELAYS IN PROJECT REALIZATION

From this section, most respondents agreed that failure to tie-up financial plan due to promotor's inability to inject owner's equity and other banks failure to syndicate funds result to unnecessary delays in project realization. Further they strongly agreed that delays in preparing the legal documents defer disbursement and the implementation plan of the project thus adversely affecting the life of the project.

The respondents further agreed that promotors' failure to avail to the DFI feasibility study on the project and lack of commitment delay appraisal process and consequently the project implementation. Long time take by external lenders also do affect the

implementation schedule. However, they disagreed that Government influence affect implementation plan of project, expect in very few cases. Therefore it can concluded that some of the DFIs projects are not performing well or are heavily geared due to the long time taken to implement the project and commence commercial production.

5.1.4 CONCLUSIONS ON MONITORING AND DEBT COLLECTION POLICY

The respondents strongly agreed that client's failure to supply audited or management accounts to the bank makes the monitoring exercise frustrating and even fruitless. Therefore officers may not notice early enough any failing project. Officers occasionally visit the clients due to lack of necessary facilities like vehicles and therefore they are not in touch with the clients hence advise them when necessary. In addition, the respondents strongly agreed that promotors are inaccessible hence they can not intensify their monitoring efforts as all are fruitless. Notwithstanding the fact that DFIs staff are few, monitoring and debt collection is hard task to play.

5.1.5 CONCLUSIONS ON SYMPTOMS AND CAUSES OF FAILURE

This section has covered symptoms of any failing project and indicated that, inter alia, decline in profitability and liquidity, sales volume, use dubious accounting policies, increase in debt, rapid turnover of managers and decline of market share are some of the signs of failing projects. Further it indicated that reduction or elimination of dividends can signal failure of the project.

From this section it can be deduced that inefficiency of project management and adverse Government policies cause projects to fail. Further it can be deduced that DFIs failure to signal the symptoms of failing projects may be deemed a cause of their poor investment portfolio. In addition, acts of God like prolonged droughts affect their performance if not making them fail.

5.1.6 CONCLUSION ON RETURN ON EQUITY

From this section, it can be concluded that well-to-do projects fail to declare dividends or declare very low dividends because of their intention to use retained earnings to finance asset expansions. Further it can be concluded that poor liquidity positions due to poor performance of the projects result to no dividends. Debt contracts in case of heavily geared projects also do restrict the amount to be declared as dividend but also directors may opt to repay their debts hence reduce the amount available to pay cash dividends. Further, it can be deduced that high tax position of some shareholders does not influence dividend policy of any of DFIs' clients.

Table.5.11 SUMMARY OF POSSIBLE CAUSES OF POOR INVESTMENT PORTFOLIO OF DFIs

* Engagement in risky business
* Overemphasis of developmental role
* Oversights by officers during the appraisal process
* Corruption
* Undue influence by promotors during appraisal process
* Weak research department or lack of the same
* Delays in project realization
* Impediments in monitoring exercise
* Failure to identify symptoms of failing projects
* Inefficient management of the project
* Unfavourable or adverse Government policies and Government interferences
* Insufficient raw materials
* Stiff competition
* Lack of generous dividend policy

5.2 LIMITATIONS OF THE STUDY

This study had several limitations which can not go without mention:

i. As questionnaires were used, it was difficult to tell whether the respondent was giving his own personal views or was stating his or her company's actual practice and experience.

ii. The DFIs studied are in same way homogeneous in that they are in the same segment in the banking industry and offer similar or the same products. Only DFIs involved in commercial and industrial activities were studied. Therefore, the results could not be generalised to include DFIs involved in agricultural and housing activities.

iii. The respondents of the study were DFI`s Investment Managers. Other respondents may result to different findings and conclusions.

iv. Investment Managers based at district offices could not be reached due to time and cost. In addition, some Investment Managers failed to respond. For this reasons some interesting findings might have left out.

v. It could have been better if the study covered the entire banking industry thus include commercial banks which have the same problems. A comparison of the possible reasons why commercial banks' projects fail with those perceived by DFIs Investment Officials would be very useful.

5.3 SUGGESTIONS FOR FURTHER RESEARCH

The study could not have exhausted all there is in possible causes of poor investments. In addition, the lack of time to carry out the research acted against carrying out of a thorough and comprehensive study. Nevertheless, the "way" has been opened and now its up to scholars in finance to extend the current study so as to cover the entire area. This exercise can prove to be challenging, of potential intellectual stimulation and interesting. The researcher does therefore recommend a few of directions in which such research can be undertaken.

i. The present study was restricted to DFIs involved in commercial and industrial activities, therefore a similar study on other DFIs, especially those involved in agricultural and housing activities, is required.

ii. This study concentrated on the perceptives of the management on the possible causes of poor investment portfolio. Their perceptives could be different from the actual or real reasons. A similar study on projects under receiverships or liquidation is necessary.

iii. The future of DFIs role is uncertain due to their continued poor performance and need for sustainability, therefore a study on the future of such institutions could be of importance.

iv. Since the Kenyan banking sector has been liberalised, a study on the impact of economic liberalisation on the DFIs and their investments is necessary.

v. Not all DFIs have failed, ideally a substantial number has been successful. Hence of particular interest would be on the success candidates. A study on the success factors of DFIs projects would be very beneficial.

vi. This paper should not be taken as final word on the matter, but should merely act as the pathbreaker towards further research. This is because it is reasonably expected that there will always be projects failing and others declaring no or low dividends. Therefore, a research into the area in the future is inevitable. Such replicative studies could be carried out to see whether the causes of poor investment of these institutions have changed overtime.

APPENDIX 2

QUESTIONNAIRE

Please answer the following questions by placing a tick [ ] in the spaces provided and/or giving details as may be necessary.

SECTION A:BACKGROUND INFORMATION OF THE ORGANIZATION

1. Name of the Institution:_____

2. Currently which of the following products or services does the Institution offer? Rank them according to an order of importance to the institution.

Product/service	Rank
Long-term loan	[ ]
Short-term loan	[ ]
Bridging finance	[ ]
Letters of credit	[ ]
Rehabilitation loans	[ ]
Venture capital	[ ]
Guarantees	[ ]
Export-Import financing	[ ]
Consultancy services	[ ]

3. What is the nature of the major projects the Institution finances?

New Projects	[ ]
Expansion Projects	[ ]
Rehabilitation Projects	[ ]
Re-location Projects	[ ]
Diversification Projects	[ ]

APPENDIX 1

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE

ephone: 332160 Ext. 215
egrams: "Varsity", Nairobi
ex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

April 26th 1996

INTRODUCTORY LETTER: MR. MUNYEKE MATATA

Mr. Munyeke Matata is a Masters student in the Faculty of Commerce, University of Nairobi. In partial fulfilment of the requirements of the Masters in Business and Administration (MBA) degree, he is conducting a study on "POSSIBLE CAUSES OF POOR INVESTMENT PORTFOLIO: AN EMPRICAL STUDY OF DEVELOPMENT FINANCIAL INSTITUTIONS IN KENYA"

Your organization/firm has been selected to firm part of this study. To this end, we kindly request your assistance in completing the questionnaire which forms an integral part of the research project. Mr. Munyeke will be responsible for the administration of the questionnaire. Any additional information you might feel necessary for this study is welcome.

The information and data required is needed for academic purposes and will be treated in strict confidence. A copy of the research project will be made available to your organization/firm upon request.

Your coopera ion will be highly appreciated.

Thank you.

Yours sincerely,

DR. P. O. K'OBONYO
Dean, Faculty of Commerce

cc: MBA Co ordinator
Mr. I. M. Kiragu - Supervisor

4. Which of the following sectors does the Institution sponsor and promote industries in? Please rank them in order of preference

Sector	Rank
Tourism	[ ]
Basic Metal	[ ]
Textiles	[ ]
Food & Beverages	[ ]
Horticulture	[ ]
Chemical & Pharmaceutical	[ ]
Mining & Mineral Processing	[ ]
Engineering and Metal Products	[ ]
Wood, Pulp, Paper & Printing	[ ]
Rubber, Plastics and Leather	[ ]
Fibre & Cordage	[ ]
Energy	[ ]
Other Sectors(specify)	[ ]

SECTION B:-PROJECT VIABILITY

5. When considering the overall viability of the project, which of the following factors do you consider? Please rank them in the order of importance starting with the MOST vital

Factor	Rank
Technical Feasibility	[ ]
Economic Soundness	[ ]
Managerial Aspects	[ ]
Market Aspects	[ ]
Financial Viability	[ ]
Collateral Security	[ ]

6. Listed below are factors used in establishing the viability of any project. Rate them in order of their perceived importance.

