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Effect of financing choices on financial performance of new vehicle dealers in Kenya.

Agani, Sylvia
Strathmore Business School
Strathmore University

EFFECT OF FINANCING CHOICES ON FINANCIAL PERFORMANCE OF NEW VEHICLE DEALERS IN KENYA

SYLVIA AGANI

REG NO: 114521

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DECLARATION

I declare that, this thesis is my original work and has not been presented for a study in any University or college.

Sign:  Date: 30/08/2022

Sylvia Agani

Reg no: **114521**

The following thesis has been submitted with my approval as university supervisor(s).

Sign:  Date:

Dr. David Mathuva

Senior Lecturer

Strathmore University

DEDICATION

I dedicate this thesis to my nuclear family and I am glad for their moral and emotional support this far.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
CMA	Capital Market Authority
DCI	Document Check Index
ECA	Export Credit Agencies
MCAs	Modified Carry Arrangement
NACOSTI	National Commission for Science and Technology
NSE	Nairobi Securities Exchanges
SME	Small and Medium Enterprises

OPERATIONAL DEFINITION OF KEY TERMS

Cheque Discounting	Cheque discounting is a supplier financing mechanism whereby firms are able to sell their accounts receivable on discount to financers. The discount is part of the interest and the service fees for discounting the illiquid assets (Cahna, 2008).
Equity Financing	Equity financing relates to situations where the owner of the business invests personal funds into the business (Fatoki, 2014).
Financial Performance	The proportionate change in shareholder wealth in subsequent accounting periods (Maleya & Muturi, 2013)
Lease Financing	Leasing is described as a contractual arrangement requiring the user, also known as the lesee to make payments to the owner, or the lessor, in order to use a specified asset (Kraemer-Eis & Lang, 2015).
Purchase Order Financing	The purchase order (POF) is regarded as a highly targeted form of finance, intended to allow the business to fulfil a customer's order. The goal here is to cease the market opportunity that could have been easily lost due to lack of financial resources to purchase the inputs and undertake a

delivery to the customer within the time stipulated in the contract (Imara Africa, 2010).

ABSTRACT

The financial performance of firms is dependent on numerous financial decisions chief among them the availability of financing options and the efficiency and effectiveness with which the management is also to utilize these resources. Many small businesses in Kenya have continued to experience failure due to stringent financing options that put their operations at risk making their continued survival untenable. Hence, the current study aimed at examining the effect of financing options on financial performance of new motor vehicle dealers in Kenya. The specific objectives of the study were to examine the effect of equity financing, lease financing, purchase order financing and cheque discounting financing on financial performance of new vehicle dealers in Kenya. The study was anchored on pecking order theory, information asymmetry, credit rationing and financial intermediation theory. The study applied correlation research design and sourced for secondary data from 2011 to 2021 among nine new vehicle dealers in Kenya. The study applied descriptive and inferential statistics. Fixed effects regression model was fitted. Results of the study indicates that equity financing, lease financing, purchase order financing and cheque discounting financing have positive and significant effect on financial performance of new vehicle dealers in Kenya. Based on the findings it can be that there is need for consideration of mixed financing choices. Such as lease financing options provides favourable terms among business enterprises due to flexibility and efficiency it leads to in business enterprises. It can be recommended that new vehicle dealers to develop strategic partnership with venture capitalists and business angels to ease their customers access to equity finance. Secondly, new vehicle dealers in Kenya indicates the need for adoption of customized model for lease vehicle financing. Thirdly, purchase order financing being complementary approach between financial institutions calls for development of strategic partnership that would maximize odds of wealth maximization principle. Further, positive significant effect of cheque discounting on financial performance of new vehicle dealers calls for enhancement of respective organization working capital management model to enhance achievement of profit maximization principle.