(1) Extremely Important (2) Very Important

(3) Important (4) A bit Important

(5) Not Important

	1	2	3	4	5	
(a) Financial Viability						
Favourable Financial Ratios	[ ]	[ ]	[ ]	[ ]	[ ]	X1
Good Past Performance	[ ]	[ ]	[ ]	[ ]	[ ]	X2
Financial Rate of Return	[ ]	[ ]	[ ]	[ ]	[ ]	X3
Low Break-Even Point	[ ]	[ ]	[ ]	[ ]	[ ]	X4
Others,specify						
(b) Economic Soundness						
Employment Effects	[ ]	[ ]	[ ]	[ ]	[ ]	X5
Project's Value added	[ ]	[ ]	[ ]	[ ]	[ ]	X6
Economic Rate of Return	[ ]	[ ]	[ ]	[ ]	[ ]	X7
Domestic Resource Ratio	[ ]	[ ]	[ ]	[ ]	[ ]	X8
Foreign Exchange Effects	[ ]	[ ]	[ ]	[ ]	[ ]	X9
Others,specify						
(c) Technical Feasibility						
Availability of Social infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]	X10
Capacity of Machinery/ Hotel	[ ]	[ ]	[ ]	[ ]	[ ]	X11

Technical Management Agreement	[ ]	[ ]	[ ]	[ ]	[ ] X12
Technology Appropriateness	[ ]	[ ]	[ ]	[ ]	[ ] X13
Others,specify					
(d) Managerial Aspects					
Relevant Experience of key managers	[ ]	[ ]	[ ]	[ ]	[ ] X14
Level of training/ education	[ ]	[ ]	[ ]	[ ]	[ ] X15
Adequacy of accounting system	[ ]	[ ]	[ ]	[ ]	[ ] X16
Research & Development	[ ]	[ ]	[ ]	[ ]	[ ] X17
Others,specify					
(e) Adequacy of security of the project					
Debenture	[ ]	[ ]	[ ]	[ ]	[ ] X18
Legal Charge	[ ]	[ ]	[ ]	[ ]	[ ] X19
Director's Guarantee	[ ]	[ ]	[ ]	[ ]	[ ] X20
Banker's Guarantee	[ ]	[ ]	[ ]	[ ]	[ ] X21
Others,specify					
(f) Market Aspects					
Size of local market	[ ]	[ ]	[ ]	[ ]	[ ] X22
Export Potential	[ ]	[ ]	[ ]	[ ]	[ ] X23
Number of Competitors	[ ]	[ ]	[ ]	[ ]	[ ] X24
Promotion Tools	[ ]	[ ]	[ ]	[ ]	[ ] X25

Others,specify _____

_____

_____

7. Do you finance new projects?

(a) YES [ ]

(b) NO [ ]

If the answer is "NO" go to the next question. If the answer is "YES", which of the following factors do you consider? Please rate them in order of their perceived importance.

(1) Extremely Important (2) Very Important

(3) Important (4) A bit Important

(5) Not Important

Factor	1	2	3	4	5	
Internal Rate of Return	[ ]	[ ]	[ ]	[ ]	[ ]	X28
Favourable Financial Ratios	[ ]	[ ]	[ ]	[ ]	[ ]	X29
Employment Creation	[ ]	[ ]	[ ]	[ ]	[ ]	X30
Availability of Social Infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]	X31
Utilization of Local Resources	[ ]	[ ]	[ ]	[ ]	[ ]	X32
Adequacy of Security	[ ]	[ ]	[ ]	[ ]	[ ]	X33
Popularity of Promotors	[ ]	[ ]	[ ]	[ ]	[ ]	X34
Number of Competitors	[ ]	[ ]	[ ]	[ ]	[ ]	X35
Export Potential	[ ]	[ ]	[ ]	[ ]	[ ]	X36
Government Influence	[ ]	[ ]	[ ]	[ ]	[ ]	X37
Sectorial Exposure	[ ]	[ ]	[ ]	[ ]	[ ]	X38

Others,specify_____

_____

_____

8. Do you finance rehabilitation projects?

(a) YES [ ]

(b) NO [ ]

If the answer is "NO" go to the next question. If the answer is "YES", which of the following factors do you consider? Please rate them in order of their perceived importance.

(1) Extremely Important (2) Very Important

(3) Important (4) A bit Important

(5) Not Important

Factor	1	2	3	4	5	
Internal Rate of Return	[ ]	[ ]	[ ]	[ ]	[ ]	X39
Favourable Financial Ratios	[ ]	[ ]	[ ]	[ ]	[ ]	X40
Employment Creation	[ ]	[ ]	[ ]	[ ]	[ ]	X41
Availability of Social Infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]	X42
Utilization of Local Resources	[ ]	[ ]	[ ]	[ ]	[ ]	X43
Adequacy of Security	[ ]	[ ]	[ ]	[ ]	[ ]	X44
Popularity of Promotors	[ ]	[ ]	[ ]	[ ]	[ ]	X45
Number of Competitors	[ ]	[ ]	[ ]	[ ]	[ ]	X46
Export Potential	[ ]	[ ]	[ ]	[ ]	[ ]	X47
Government Influence	[ ]	[ ]	[ ]	[ ]	[ ]	X48
Sectorial Exposure	[ ]	[ ]	[ ]	[ ]	[ ]	X49

Others,specify_____

_____

_____

9. Currently, do you give venture capital?

(a) YES [ ]

(b) NO [ ]

If the answer is "NO" go to the next question. If the answer is "YES", which of the following factors do you consider in making the investment decision? Please rate them in order of their perceived importance.

(1) Extremely Important (2) Very Important

(3) Important (4) A bit Important

(5) Not Important

Factor	1	2	3	4	5	
Employment Creation	[ ]	[ ]	[ ]	[ ]	[ ]	X50
Availability of Social Infrastructure	[ ]	[ ]	[ ]	[ ]	[ ]	X51
Utilization of Local Resources	[ ]	[ ]	[ ]	[ ]	[ ]	X52
Promotion of Indigenous Promotors	[ ]	[ ]	[ ]	[ ]	[ ]	X53
Number of Competitors	[ ]	[ ]	[ ]	[ ]	[ ]	X54
Export Potential	[ ]	[ ]	[ ]	[ ]	[ ]	X55
Government Influence	[ ]	[ ]	[ ]	[ ]	[ ]	X56
Sectorial Exposure	[ ]	[ ]	[ ]	[ ]	[ ]	X57

Others,specify_____

_____

_____

10. Listed below are possible **OMISSIONS/DISFUNCTIONS** by Bank officers in the project appraisal process which may have adverse effects on the future of the project. Please indicate the extent to which you agree or disagree with each of the following by placing a tick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree

(3) Neither agree or disagree (4) Somewhat disagree

(5) Strongly disagree

	1	2	3	4	5	
Failure to use audited accounts	[ ]	[ ]	[ ]	[ ]	[ ]	X58
Lack of proforma invoices or adequate number of quotations	[ ]	[ ]	[ ]	[ ]	[ ]	X59
Use of unreasonable estimates	[ ]	[ ]	[ ]	[ ]	[ ]	X60
Omission of some estimates in project cost	[ ]	[ ]	[ ]	[ ]	[ ]	X61
Use of unrealistic financial projections assumptions	[ ]	[ ]	[ ]	[ ]	[ ]	X62
Failure to get consent from the other Banks to share securities	[ ]	[ ]	[ ]	[ ]	[ ]	X63
Failure to do a search on the securities	[ ]	[ ]	[ ]	[ ]	[ ]	X64
Failure to have industry standards or yardsticks for comparison	[ ]	[ ]	[ ]	[ ]	[ ]	X65
Failure to be consistent in appraising projects	[ ]	[ ]	[ ]	[ ]	[ ]	X66
Non-procedural or informal arrangements between the Officer & investor	[ ]	[ ]	[ ]	[ ]	[ ]	X67
Undue influence by promotors	[ ]	[ ]	[ ]	[ ]	[ ]	X68
Failure to do market survey	[ ]	[ ]	[ ]	[ ]	[ ]	X69
Failure to conduct raw material supply study	[ ]	[ ]	[ ]	[ ]	[ ]	X70

SECTION C: PROJECT REALIZATION

11. Listed below are possible **REASONS** for delays in appraisal and implementation of projects. Please indicate the extent to which you agree or disagree with each of the following reasons by placing a tick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree
(3) Neither agree or disagree (4) Somewhat disagree
(5) Strongly disagree

	1	2	3	4	5	
Lack of feasibility studies/ bank proposal	[ ]	[ ]	[ ]	[ ]	[ ]	X71
Delays in loan approval	[ ]	[ ]	[ ]	[ ]	[ ]	X72
Delays in legal documentation	[ ]	[ ]	[ ]	[ ]	[ ]	X73
Promotor's failure to inject owner's equity	[ ]	[ ]	[ ]	[ ]	[ ]	X74
Lack of commitment by promotors	[ ]	[ ]	[ ]	[ ]	[ ]	X75
Problems of security arrangements	[ ]	[ ]	[ ]	[ ]	[ ]	X76
Fail to tie-up the financial plan(in case of syndication)	[ ]	[ ]	[ ]	[ ]	[ ]	X76
Unwillingness to share securities by other Banks	[ ]	[ ]	[ ]	[ ]	[ ]	X77
Insufficient securities	[ ]	[ ]	[ ]	[ ]	[ ]	X78
Long time taken by external lenders to approve the loan	[ ]	[ ]	[ ]	[ ]	[ ]	X79
Long time taken by machinery manufacturers to fabricate and ship machinery	[ ]	[ ]	[ ]	[ ]	[ ]	X80
Lack of commitment by managers of the project	[ ]	[ ]	[ ]	[ ]	[ ]	X81
Interference by Government with the project	[ ]	[ ]	[ ]	[ ]	[ ]	X82

Others,specify_____

_____

_____

12. How long does it take you to appraise and approve a project?

Less than One month	[ ]
One month	[ ]
One month - Three months	[ ]
Three - Six months	[ ]
Six months- One year	[ ]

13. How long do you take to disburse loan funds once the project is approved?

Less than One month	[ ]
One month	[ ]
One month - Three months	[ ]
Three - Six months	[ ]
Six months- One year	[ ]

SECTION D: MONITORING AND DEBT COLLECTION

14. Listed below are possible **CONSTRAINTS** in monitoring exercise and debt collection. Please indicate the extent to which you agree or disagree with each of the following constraints by placing a fick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree

(3) Neither agree or disagree (4) Somewhat disagree

(5) Strongly disagree

	1	2	3	4	5	
Lack of financial statements	[ ]	[ ]	[ ]	[ ]	[ ]	X84
Skeleton monitoring staff	[ ]	[ ]	[ ]	[ ]	[ ]	X85
Lack of co-operation from promotors/management	[ ]	[ ]	[ ]	[ ]	[ ]	X86

Limited site visits	[ ]	[ ]	[ ]	[ ]	[ ] X87
Inaccessibility to promotors	[ ]	[ ]	[ ]	[ ]	[ ] X88
Mode of payment(bankers or company's cheque)	[ ]	[ ]	[ ]	[ ]	[ ] X89
Debt Collection Policy(monthly or half-yearly)	[ ]	[ ]	[ ]	[ ]	[ ] X90

Others,specify _____

_____

_____

15. Listed below are possible **SYMPTOMS** of any failing project. Please indicate the extent to which you agree or disagree with each of the following constraints by placing a tick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree

(3) Neither agree or disagree (4) Somewhat disagree

(5) Strongly disagree

	1	2	3	4	5
Profitability declining	[ ]	[ ]	[ ]	[ ]	[ ] X91
Sales volumes dropping at constant prices	[ ]	[ ]	[ ]	[ ]	[ ] X92
Debt increasing	[ ]	[ ]	[ ]	[ ]	[ ] X93
Liquidity deteriorating	[ ]	[ ]	[ ]	[ ]	[ ] X94
Dubious accounting policies	[ ]	[ ]	[ ]	[ ]	[ ] X95
Fear/stress incapacitating Top Management	[ ]	[ ]	[ ]	[ ]	[ ] X96
Rapid management turnover	[ ]	[ ]	[ ]	[ ]	[ ] X97
Declining market share	[ ]	[ ]	[ ]	[ ]	[ ] X98
Lack of strategic thinking or planning	[ ]	[ ]	[ ]	[ ]	[ ] X99
Lack of attention to detail by owners or management	[ ]	[ ]	[ ]	[ ]	[ ] X100

No individual accountability	[ ]	[ ]	[ ]	[ ]	[ ] X101
Reduction/elimination of dividends payments	[ ]	[ ]	[ ]	[ ]	[ ] X102

Others,specify_____

_____

_____

16. Listed below are possible CAUSES of failure of any project. Please indicate the extent to which you agree or disagree with each of the following causes by placing a tick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree

(3) Neither agree or disagree (4) Somewhat disagree

(5) Strongly disagree

	1	2	3	4	5
Inadequate sales	[ ]	[ ]	[ ]	[ ]	[ ] X103
Improper pricing	[ ]	[ ]	[ ]	[ ]	[ ] X104
Excessive overhead expenses & operating costs	[ ]	[ ]	[ ]	[ ]	[ ] X105
Excessive interest charges on long-term debts	[ ]	[ ]	[ ]	[ ]	[ ] X106
Overinvestment in fixed assets & inventories	[ ]	[ ]	[ ]	[ ]	[ ] X107
Insufficient working capital	[ ]	[ ]	[ ]	[ ]	[ ] X108
Unbalanced capital structure	[ ]	[ ]	[ ]	[ ]	[ ] X109
Inadequate insurance cover	[ ]	[ ]	[ ]	[ ]	[ ] X110
Inadequate financial & management controls	[ ]	[ ]	[ ]	[ ]	[ ] X111
Adverse movements in foreign exchange interest rates	[ ]	[ ]	[ ]	[ ]	[ ] X112
Overextension of credit	[ ]	[ ]	[ ]	[ ]	[ ] X113

Competition	[ ]	[ ]	[ ]	[ ]	[ ]	X114
Changes in market demand	[ ]	[ ]	[ ]	[ ]	[ ]	X115
Adverse movements in commodity prices	[ ]	[ ]	[ ]	[ ]	[ ]	X116
Political reasons eg Government interference	[ ]	[ ]	[ ]	[ ]	[ ]	X117
Lack of marketing efforts	[ ]	[ ]	[ ]	[ ]	[ ]	X118
Overdiversification	[ ]	[ ]	[ ]	[ ]	[ ]	X119
Big projects compared to market	[ ]	[ ]	[ ]	[ ]	[ ]	X120
Adverse Government policies	[ ]	[ ]	[ ]	[ ]	[ ]	X121
Unfavourable project location	[ ]	[ ]	[ ]	[ ]	[ ]	X122
Diversion of loan funds	[ ]	[ ]	[ ]	[ ]	[ ]	X123
Acts of God	[ ]	[ ]	[ ]	[ ]	[ ]	X124

Others,specify_____

SECTION E: RETURN ON EQUITY PROJECTS

17. Listed below are possible **REASONS** why equity projects do not declare dividends or declare very low dividend. Please indicate the extent to which you agree or disagree with each of the following reasons by placing a tick [ ] in the appropriate box.

(1) Strongly agree (2) Somewhat agree

(3) Neither agree or disagree (4) Somewhat disagree

(5) Strongly disagree

	1	2	3	4	5	
Unfavourable liquidity position	[ ]	[ ]	[ ]	[ ]	[ ]	X125
Need to repay debt	[ ]	[ ]	[ ]	[ ]	[ ]	X126
Restrictions in debt contract not to pay dividends	[ ]	[ ]	[ ]	[ ]	[ ]	X127

Need/rate of asset expansion	[ ]	[ ]	[ ]	[ ]	[ ]	X128
Low profit rate	[ ]	[ ]	[ ]	[ ]	[ ]	X129
Unstable earnings	[ ]	[ ]	[ ]	[ ]	[ ]	X130
Easy access to the capital markets	[ ]	[ ]	[ ]	[ ]	[ ]	X131
Not to dilute/maintain control(ownership)	[ ]	[ ]	[ ]	[ ]	[ ]	X132
High tax position of some shareholders	[ ]	[ ]	[ ]	[ ]	[ ]	X133

Others,specify_____

_____

THANK YOU FOR YOUR CO-OPERATION

SECTORIAL PREFERENCE

Annex.1

Sector	Rank
Tourism	1
Basic Metal	
Textiles	12
Food & Beverages	2
Horticulture	4
Chemical & Pharmaceutical	3
Mining & Mineral Processing	
Engineering and Metal Products	
Wood, Pulp, Paper & Printing	
Rubber, Plastics and Leather	
Fibre & Cordage	
Energy	