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VNVM SINT

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Financial performance of firms is of crucial relevance to diverse stakeholders worldwide. Numerous stakeholders closely follow the financial performance of firms for varying reasons. The main reason for the analysis of a firm's financial performance is to determine the efficiency and effectiveness through which the management is able to apply the available funds to undertake the core mandate of the business with the objective of maximizing shareholder wealth (Maleya & Muturi, 2013). Debt financing is one of the major ways through which firms obtain funds to run their operations and undertake investment activities (Aydin & Aigniezka, 2015). The success or failure of many business organizations that take loan financing to undertake investment activities is highly dependent on the efficiency of the allocation of the funds into profitable activities (Okoth, 2017). The global, regional, and local level is awash with examples of firms that have prudently utilized financing options into attaining success in their business.

The financial performance of business organizations determines their long-term survival and health. A business organization that portrays higher levels of financial performance is a reflection of management efficiency and effectiveness in the management of the financial resources available for the business; it is also an indicator that the larger economy is performing well (Bulle, 2017). In the measurement of financial performance, various characteristics can be considered including line items such as operating income, cash flows from operations, revenue from operations, and return on assets as well as total unit sales. A

firm's financial performance thus reflects on the efficiency with which the firm is able to generate revenues as well as manage its financial interests, liabilities, and assets (Ahmad & Zabri, 2016). The sole aim of any business organization, whether a start-up or well-established firm is to experience growth and high levels of profitability within the shortest time possible. Nevertheless, it is not always possible for the owners to have the cash to fund the business for the desired levels of growth and profitability (Achieng et al., 2018). The only available options for the businesses are to turn to financing options that help them obtain funds to steer the company forward (Gisele, Githui, & Muhavani, 2020).

1.1.1 Global Perspective of Financing Options and Financial Performance

World over, bank lending is regarded as the most common source of external financing for many entrepreneurs and SMEs. The bank financing has particularly been useful for these businesses in the sense that they readily provide funds for investments, operations cash flow, and sometimes start-up capital (OECD, 2015). Capital structure decisions are integral in the profit maximization objectives of any organization. The arrangement of debt and equity is considered integral in the growth of an organization as it directly impacts on the performance of the firm (Qayyum & Noreen, 2019). It is imperative that organizations strive to strike a balance between debt and equity that would yield improved financial performance of the firm. On the contrary, poor balance of debt and equity is suicidal to the firm as it can lead to bankruptcy. Indeed, an organization needs to be wary of debts that lead to poor performance of the firm and avoid them at all costs. In the same breath, rational mix of debt and equity can result in better improved performance of an organization (Qayyum & Noreen, 2019).

Financial performance is viewed in various methods, but mostly calculated using different financial ratios such as return on equity, earnings per share, and return on assets as well as many other ratios (Arifa et al., 2020). Important aspects of financial performance include factors as firm size, capital structure, liquidity, and profitability. The concept of capital structure has transcended many generations since the seminal work of Modigliani and Miller (1958) whereby the main issue of concern has been the pursuit of an optimal capital structure that leads to the best organizational performance (Baliyan, et al., 2019). The world has thus experienced unprecedented number of studies on capital structure and financing options owing to the importance attached to capital structure and performance.

SMEs financing is an important aspect of business cycle and is inherent at all stages of growth. The important role played by SMEs in the global economy is especially crucial such that the firms require ample sources of financing options to enable their growth and eventually make significant contribution to the economy through social inclusion, growth, and employment (Giovannini et al., 2013). It has been established that, globally, access to diverse financing options by firms leads to improved performance post-entry for businesses. Indeed, in countries with developed financial markets, firms that exclusively rely on external financing options register faster growth compared to their counterparts in developing markets. Thus, existence of financing options is further enhanced by the firms' ability to manage risk effectively, share information, and allocate resources in projects that yield high levels of return. On the contrary, presence of financing constraints leads to firms failing to invest in innovative projects; the firms also fail to take lucrative opportunities that provide growth, thus leading to distress.

Challenges in accessing financing options especially for SMEs are a major impediment to the growth of these firms in many countries. According to OECD (2016), bank financing is the main source of financing for SMEs. These firms utilize the funds obtained from the banks to undertake such activities as operational cash flow, investment needs, and start-up capital. Nevertheless, SMEs face challenges in terms of ease of access to bank loans in comparison to well established large corporate organizations. Some of the challenges hindering SMEs from easily accessing debt finance from banks include their opacity, high transaction costs, asymmetric information, and agency problems (OECD, 2016). It is also a global phenomenon that most SMEs often experience challenges in accessing credit from banks due to certain reasons including being under-collateralized, low credit history, absence of skills and expertise to produce sophisticated financial statements. Furthermore, most SMEs have higher levels of risk-return profile which makes them unfavorable to be considered for loan finance from major financial institutions (OECD, 2016).