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - - -

Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X1	X2	X3	X4	X5	X6	X7
X1	1.00000						
X2	.49759	1.00000					
X3	.86709	.80508	1.00000				
X4	.11220	.88993	.55178	1.00000			
X5	.92866	.18732	.62897	-.20508	1.00000		
X6	.08814	.87745	.55588	.97861	-.26282	1.00000	
X7	.91921	.77536	.92914	.45826	.76487	.40760	1.00000
X8	.33724	.78384	.74626	.78140	-.02552	.86467	.49134
X9	.44459	.91893	.82976	.87643	.09029	.91382	.65809
X10	.95802	.31578	.69837	-.11663	.97493	-.14947	.82794
X11	.70811	.89740	.80702	.61712	.49846	.58396	.90455
X12	-.20779	.44222	.22413	.56636	-.53452	.71893	-.06814
X13	.92333	.70257	.85575	.32845	.80898	.28197	.97722
X14	.96959	.39963	.75035	.00634	.97397	-.05641	.88755
X15	.29521	.94707	.70807	.97811	-.03997	.97134	.59882
X16	.42133	.96680	.80165	.91604	.07103	.93848	.67748
X17	.14339	.87182	.59025	.90330	-.22783	.96811	.41881
X18	.89837	.81367	.97127	.53536	.70613	.49754	.98777
X19	.97328	.33451	.74272	-.05359	.98727	-.10684	.85311
X20	.76327	.91336	.97233	.69170	.47660	.70508	.90062
X21	.83755	.76315	.83254	.48649	.72199	.39226	.96988
X22	.95542	.23637	.68668	-.18267	.98351	-.20541	.78147
X23	.53283	.99381	.84384	.86828	.20908	.87436	.78314
X24	.70390	.90805	.91363	.76852	.46414	.71117	.90027
X25	.30973	.90390	.73193	.95458	-.02696	.95523	.57977
X26	.92866	.18732	.62897	-.20508	1.00000	-.26282	.76487
X27	.06479	.88976	.49794	.99120	-.25000	.97397	.42743

	X8	X9	X10	X11	X12	X13	X14
X8	1.00000						
X9	.96144	1.00000					
X10	.07877	.19806	1.00000				
X11	.51722	.70343	.63221	1.00000			
X12	.78649	.64885	-.39446	.12829	1.00000		
X13	.35779	.53417	.88828	.91240	-.14851	1.00000	
X14	.12307	.27173	.98095	.67814	-.42420	.91867	1.00000
X15	.86276	.95269	.05845	.71057	.57326	.47226	.16807
X16	.91340	.98618	.19428	.77627	.61589	.57111	.27232

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - -

	X8	X9	X10	X11	X12	X13	X14
X17	.90686	.92470	-.07668	.61650	.81767	.32234	-.02818
X18	.60713	.74962	.76667	.87936	.04194	.93582	.83496
X19	.12299	.24645	.98022	.60470	-.42424	.87698	.99299
X20	.81571	.90919	.58380	.87718	.36580	.83044	.63707
X21	.36318	.57738	.76674	.90258	-.20215	.95071	.85468
X22	.08144	.16978	.98901	.53649	-.39345	.82975	.96508
X23	.83491	.94705	.34186	.88587	.49361	.70733	.41375
X24	.70530	.85676	.51535	.84545	.16540	.79900	.63144
X25	.90521	.96712	.05037	.63605	.59080	.43089	.16337
X26	-.02552	.09029	.97493	.49846	-.53452	.80898	.97397
X27	.73995	.84270	-.14218	.63693	.57907	.31869	-.03092

	X15	X16	X17	X18	X19	X20	X21
X15	1.00000						
X16	.97655	1.00000					
X17	.92620	.94319	1.00000				
X18	.67735	.75181	.50423	1.00000			
X19	.11722	.22824	-.07372	.80899	1.00000		
X20	.82350	.90618	.74458	.94453	.60893	1.00000	
X21	.58950	.62514	.35584	.94020	.80265	.81678	1.00000
X22	.00148	.14235	-.13046	.73221	.98177	.54698	.70052
X23	.94221	.98014	.88806	.82992	.35820	.94284	.74400
X24	.85746	.86934	.65797	.94020	.59301	.93022	.89362
X25	.98696	.96504	.90549	.67607	.12994	.82229	.55054
X26	-.03997	.07103	-.22783	.70613	.98727	.47660	.72199
X27	.95923	.89968	.91132	.49215	-.10163	.65991	.46414

	X22	X23	X24	X25	X26	X27
X22	1.00000					
X23	.27353	1.00000				
X24	.47084	.90574	1.00000			
X25	.01601	.91030	.85640	1.00000		
X26	.98351	.20908	.46414	-.02696	1.00000	
X27	-.22268	.86247	.72199	.91658	-.25000	1.00000

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Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
X1	1.00000	*	1	16.93489	62.7	62.7
X2	1.00000	*	2	8.66992	32.1	94.8
X3	1.00000	*	3	.98535	3.6	98.5
X4	1.00000	*	4	.40983	1.5	100.0
X5	1.00000	*	5	.00000	.0	100.0
X6	1.00000	*	6	.00000	.0	100.0
X7	1.00000	*	7	.00000	.0	100.0
X8	1.00000	*	8	.00000	.0	100.0
X9	1.00000	*	9	.00000	.0	100.0
X10	1.00000	*	10	.00000	.0	100.0
X11	1.00000	*	11	.00000	.0	100.0
X12	1.00000	*	12	.00000	.0	100.0
X13	1.00000	*	13	.00000	.0	100.0
X14	1.00000	*	14	.00000	.0	100.0
X15	1.00000	*	15	.00000	.0	100.0
X16	1.00000	*	16	.00000	.0	100.0
X17	1.00000	*	17	.00000	.0	100.0
X18	1.00000	*	18	.00000	.0	100.0
X19	1.00000	*	19	.00000	.0	100.0
X20	1.00000	*	20	.00000	.0	100.0
X21	1.00000	*	21	.00000	.0	100.0
X22	1.00000	*	22	.00000	.0	100.0
X23	1.00000	*	23	.00000	.0	100.0
X24	1.00000	*	24	.00000	.0	100.0
X25	1.00000	*	25	.00000	.0	100.0
X26	1.00000	*	26	.00000	.0	100.0
X27	1.00000	*	27	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X20	.98879	-.02479	.14446	.02837
X24	.96730	-.02481	-.14538	-.20636
X18	.96361	.25777	.00078	-.07080

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - - -

	Factor 1	Factor 2	Factor 3	Factor 4
X3	.95880	.15480	.21478	-.10297
X23	.94824	-.29290	-.03704	.11697
X2	.93420	-.30268	-.14697	.11857
X7	.93097	.35603	-.07959	.01448
X11	.91277	.09031	-.22466	.32897
X16	.89831	-.43660	.04571	.01831
X9	.88499	-.42243	.17920	-.07891
X21	.88167	.34825	-.31803	-.01545
X13	.86147	.46114	-.10514	.18484
X15	.83761	-.52819	-.10546	-.09110
X25	.82531	-.52175	-.00396	-.21594
X1	.76378	.62299	.16721	-.02354
X8	.75545	-.49915	.41094	-.10619
X4	.72046	-.64459	-.23313	-.10534
X17	.71436	-.67150	.11856	.15725
X27	.69068	-.66795	-.27678	.01408
X5	.49716	.86354	.05670	-.06254
X26	.49716	.86354	.05670	-.06254
X22	.54399	.81514	.19648	.03186
X12	.27023	-.79307	.50646	.20375
X10	.59314	.79028	.09287	.12252
X19	.62765	.77251	.06554	-.07064
X14	.66660	.74501	-.02321	-.00851
X6	.70406	-.70764	-.05539	-.02196

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X1	1.00000	*	1	16.93489	62.7	62.7
X2	1.00000	*	2	8.66992	32.1	94.8
X3	1.00000	*	3	.98535	3.6	98.5
X4	1.00000	*	4	.40983	1.5	100.0
X5	1.00000	*				
X6	1.00000	*				
X7	1.00000	*				
X8	1.00000	*				
X9	1.00000	*				
X10	1.00000	*				
X11	1.00000	*				
X12	1.00000	*				
X13	1.00000	*				
X14	1.00000	*				

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X15	1.00000	*				
X16	1.00000	*				
X17	1.00000	*				
X18	1.00000	*				
X19	1.00000	*				
X20	1.00000	*				
X21	1.00000	*				
X22	1.00000	*				
X23	1.00000	*				
X24	1.00000	*				
X25	1.00000	*				
X26	1.00000	*				
X27	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 6 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X15	.99463	.09299	-.04517	.00464
X6	.99019	-.12473	.04712	.04188
X4	.98390	-.08238	-.15507	.03339
X25	.98364	.09993	-.00015	-.14991
X27	.96846	-.12297	-.14776	.15854
X16	.96697	.21656	.12413	.05157
X17	.94964	-.07330	.26967	.14172
X9	.94601	.23199	.20786	-.08971
X2	.91933	.32517	-.03139	.21935
X23	.91665	.35194	.06788	.17687
X8	.87667	.11422	.41730	-.21041
X24	.80136	.56248	-.18740	-.07951
X20	.77897	.60370	.16724	.02818
X11	.65173	.61213	-.07462	.44157
X19	.02250	.99685	-.05294	-.05462
X10	-.03264	.99237	.04181	.11129
X22	-.08664	.99125	.09847	-.01464
X14	.07130	.99099	-.10659	.03874
X5	-.13549	.98679	-.07250	-.05136
X26	-.13549	.98679	-.07250	-.05136

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	Factor 1	Factor 2	Factor 3	Factor 4
X1	.20961	.97359	.08020	-.04185
X13	.38808	.88161	-.06820	.25982
X7	.51839	.84444	-.09386	.09693
X18	.60494	.79526	-.03887	-.01039
X21	.50383	.78523	-.32384	.15715
X3	.65121	.73212	.15849	-.12166
X12	.64365	-.40499	.64928	.01167

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.78522	.61618	.02110	.05756
Factor 2	-.60999	.78182	-.12907	-.00080
Factor 3	-.07151	.09524	.91717	-.38027
Factor 4	-.07895	.00149	.37641	.92308

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X28	X29	X30	X31	X32	X33	X34
X28	1.00000						
X29	.89207	1.00000					
X30	.95750	.95611	1.00000				
X31	.73852	.69805	.61403	1.00000			
X32	.64601	.64246	.51696	.95962	1.00000		
X33	.97516	.95944	.99622	.67524	.58475	1.00000	
X34	-.68795	-.52733	-.69516	-.33952	-.08470	-.67686	1.00000
X35	.70175	.74570	.61449	.92467	.98066	.67218	-.08364
X36	.41130	.37785	.24398	.91478	.91670	.32026	-.05219
X37	-.59749	-.21449	-.45106	-.32138	-.12440	-.46395	.81216
X38	-.20597	-.05208	-.22111	.32875	.53380	-.17555	.72774

	X35	X36	X37	X38
X35	1.00000			
X36	.82684	1.00000		
X37	-.05967	-.13797	1.00000	
X38	.53552	.53598	.73814	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X28	1.00000	*	1	6.58078	59.8	59.8
X29	1.00000	*	2	3.21664	29.2	89.1
X30	1.00000	*	3	1.01554	9.2	98.3
X31	1.00000	*	4	.18703	1.7	100.0
X32	1.00000	*	5	.00000	.0	100.0
X33	1.00000	*	6	.00000	.0	100.0
X34	1.00000	*	7	.00000	.0	100.0
X35	1.00000	*	8	.00000	.0	100.0

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X36	1.00000	*	9	.00000	.0	100.0
X37	1.00000	*	10	.00000	.0	100.0
X38	1.00000	*	11	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X28	.94841	-.26766	.08093	.14942
X33	.92338	-.27021	.27043	.03481
X31	.90558	.32421	-.26046	-.08354
X29	.90319	-.06584	.41138	-.10333
X30	.88853	-.32415	.32449	.01194
X35	.86109	.49663	.02809	.10538
X32	.83172	.52599	-.16156	.07400
X36	.65723	.57919	-.46442	-.12998
X38	.05286	.98518	.15929	-.03548
X34	-.57132	.75300	.16392	.28232
X37	-.45712	.67905	.54651	-.17681

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X28	1.00000	*	1	6.58078	59.8	59.8
X29	1.00000	*	2	3.21664	29.2	89.1
X30	1.00000	*	3	1.01554	9.2	98.3
X31	1.00000	*	4	.18703	1.7	100.0
X32	1.00000	*				
X33	1.00000	*				
X34	1.00000	*				
X35	1.00000	*				
X36	1.00000	*				
X37	1.00000	*				
X38	1.00000	*				

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VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 6 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X30	.94428	.18571	-.27145	-.01261
X29	.94364	.31159	-.02136	-.10949
X33	.92449	.26587	-.27280	.01477
X28	.82832	.37334	-.39660	.13120
X36	.06265	.99475	.00342	-.08088
X32	.39734	.90564	.09194	.11612
X31	.43719	.88809	-.13108	-.05456
X35	.54403	.80800	.17487	.14346
X37	-.17406	-.14190	.96529	-.13333
X38	-.10194	.54523	.83132	.03523
X34	-.50327	.00360	.79719	.33344

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.74889	.61462	-.24780	.00271
Factor 2	-.24252	.60086	.75816	.07313
Factor 3	.61633	-.50857	.60116	-.00992
Factor 4	.02188	-.05079	-.04894	.99727

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X47	1.00000	*	9	.00000	.0	100.0
X48	1.00000	*	10	.00000	.0	100.0
X49	1.00000	*	11	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X42	.98998	.08738	-.07008	-.08598
X46	.98635	-.14676	-.01250	.07359
X39	.93164	-.19965	-.29314	.07904
X44	.92717	-.20886	.29966	.08322
X43	.84859	.26489	-.45790	-.00826
X47	.70239	.60653	-.32317	-.18528
X41	.65276	-.63371	.38864	.14587
X48	.25877	.96260	.03431	.07250
X45	.10232	.93564	.33259	.05906
X49	.03084	.77874	.62379	.06321
X40	.49564	-.33909	.76005	-.24835

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X39	1.00000	*	1	5.64415	51.3	51.3
X40	1.00000	*	2	3.47575	31.6	82.9
X41	1.00000	*	3	1.72403	15.7	98.6
X42	1.00000	*	4	.15607	1.4	100.0
X43	1.00000	*				
X44	1.00000	*				
X45	1.00000	*				
X46	1.00000	*				
X47	1.00000	*				
X48	1.00000	*				
X49	1.00000	*				

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VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 9 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X43	.99404	.10431	-.02722	.01632
X39	.90603	-.22048	.32641	.15478
X42	.90039	.12372	.41559	-.03580
X47	.86534	.43932	-.12957	-.20347
X46	.82527	-.04499	.54364	.14617
X45	.07686	.99222	-.09251	-.03216
X49	-.15170	.97594	.15565	-.01726
X48	.36005	.89860	-.25050	-.01129
X40	.00873	.05611	.98100	-.18554
X41	.26186	-.32194	.87576	.24664
X44	.61218	.03392	.77414	.15747

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.85753	.08558	-.50385	.05885
Factor 2	.16354	.88810	-.41724	-.10221
Factor 3	-.48644	.44297	.75309	-.00361
Factor 4	-.03576	.08795	-.07006	.99301

- - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - -

Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X50	X51	X52	X53	X54	X55	X56
X50	1.00000						
X51	-.05618	1.00000					
X52	.78522	.56583	1.00000				
X53	.78522	.53439	.95455	1.00000			
X54	-.42342	.28916	-.08362	-.29268	1.00000		
X55	.10890	.98616	.69471	.65815	.23544	1.00000	
X56	.56861	.78587	.95455	.90909	.04181	.87753	1.00000
X57	-.44901	-.52129	-.75378	-.52764	-.48536	-.60634	-.75378

	X57
X57	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X50	1.00000	*	1	5.03477	62.9	62.9
X51	1.00000	*	2	1.95411	24.4	87.4
X52	1.00000	*	3	.91380	11.4	98.8
X53	1.00000	*	4	.09732	1.2	100.0
X54	1.00000	*	5	.00000	.0	100.0
X55	1.00000	*	6	.00000	.0	100.0
X56	1.00000	*	7	.00000	.0	100.0
X57	1.00000	*	8	.00000	.0	100.0

PC extracted 4 factors.

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Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X56	.99800	.01334	.06157	.00463
X52	.96611	-.23393	-.10733	.01943
X53	.90787	-.37315	.11889	.14967
X55	.85410	.40855	.32125	-.02009
X57	-.78563	-.24998	.53137	.19479
X51	.75634	.52225	.39300	-.02751
X54	.06015	.84769	-.49352	.18503
X50	.59899	-.73433	-.31747	.03439

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
X50	1.00000	*	1	5.03477	62.9	62.9
X51	1.00000	*	2	1.95411	24.4	87.4
X52	1.00000	*	3	.91380	11.4	98.8
X53	1.00000	*	4	.09732	1.2	100.0
X54	1.00000	*				
X55	1.00000	*				
X56	1.00000	*				
X57	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 6 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X50	.97327	-.09895	-.18748	-.08830
X52	.85663	.50053	.04886	-.11514
X53	.83286	.51792	-.17684	.08260

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - - -

	Factor 1	Factor 2	Factor 3	Factor 4
X51	.07198	.98144	.17349	-.03860
X55	.23506	.95684	.16117	-.05683
X56	.66850	.73019	.09936	-.10031
X54	-.23546	.14192	.96147	-.00061
X57	-.57323	-.36767	-.59066	.43284

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.70019	.69123	.13193	-.12057
Factor 2	-.58320	.45429	.67175	-.04732
Factor 3	-.37792	.56019	-.68838	.26363
Factor 4	.16367	-.04482	.23975	.95589