Middle- and low-income countries are characterized by funding gaps which are much more pronounced thus causing major barriers to funding for small businesses. Most of the SMEs in middle to low-income countries are usually small in size and have little or no access to formal credit, either long-term or short-term, to help them sustain their investments or even diversify their business activities. The outcome of such scenario is widespread stifling of innovations and limited growth of business opportunities for these SMEs (OECD, 2016).

Recent years have seen increased opportunities for SMEs to access credit facilities leading to improvements in their financial performance. The improvements in SMEs performances has been evidenced by shorter delays in payments as well as reduced bankruptcy levels (Gisele,

Githui, & Muhavani, 2020). There has not been a drastic systematic improvement in credit for SMEs; rather, myriad challenges have continued to prevail in financing options for SMEs partly due to weaknesses in the credit demand levels and unequal opportunities. Many banks, globally, have adopted more stringent and rigorous measures to govern the issuance of credit facilities to SMEs to avoid bad loans (Gisele, Githui, & Muhavani, 2020). Start-ups, young SMEs, businesses in remote areas, innovative firms, and micro-enterprises have majorly continued to experience challenges in accessing debt finance. Some of the impediments include transaction costs which have made it difficult for these businesses to be excluded from the conventional lending opportunities available from banks. The United Kingdom is regarded as Europe's most advanced equity market while other countries in the EU are not really attractive for private investors. In particular, there have not been any tangible improvements in the policies on protecting the rights of minority shareholders as the control of established owners remain firm in most entities (Diaconu, 2017).

1.1.2 Regional Perspective of Financing Options and Financial Performance

Small business firms based in developing countries always face the risk of credit-constraints. The financing options for SMEs in developed countries has been addressed effectively to a large extent. However, there exist a wide range of challenges that threaten these firms in the developed economies (Ndemi & Mungai, 2018). The challenges are similar to those faced by SMEs in African developing nations. According to Fatoki (2014), there are several financing options available to SMEs in Africa. The first financing option for SMEs is equity financing which should be the first form of financing before undertaking debt financing options. In the equity financing option, the two major types include internal and external equity. The

internal equity comes in forms such as retained earnings, owners' contributions, as well as donations from friends and family. At the onset of any SME, the owner or owners often contribute their capital in the form of 'sweat equity'. Debates among scholars have raged on as to whether SMEs should use debt financing to undertake their business activities. Suggestions have been made discouraging the use of debt financing by SMEs and instead using internal sources of funds. The opponents of debt financing argue that the contractual arrangement between the business and the lender makes it difficult and challenging to manage the firm. On the other hand, scholars who support the use debt financing claim that debts are tax deductible for the interest payments thus enjoys priority claims whether the firm is under bankruptcy or operating profitably (Ndemi & Mungai, 2018).

In Africa, most SMEs obtain funding from personal savings, rotating savings and credit associations, money lenders, savings collectors, informal lending schemes, as well as donations from friends and family members (Muriithi, 2014). Thus, most business enterprises in the African context use informal finance services to run their operations. Nevertheless, most enterprises in Africa still rely on commercial banks to provide debt financing. A wide range of financial services is offered in most banks in Africa such as deposits, transfers, insurance arrangements, leasing, and credits. The banks mainly provide short-term working capital to SMEs; nevertheless, other financial services can also be provided in accordance to the nature of the deposits used for the process of funding.

Commercial banks are mainly focused on the maximization of profits at all times. Therefore, they find it difficult to provide credit services to SMEs which are considered highly risky. In most cases, SMEs do not possess the requisite information to help commercial banks assess

their profitability potential. It is also costly managing smaller amounts of credit to SMEs compared to advancing larger credit. In Nigeria, for instance, there has been a continuous trend towards developing financing options to help fund joint venture obligations especially in the oil company owned by the state. Indeed, Nigeria raised funds through self-funding or equity, partner funding, and commercial debt instruments through modified carry arrangement (MCAs) (Sifullahi et al., 2019). It has been established that utilizing traditional and non-traditional funding options is recommended as it helps keep firms on a growth trajectory (Gisele, Githui, & Muhavani, 2020). Non-traditional funding options utilized in Nigeria include contractor-financing/deferred payment, private equity, sovereign wealth funds, Islamic/sharia finance, pension funds, and export credit agencies (ECAs) (Gisele, Githui, & Muhavani, 2020).

1.1.3 Local Perspective of Financing Options and Financial Performance

According to a report by the Capital Markets Authority (CMA), the amount of capital raised by firms through equity at the Nairobi Securities Exchange (NSE) between 2010 and 2015 rose from Kshs 430 million in 2011 to Kshs 1.8 billion in 2015 (CMA, 2016). Nevertheless, the same period registered a decreased return on equity from a high of 20% in 2011 to 16% in 2015; but there were intermittent declines and rises in ROA and ROE during the same period (NSE, 2016). In Kenya, SMEs utilize numerous forms of financing to undertake their operational and investment activities. Banking and microfinance institutions provide most options for finance solutions to SMEs in Kenya. These financial solutions are expected to drive the SMEs into profitability and help them scale up the enterprise ladder into large business ventures. According to the Kenya National Bureau of Statistics (KNBS), at least

three in five small business ventures collapse within the first few months of inception (KNBS, 2019). The continued failure of SMEs to grow has vastly been hampered by the lack of financing options.

Micro and Small enterprises are regarded as critical to the growth of the Kenyan economy. The sector is especially important for the reduction of poverty as it helps in the creation of jobs to over 89% of the working people in Kenya. MSEs serve as the major sources of livelihoods to Kenyans as they generate income, contribute to economic growth, and create employment opportunities (Mukoma & Masini, 2015). These enterprises are the core engine of economic growth and poverty eradication (Katua, 2014).

Despite their crucial role in the economic growth, MSEs in Kenya have continued to register poor performance mostly due to challenges with financing options for their operations and growth (Achola, 2021). There has been a continuous collapse of many SMEs which had been contributing to the growth of the economy as a result of either poor management of finances or the lack of finances to run their operations.

Finance plays an integral role in a business organization through the assurance that enough funds are available to the firm to enable it finance its various activities and ensure a smooth running of the entity (Carvalho, 2018). Therefore, business firms must ensure that they assess various options for financing their operations with the least possible costs. Indeed, availability of diverse financing options helps businesses have an unlimited access to funds that enable them undertake activities that would have been difficult or beyond the reach of the firm (Gisele et al., 2020). The current performance of small businesses in Kenya is an

issue of concern, especially due to the challenges with favorable financing options to steer their growth and sustainability in the long-term.

1.1.4 Trends of Performance in New Motor Vehicle Sector in Kenya

Figure 1.1 indicates the sales from several bus dealers studied from 2009 to 2019. The studies indicate the findings from Hino, Isuzu, Mitsubishi, UD among others.