---------- FACTOR ANALYSIS ----------

Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X58	X59	X60	X61	X62	X63	X64
X58	1.00000						
X59	.61740	1.00000					
X60	.84297	.14717	1.00000				
X61	.90945	.47851	.90723	1.00000			
X62	.92344	.57450	.83253	.97680	1.00000		
X63	.37074	.28550	.43796	.42898	.27210	1.00000	
X64	.20107	.01257	.38855	.27080	.08136	.95881	1.00000
X65	.42586	.83283	.04893	.45552	.59081	-.06299	-.33800
X66	.05268	.38366	.00362	.13363	.01970	.87394	.79749
X67	.85131	.13473	.98837	.85803	.78411	.43237	.39795
X68	.38547	.83560	.07194	.47873	.55088	.25591	-.01059
X69	.99107	.66361	.78870	.89069	.93253	.26668	.07816
X70	.64394	.82398	.36339	.72019	.80478	.16936	-.10226

	X65	X66	X67	X68	X69	X70
X65	1.00000					
X66	.12793	1.00000				
X67	-.02991	-.02725	1.00000			
X68	.93242	.46561	-.02055	1.00000		
X69	.51330	-.01747	.79305	.43625	1.00000	
X70	.94117	.22287	.27822	.92668	.69877	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X58	1.00000	*	1	7.09448	54.6	54.6
X59	1.00000	*	2	3.02922	23.3	77.9
X60	1.00000	*	3	2.49173	19.2	97.0
X61	1.00000	*	4	.38457	3.0	100.0

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - -

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X62	1.00000	*	5	.00000	.0	100.0
X63	1.00000	*	6	.00000	.0	100.0
X64	1.00000	*	7	.00000	.0	100.0
X65	1.00000	*	8	.00000	.0	100.0
X66	1.00000	*	9	.00000	.0	100.0
X67	1.00000	*	10	.00000	.0	100.0
X68	1.00000	*	11	.00000	.0	100.0
X69	1.00000	*	12	.00000	.0	100.0
X70	1.00000	*	13	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X62	.95954	-.02722	-.24960	.12744
X61	.95111	.16550	-.17773	.19083
X58	.93367	.13340	-.24151	-.22835
X69	.93007	.00619	-.28169	-.23576
X70	.83639	-.50575	.13092	.16593
X60	.77124	.50943	-.35645	.13643
X67	.73170	.55994	-.38869	.00184
X59	.72357	-.46868	.33854	-.37706
X68	.65547	-.57340	.46156	.16889
X64	.25547	.77657	.57584	.00864
X65	.62517	-.75997	.15940	.07870
X66	.26690	.24866	.93085	.02133
X63	.47128	.60293	.64324	-.02470

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X58	1.00000	*	1	7.09448	54.6	54.6
X59	1.00000	*	2	3.02922	23.3	77.9
X60	1.00000	*	3	2.49173	19.2	97.0
X61	1.00000	*	4	.38457	3.0	100.0
X62	1.00000	*				
X63	1.00000	*				

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X64	1.00000	*				
X65	1.00000	*				
X66	1.00000	*				
X67	1.00000	*				
X68	1.00000	*				
X69	1.00000	*				
X70	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 6 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X60	.97917	-.03597	.16986	-.10524
X67	.97860	-.12453	.16271	.01875
X61	.90145	.38760	.16062	-.10656
X58	.89103	.32325	.08505	.30714
X62	.86588	.49934	-.00308	-.03007
X69	.85811	.39884	-.01898	.32281
X65	.11935	.97852	-.15903	.05447
X68	.07183	.97768	.19411	-.03608
X70	.40024	.91588	.00719	-.03046
X59	.20558	.82514	.16554	.49948
X63	.28888	.05281	.95465	.04906
X64	.22149	-.21667	.95051	-.02307
X66	-.14661	.30067	.94219	.01051

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.78206	.57328	.21981	.10686
Factor 2	.38809	-.72882	.55852	-.07918
Factor 3	-.48624	.35029	.79981	.03416
Factor 4	.03658	.13219	.00666	-.99053

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X71	X72	X73	X74	X75	X76	X77
X71	1.00000						
X72	.87004	1.00000					
X73	.55968	.33280	1.00000				
X74	.85319	.52743	.73626	1.00000			
X75	.96874	.77295	.72797	.93829	1.00000		
X76	.97517	.89464	.65227	.84190	.97219	1.00000	
X77	.90864	.91279	.68887	.72015	.90678	.96851	1.00000
X78	.64067	.92335	.08312	.16932	.48875	.66655	.74771
X79	.86735	.99569	.26360	.51801	.75634	.87792	.87911
X80	.71612	.95845	.07375	.27973	.56585	.73140	.76946
X81	.29496	.61379	-.46657	-.06964	.11431	.29346	.26942
X82	.25319	.43444	.55903	.02813	.27530	.36998	.58121
X83	-.05626	.27076	.27458	-.31284	-.05619	.08825	.33343

	X78	X79	X80	X81	X82	X83
X78	1.00000					
X79	.91941	1.00000				
X80	.98088	.96613	1.00000			
X81	.69440	.66513	.76756	1.00000		
X82	.53366	.35631	.39143	-.14891	1.00000	
X83	.47739	.20026	.31916	-.01901	.92175	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X71	1.00000	*	1	8.09162	62.2	62.2
X72	1.00000	*	2	2.62517	20.2	82.4
X73	1.00000	*	3	2.16174	16.6	99.1
X74	1.00000	*	4	.12147	.9	100.0

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X75	1.00000	*	5	.00000	.0	100.0
X76	1.00000	*	6	.00000	.0	100.0
X77	1.00000	*	7	.00000	.0	100.0
X78	1.00000	*	8	.00000	.0	100.0
X79	1.00000	*	9	.00000	.0	100.0
X80	1.00000	*	10	.00000	.0	100.0
X81	1.00000	*	11	.00000	.0	100.0
X82	1.00000	*	12	.00000	.0	100.0
X83	1.00000	*	13	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X77	.98005	-.12806	.13979	.05960
X72	.97112	.22888	-.06718	-.00441
X76	.96890	-.22765	-.08927	.03809
X79	.95368	.25885	-.15200	-.01943
X71	.93597	-.23716	-.21982	-.13925
X75	.88912	-.43608	-.13726	-.02121
X80	.86433	.49394	-.08724	-.03662
X78	.82791	.54490	.08657	-.10077
X74	.68313	-.67422	-.27631	.04913
X81	.42557	.74258	-.46900	.21795
X73	.54026	-.70970	.42848	.14440
X83	.25509	.36398	.89106	.09202
X82	.48574	.09000	.86629	-.07416

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X71	1.00000	*	1	8.09162	62.2	62.2
X72	1.00000	*	2	2.62517	20.2	82.4
X73	1.00000	*	3	2.16174	16.6	99.1
X74	1.00000	*	4	.12147	.9	100.0
X75	1.00000	*				
X76	1.00000	*				

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X77	1.00000	*				
X78	1.00000	*				
X79	1.00000	*				
X80	1.00000	*				
X81	1.00000	*				
X82	1.00000	*				
X83	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 5 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X74	.97948	.04537	-.19629	-.00540
X75	.94915	.30482	.02453	.07478
X76	.86176	.49154	.12418	.01827
X73	.85120	-.27175	.43665	-.10464
X71	.84647	.49609	-.01336	.19290
X77	.78436	.50395	.36168	-.00239
X81	-.15991	.94055	-.22017	-.20330
X80	.28529	.93138	.21155	.07992
X78	.20751	.89216	.37517	.14229
X79	.51745	.84200	.13572	.06975
X72	.54478	.80814	.21666	.05647
X83	-.13249	.16865	.97373	-.07657
X82	.21632	.12641	.96241	.10487

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.71840	.64583	.25228	.05627
Factor 2	-.68972	.70683	.15676	-.00979
Factor 3	-.07744	-.28724	.95471	.00506
Factor 4	.04686	.02801	.01752	-.99835

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X84	X85	X86	X87	X88	X89	X90
X84	1.00000						
X85	.43562	1.00000					
X86	.52437	.62061	1.00000				
X87	.94946	.59938	.47618	1.00000			
X88	.70627	.93839	.71814	.79140	1.00000		
X89	-.18813	.71607	.02882	.01653	.48689	1.00000	
X90	-.52323	.42129	-.29202	-.27609	.10827	.89498	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X84	1.00000	*	1	3.81706	54.5	54.5
X85	1.00000	*	2	2.48110	35.4	90.0
X86	1.00000	*	3	.64164	9.2	99.1
X87	1.00000	*	4	.06019	.9	100.0
X88	1.00000	*	5	.00000	.0	100.0
X89	1.00000	*	6	.00000	.0	100.0
X90	1.00000	*	7	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X88	.98635	.15038	-.02073	-.06374
X85	.88370	.45782	-.07796	.05829
X87	.86528	-.31194	.37486	.11602
X84	.79742	-.53028	.27616	-.08163