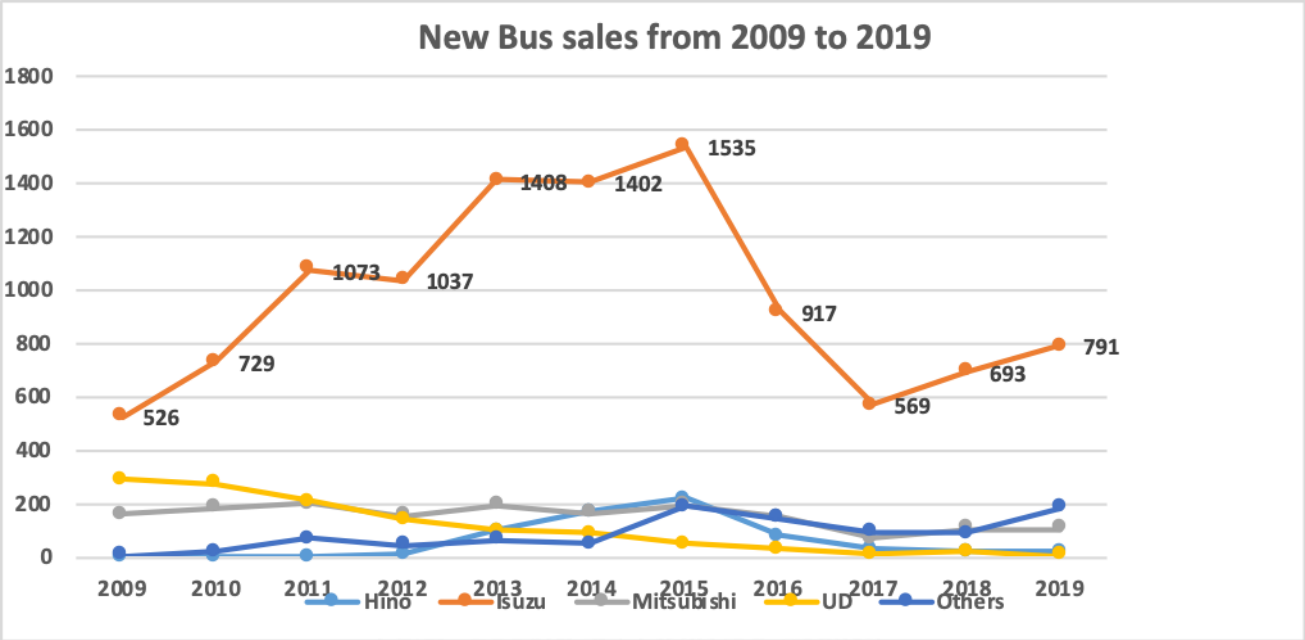

Figure 1.1 Trend of New Buses Sales

From the data trends in Figure 1.1, Isuzu had the highest sales since 2009 to 2016. All other dealers had a steady trend in the sales until 2016 when all the dealers registered a decrease in the sales. The sales further plunged in 2017, to an all-time low for all the dealers. UD only sold 9 buses, Mitsubishi sold 70 buses, and Hino sold 29 buses while Isuzu was only selling 569 buses. In 2018, there was a slight recovery of the sales as depicted in Figure 2.

The respondents interviewed indicated that the period during and after the interest rate capping affected the new vehicle dealers severely. Most interviewees indicated that period immediately after the capping law was enacted, in 2016, was the most severe. Major commercial banks and other finance institutions in Kenya had adopted steep credit lending conditions to businesses in Kenya in order to mitigate default risk. The credit hostilities hindered business from purchasing new vehicles. These findings coupled with the secondary literature sources shows that lenders avoided advancing credit facilities until they were fully aware of the actual effect of the interest rate capping law.

Figure 1.2 indicates the sales findings from truck dealers' records in Kenya during the period under review. The graph project trends from 2009 to 2019 for the largest performing dealerships, including Hino, Isuzu, Mitsubishi, UD, Tata and a combination of all other smaller dealers denoted as others. The Figure shows the sales trend from 2009 to 2019 indicating the annual sales against a specified year.

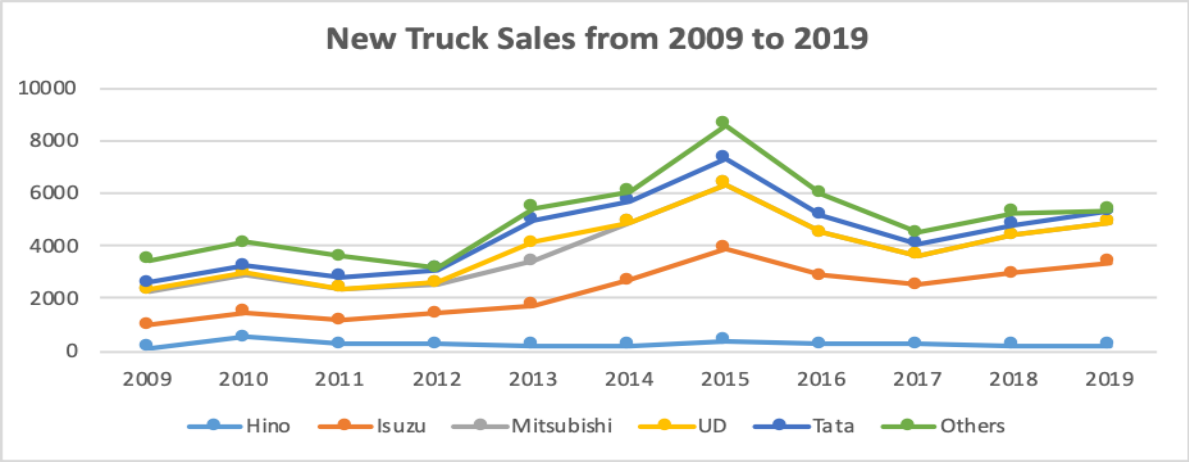

Figure 1.2 Trend of New Truck sales

From the trend, the sales of new trucks were distributed across several dealers during the entire study period. From 2009 new vehicle dealers had a continued increase in the rate of sales all through to 2015. In 2016 all new truck dealers registered a sharp decline in the sales of trucks. This was mostly attributed to the interest rate cap law introduced in the same year. The decline further deepened in 2017 when most of the companies recorded the lowest sales yet. Isuzu's sales and market share increased after the interest cap was revoked in 2018. This can be attributed to the increase in demand for the trucks as the business environment in Kenya improved, with increase appetite for lending to businesses from commercial banks in the country.

Figure 1.3 presents the sales trends variations among various commercial vehicle models from 2009 to 2019. The graphical analysis shows the difference by vehicle type and size. For example, trucks vary from small trucks (5.5 tons) up to the prime movers (26 tons and above), while buses vary from medium buses (21 seaters to 40 seaters) to large buses 41 seaters and above.