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	Factor 1	Factor 2	Factor 3	Factor 4
X86	.74754	-.19964	-.63248	.03590
X90	-.03079	.98593	.12044	.11171
X89	.34480	.92654	.06171	-.13726

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X84	1.00000	*	1	3.81706	54.5	54.5
X85	1.00000	*	2	2.48110	35.4	90.0
X86	1.00000	*	3	.64164	9.2	99.1
X87	1.00000	*	4	.06019	.9	100.0
X88	1.00000	*				
X89	1.00000	*				
X90	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 5 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X87	.97281	-.01724	.21452	-.08562
X84	.92531	-.25291	.25667	.11813
X88	.70111	.40456	.57966	.09365
X89	.02185	.98689	.10532	.12032
X90	-.24608	.94621	-.15264	-.14434
X85	.50115	.65968	.55867	-.03946
X86	.27790	-.08036	.95719	.01032

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.76941	.26629	.57958	.03439
Factor 2	-.29709	.95348	-.04195	-.02935
Factor 3	.56503	.13958	-.81285	-.02310
Factor 4	.02215	-.02208	.03999	-.99871

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X91	X92	X93	X94	X95	X96	X97
X91	1.00000						
X92	.98201	1.00000					
X93	.85848	.87399	1.00000				
X94	.98895	.94317	.82470	1.00000			
X95	.79003	.76117	.94721	.79280	1.00000		
X96	-.52907	-.47076	-.49361	-.56153	-.39026	1.00000	
X97	.47415	.57748	.82065	.38109	.70619	-.20736	1.00000
X98	.95539	.89409	.86437	.97946	.88272	-.54520	.42515
X99	.61535	.70160	.90258	.53216	.79192	-.29275	.98556
X100	.61740	.74255	.49914	.50361	.26527	-.03934	.52033
X101	.93644	.85706	.71367	.97519	.70626	-.63889	.19960
X102	-.62975	-.57419	-.72367	-.65752	-.67253	.93198	-.45660

	X98	X99	X100	X101	X102
X98	1.00000				
X99	.56874	1.00000			
X100	.37307	.56874	1.00000		
X101	.95393	.36141	.35634	1.00000	
X102	-.69739	-.53858	-.04359	-.68552	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X91	1.00000	*	1	8.35142	69.6	69.6
X92	1.00000	*	2	1.76799	14.7	84.3
X93	1.00000	*	3	1.24436	10.4	94.7
X94	1.00000	*	4	.63622	5.3	100.0
X95	1.00000	*	5	.00000	.0	100.0
X96	1.00000	*	6	.00000	.0	100.0

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X97	1.00000	*	7	.00000	.0	100.0
X98	1.00000	*	8	.00000	.0	100.0
X99	1.00000	*	9	.00000	.0	100.0
X100	1.00000	*	10	.00000	.0	100.0
X101	1.00000	*	11	.00000	.0	100.0
X102	1.00000	*	12	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X93	.96226	.19556	-.16134	.09886
X91	.95678	-.08738	.27735	-.00362
X92	.95026	.07780	.28582	-.09625
X98	.94126	-.21521	.13273	.22382
X94	.93782	-.21485	.26373	.06918
X95	.89203	.09325	-.19418	.39735
X101	.86514	-.42522	.25874	.06147
X99	.77947	.55056	-.29721	-.03131
X102	-.76497	.37933	.49011	.17527
X97	.66359	.64419	-.37730	-.04802
X96	-.60794	.55313	.36957	.43344
X100	.54287	.51588	.51031	-.42279

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
X91	1.00000	*	1	8.35142	69.6	69.6
X92	1.00000	*	2	1.76799	14.7	84.3
X93	1.00000	*	3	1.24436	10.4	94.7
X94	1.00000	*	4	.63622	5.3	100.0
X95	1.00000	*				
X96	1.00000	*				
X97	1.00000	*				
X98	1.00000	*				
X99	1.00000	*				
X100	1.00000	*				
X101	1.00000	*				
X102	1.00000	*				

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X97	1.00000	*	7	.00000	.0	100.0
X98	1.00000	*	8	.00000	.0	100.0
X99	1.00000	*	9	.00000	.0	100.0
X100	1.00000	*	10	.00000	.0	100.0
X101	1.00000	*	11	.00000	.0	100.0
X102	1.00000	*	12	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X93	.96226	.19556	-.16134	.09886
X91	.95678	-.08738	.27735	-.00362
X92	.95026	.07780	.28582	-.09625
X98	.94126	-.21521	.13273	.22382
X94	.93782	-.21485	.26373	.06918
X95	.89203	.09325	-.19418	.39735
X101	.86514	-.42522	.25874	.06147
X99	.77947	.55056	-.29721	-.03131
X102	-.76497	.37933	.49011	.17527
X97	.66359	.64419	-.37730	-.04802
X96	-.60794	.55313	.36957	.43344
X100	.54287	.51588	.51031	-.42279

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
X91	1.00000	*	1	8.35142	69.6	69.6
X92	1.00000	*	2	1.76799	14.7	84.3
X93	1.00000	*	3	1.24436	10.4	94.7
X94	1.00000	*	4	.63622	5.3	100.0
X95	1.00000	*				
X96	1.00000	*				
X97	1.00000	*				
X98	1.00000	*				
X99	1.00000	*				
X100	1.00000	*				
X101	1.00000	*				
X102	1.00000	*				

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VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 7 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X101	.91625	.03990	.37292	.14077
X98	.91367	.30860	.25785	.05899
X94	.90455	.21673	.27947	.23815
X91	.85232	.29387	.25308	.35092
X92	.75845	.38271	.21134	.48334
X95	.70460	.68295	.13971	-.13270
X97	.09426	.96030	.11109	.23792
X99	.25201	.91909	.15293	.26150
X93	.61617	.72616	.26539	.15031
X96	-.30340	-.06944	-.94993	-.02753
X102	-.41354	-.36733	-.82544	.11273
X100	.27479	.30078	-.09466	.90833

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.73851	.51742	.35932	.24035
Factor 2	-.33558	.66850	-.53533	.39231
Factor 3	.42495	-.51281	-.50325	.55062
Factor 4	.40176	.14969	-.57536	-.69652

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X103	X104	X105	X106	X107	X108	X109
X103	1.00000						
X104	.94616	1.00000					
X105	.74811	.91656	1.00000				
X106	.29875	.58647	.82079	1.00000			
X107	.18886	.49455	.75772	.98864	1.00000		
X108	.97808	.99279	.86692	.48720	.38727	1.00000	
X109	.16670	.47161	.72200	.96892	.99227	.36370	1.00000
X110	-.87846	-.82818	-.71384	-.27686	-.14371	-.85986	-.06610
X111	.97443	.96789	.83955	.43873	.32179	.98339	.27826
X112	.57678	.79308	.93980	.92931	.86659	.72381	.81938
X113	.42466	.49893	.38195	.48674	.45674	.47248	.50912
X114	.06102	.34370	.54847	.89930	.92203	.24078	.94305
X115	-.03052	.25783	.47573	.84555	.89630	.15149	.93653
X116	-.05046	.20451	.36773	.73430	.79547	.10883	.85791
X117	.17388	.48190	.75892	.98800	.99798	.37399	.98365
X118	.02668	.99385	.91524	.63199	.53918	.98117	.51794
X119	-.14689	.17861	.50311	.88332	.93990	.05971	.94936
X120	.44888	.64623	.68943	.82626	.80790	.57785	.83836
X121	.95592	.91558	.69161	.33255	.23786	.94024	.24476
X122	.86641	.97754	.95061	.70733	.63969	.94837	.63062
X123	.93889	.99738	.92342	.58443	.49910	.98858	.47880
X124	-.38508	-.50055	-.48676	-.64543	-.57147	-.46121	-.55506

	X110	X111	X112	X113	X114	X115	X116
X110	1.00000						
X111	-.93597	1.00000					
X112	-.61031	.71635	1.00000				
X113	-.09850	.38349	.45228	1.00000			
X114	.07697	.15575	.71771	.68367	1.00000		
X115	.22012	.03952	.61317	.63497	.97825	1.00000	
X116	.32014	-.02407	.48301	.70560	.93486	.97871	1.00000
X117	-.15829	.31699	.87150	.40568	.90244	.87320	.76163
X118	-.80127	.95470	.82358	.57731	.42004	.32519	.27351
X119	.18827	-.01921	.65254	.33561	.91139	.93166	.84979
X120	-.19863	.48266	.76171	.88654	.89473	.85161	.84669
X121	-.72287	.90083	.54863	.65683	.21310	.13635	.15917
X122	-.70603	.89452	.84364	.55953	.50156	.44038	.38930
X123	-.81401	.95736	.78334	.46498	.33227	.25842	.20539

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	X110	X111	X112	X113	X114	X115	X116
X124	.32645	-.46292	-.68137	-.82250	-.71771	-.57578	-.54120

	X117	X118	X119	X120	X121	X122	X123
X117	1.00000						
X118	.52379	1.00000					
X119	.93921	.22770	1.00000				
X120	.77284	.71309	.67575	1.00000			
X121	.20625	.91913	-.07009	.61578	1.00000		
X122	.62333	.97890	.36049	.75473	.86706	1.00000	
X123	.48710	.98526	.18953	.62964	.90198	.98096	1.00000
X124	-.54991	-.59187	-.41452	-.80902	-.51781	-.52132	-.44693

	X124
X124	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X103	1.00000	*	1	13.89145	63.1	63.1
X104	1.00000	*	2	5.97272	27.1	90.3
X105	1.00000	*	3	1.55725	7.1	97.4
X106	1.00000	*	4	.57859	2.6	100.0
X107	1.00000	*	5	.00000	.0	100.0
X108	1.00000	*	6	.00000	.0	100.0
X109	1.00000	*	7	.00000	.0	100.0
X110	1.00000	*	8	.00000	.0	100.0
X111	1.00000	*	9	.00000	.0	100.0
X112	1.00000	*	10	.00000	.0	100.0
X113	1.00000	*	11	.00000	.0	100.0
X114	1.00000	*	12	.00000	.0	100.0
X115	1.00000	*	13	.00000	.0	100.0
X116	1.00000	*	14	.00000	.0	100.0
X117	1.00000	*	15	.00000	.0	100.0
X118	1.00000	*	16	.00000	.0	100.0
X119	1.00000	*	17	.00000	.0	100.0

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - - -

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X120	1.00000	*	18	.00000	.0	100.0
X121	1.00000	*	19	.00000	.0	100.0
X122	1.00000	*	20	.00000	.0	100.0
X123	1.00000	*	21	.00000	.0	100.0
X124	1.00000	*	22	.00000	.0	100.0

PC extracted 4 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X112	.93953	.03531	.26163	-.21815
X122	.93784	-.29821	.04101	.17275
X105	.93283	-.18548	.30549	.04583
X118	.90751	-.41792	-.03285	.02613
X120	.90095	.27844	-.33076	.03692
X106	.88633	.38785	.23123	-.10262
X104	.87314	-.47919	.03055	.08404
X123	.86546	-.47471	.07022	.14390
X107	.83257	.49776	.24256	-.01527
X109	.82256	.53836	.16740	.07447
X117	.81632	.49326	.29749	-.04257
X108	.81325	-.57602	-.00758	.08223
X111	.75747	-.64763	.05165	-.06434
X114	.75595	.64124	-.11359	-.06669
X121	.73139	-.57598	-.33933	.13480
X124	-.71730	-.14227	.43131	.52840
X110	-.55108	.75563	-.23489	.26489
X119	.60625	.75461	.24797	.03928
X103	.68438	-.71921	-.08952	.07971
X115	.68101	.71596	-.10444	.11282
X116	.61269	.71073	-.26832	.21789
X113	.67513	.14085	-.72404	-.01117

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X103	1.00000	*	1	13.89145	63.1	63.1

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Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X104	1.00000	*	2	5.97272	27.1	90.3
X105	1.00000	*	3	1.55725	7.1	97.4
X106	1.00000	*	4	.57859	2.6	100.0
X107	1.00000	*				
X108	1.00000	*				
X109	1.00000	*				
X110	1.00000	*				
X111	1.00000	*				
X112	1.00000	*				
X113	1.00000	*				
X114	1.00000	*				
X115	1.00000	*				
X116	1.00000	*				
X117	1.00000	*				
X118	1.00000	*				
X119	1.00000	*				
X120	1.00000	*				
X121	1.00000	*				
X122	1.00000	*				
X123	1.00000	*				
X124	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 5 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X103	.98312	-.07821	.16538	-.00058
X111	.98176	.05475	.08117	-.16298
X108	.98080	.12995	.14510	-.00972
X123	.95998	.26041	.09378	.04280
X104	.95858	.24783	.13991	-.01150
X118	.92787	.29150	.22511	-.05841
X110	-.90828	.10951	.14074	.37846
X121	.89893	-.01952	.42745	.09403
X122	.88747	.42315	.16358	.08106
X105	.81560	.57128	-.05491	-.07368
X119	-.07726	.99608	.04222	.00811
X109	.22204	.96400	.14401	.02575

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - -

	Factor 1	Factor 2	Factor 3	Factor 4
X117	.24867	.96191	.02770	-.11010
X107	.25480	.96054	.08127	-.07638
X115	-.02203	.91650	.38029	.12214
X106	.35915	.91172	.10205	-.17138
X114	.06296	.90252	.42129	-.06335
X116	-.06996	.82439	.50147	.25300
X112	.63380	.70463	.05204	-.31478
X120	.40980	.68438	.60195	.03677
X113	.30727	.32246	.89384	.05147
X124	-.30769	-.41470	-.69372	.50210

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.70021	.65149	.28358	-.06963
Factor 2	-.70023	.69668	.14345	.06115
Factor 3	.09066	.29696	-.94031	-.13932
Factor 4	.10570	.04476	-.12175	.98590

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Analysis number 1 Listwise deletion of cases with missing values

Correlation Matrix:

	X125	X126	X127	X128	X129	X130	X131
X125	1.00000						
X126	.59817	1.00000					
X127	-.52405	-.33174	1.00000				
X128	.98650	.68288	-.44217	1.00000			
X129	.73018	.98118	-.35971	.79898	1.00000		
X130	-.00792	.56074	.58510	.14493	.49944	1.00000	
X131	-.35060	-.11568	.47466	-.23912	-.21018	.41474	1.00000
X132	.05579	.80017	.03904	.19441	.68037	.77577	.35766
X133	-.44281	-.57221	-.42104	-.56836	-.60582	-.83546	-.35557

	X132	X133
X132	1.00000	
X133	-.53463	1.00000

Extraction 1 for analysis 1, Principal Components Analysis (PC)

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
X125	1.00000	*	1	4.54321	50.5	50.5
X126	1.00000	*	2	2.85854	31.8	82.2
X127	1.00000	*	3	.98678	11.0	93.2
X128	1.00000	*	4	.61146	6.8	100.0
X129	1.00000	*	5	.00000	.0	100.0
X130	1.00000	*	6	.00000	.0	100.0
X131	1.00000	*	7	.00000	.0	100.0
X132	1.00000	*	8	.00000	.0	100.0
X133	1.00000	*	9	.00000	.0	100.0

PC extracted 4 factors.

- - - - - - - - - - - - FACTOR ANALYSIS - - - - - - - - - - -

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X129	.97131	-.16049	.14989	-.09124
X126	.94884	-.05202	.30584	-.05879
X128	.81693	-.43793	-.35024	.13481
X133	-.76727	-.47410	.43164	.01480
X125	.72487	-.57101	-.36843	.11302
X132	.70388	.47056	.52690	.07421
X127	-.19841	.85308	-.38099	-.29620
X130	.61861	.75564	.00142	-.21525
X131	-.02158	.75320	-.05729	.65494

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
X125	1.00000	*	1	4.54321	50.5	50.5
X126	1.00000	*	2	2.85854	31.8	82.2
X127	1.00000	*	3	.98678	11.0	93.2
X128	1.00000	*	4	.61146	6.8	100.0
X129	1.00000	*				
X130	1.00000	*				
X131	1.00000	*				
X132	1.00000	*				
X133	1.00000	*				

VARIMAX rotation 1 for extraction 1 in analysis 1 - Kaiser Normalization.

VARIMAX converged in 5 iterations.

Rotated Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
X125	.97261	.10910	-.12706	-.16122
X128	.97191	.21870	-.03639	-.07900

- - - - - - - - - - - - F A C T O R A N A L Y S I S - - - - - - - - - - -

	Factor 1	Factor 2	Factor 3	Factor 4
X132	.01039	.95725	.14527	.24993
X126	.50047	.85901	-.00237	-.10788
X129	.64040	.74686	.02216	-.17776
X127	-.37380	-.14164	.89598	.19348
X130	.04471	.65133	.73584	.17975
X133	-.54542	-.38128	-.70450	-.24662
X131	-.17948	.08908	.26531	.94311

Factor Transformation Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4
Factor 1	.68836	.70295	.17871	-.00855
Factor 2	-.44310	.26133	.70232	.49205
Factor 3	-.53393	.65613	-.52788	-.07583
Factor 4	.21151	-.08398	-.44289	.86721

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