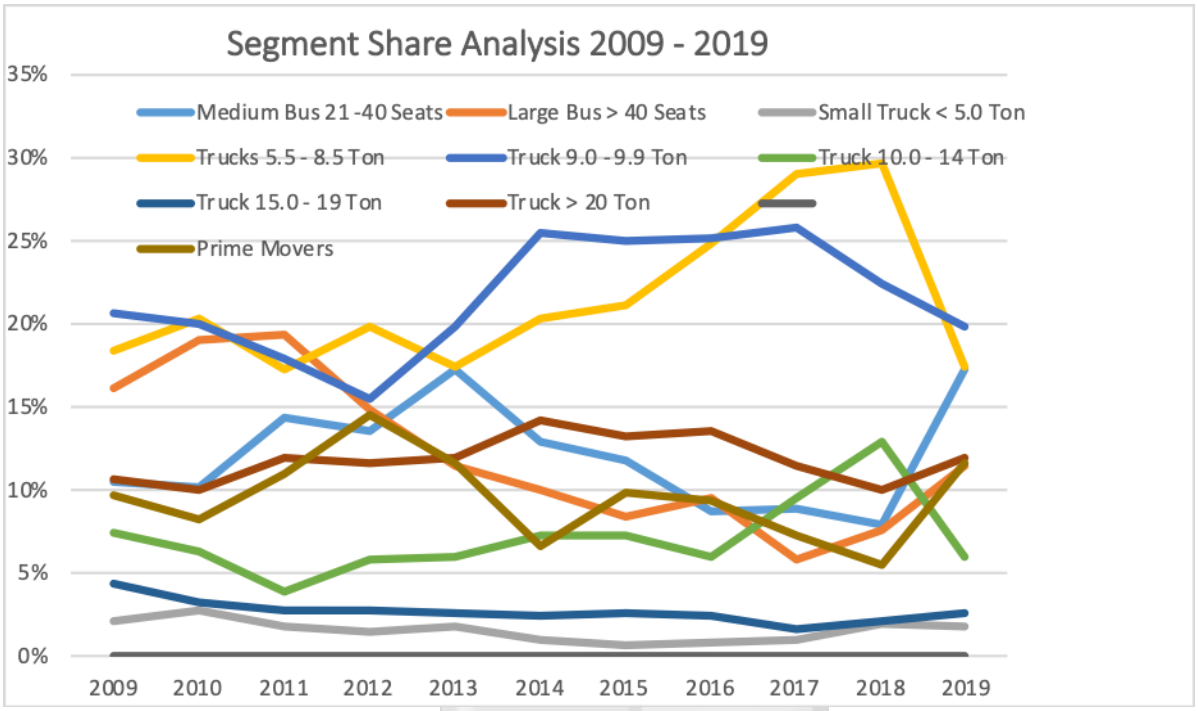

Figure 1.3 Segment Share Analysis

Figure 1.3 indicates the trend in growth of sales from 2009 to 2019. The graph shows the performance of new vehicle models before the introduction of interest rate cap law, during and after the law was repealed. The sales performance of new vehicles, specifically in the following categories; 5.5 -8.5 Ton, 9.0 – 9.9 Ton and 10.0 Ton -14 Ton declined in 2016, except for the small trucks below 8.5 tons. However, sales for the three types of vehicles has been on the decline while other types are registering sales growth. The trend could indicate an imbalance in financing advanced options whereby banks and new vehicle dealers gave preference to business that bought specific types of vehicles during the interest rate cap period.

The grand total graph in the figure 1.4 below indicates sales trends for both trucks and buses. The Figure shows the performance of new vehicles purchased from 2009 to 2019. An order five polynomial trend line is used to show changes in total sales across the ten-year period.

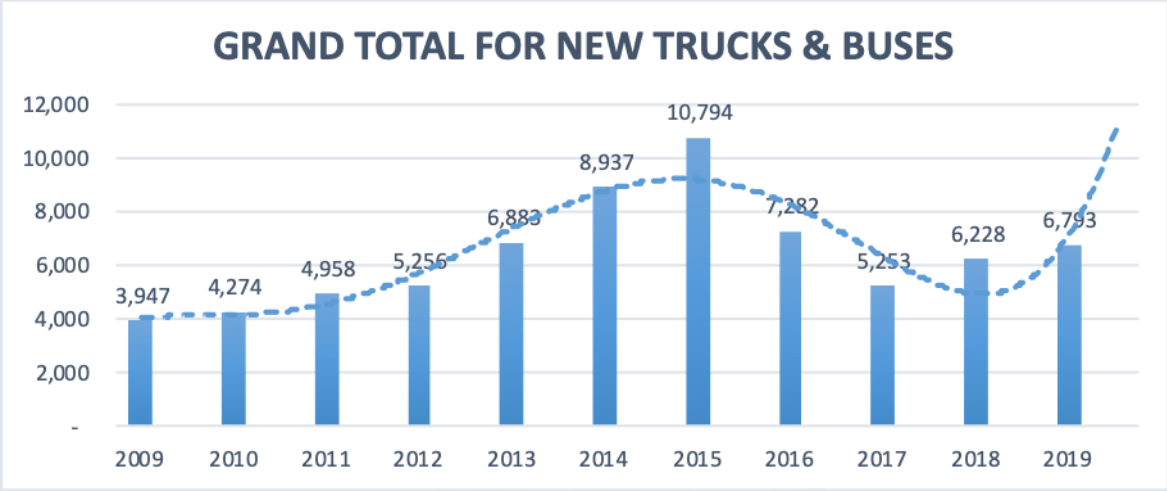

Figure 1.4 Grand Total Figure

The bar graph indicates that a total of 3,947 new buses and trucks were sold in the 1st year under investigation. Since then, there was positive sales growth until 2015 where 10,794 new units were sold. New vehicle sales declined to 7,282 units in 2016 and the decline continued to 2017. The new vehicle sales improved in 2018 with the sale of 6,228 units and increased further in 2019 to 6,793 new units. Notably, the interest capping was in place in Kenya in the period between 2016 and 2019. However, trend shows that decline was only experienced in the years immediately after enactment of the interest rate cap law and there has been growth since then. From responses received from interviewees, they suggested that the introduction of the interest rate cap law in 2016 altered the loan repayment patterns, leading to an increase in the non-performing loan book especially from businesses in Kenya. In order to avert further default risk, commercial banks favored lending to Government

through Treasury bills and bonds thank to businesses in Kenya. The decision had significant impact that some new vehicle dealers are yet to fully recover from. However, better credit terms and financing options have been developed by banks, other financial institutions and new vehicle dealers to adjust to the new interest rate regimes, explaining the growth in new vehicle sales in the latter years under the interest rate cap regime.

1.2 Statement of the Problem

Financing business firms has been a major issue of concern for many organizations globally, regionally, and locally. SMEs are always faced with the risk of collapse in the event that limited options are made available to them to obtain essential financing to run their operations. Even though there are numerous options available to many businesses and individuals to finance their businesses or asset acquisitions, there are limited cheaper and less risky options.

The financial performance of firms is dependent on numerous financial decisions chief among them the availability of financing options and the efficiency and effectiveness with which the management is also to utilize these resources. Many small businesses in Kenya have continued to experience failure due to stringent financing options that put their operations at risk making their continued survival untenable. Access to financing options by firms is viewed in terms of availability of financial services through various forms including insurance, payments, credit, and deposits (Donovan, 2012).

Most SMEs in Kenya are constrained in their pursuit for these financial services mostly in terms of eligibility, affordability and physical access (Ouma & Ramo, 2013). There are

inherent challenges that have bedeviled access to financing options for small business firms including minimum balance requirements, distance, and high transactions costs. These factors have greatly hampered the firms' access to financing options leading to collapse or stunted growth of small and medium firms. Access and uptake of various financing options by small and medium firms enables them to perform better, experience growth, and undertake sustainable operations in the long-term (Beck and Demurguc, 2016).

Currently, there is an existing gap in literature on the influence of financing options on the financial performance of small and medium businesses in Kenya. Although the causes of business failure in Kenya are largely documented, research on specific financing options for businesses dealing in the sale of motor vehicles has not been adequately studied. This study sets out to fill that gap by assessing the influence of financing options on the performance of SMEs purely dealing in the sale of motor vehicles. These businesses fall under the category of SMEs thus prone to financing options and access like many other small businesses in Kenya and many other countries globally.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study was to determine the effects of financing choices on the financial performance of motor vehicle dealers in Kenya.

1.3.2 Specific Objectives

i. To determine the effects of equity financing on the financial performance of vehicle dealers in Kenya

ii. To determine the influence of lease financing on the financial performance of vehicle dealers in Kenya

iii. To investigate the effect of purchase order financing (POF) on the financial performance of vehicle dealers in Kenya

iv. To establish the influence of cheque discounting financing on the financial performance of motor vehicle dealers in Kenya

1.4 Research Questions

i. What are effects of equity financing on the financial performance of vehicle dealers in Kenya?

ii. What is the influence of lease financing on the financial performance of vehicle dealers in Kenya?

iii. What are the effects of purchase order financing (POF) on the financial performance of vehicle dealers in Kenya

iv. What is the influence of cheque discounting on the financial performance of vehicle dealers in Kenya?

1.5 Scope of the Study

This study was limited to new vehicle dealers' enterprises dealing in the sale and lease of motor vehicles in Kenya. The study was limited to motor vehicle dealers which have been in operation for a period of not less than 3 years. The limitation on the number of years was essential as it provided adequate data for the study. The study was limited to motor vehicle dealers with within Nairobi County.

1.6 Significance of the Study

The findings from this study are crucially relevant to different stakeholders: scholars/academicians, practitioners, SMEs, financial institutions, regulatory authorities and policy makers. To the academicians, researchers and scholars, the findings from the study will provide a rich empirical literature on the financing options available to SMEs and their on influence on financial performance.

The scholars and academicians maybe able to understand the existing gaps in literature on the financing options for SMEs. The practitioners, and business owners will also be able to know and understand the working of the various financing options available that they can utilize to expand their businesses. The banks and other originators of credit maybe able to understand the influence the different financing options have on SMEs, thus structure the various options or improve on them for enhanced uptake.

The regulatory authorities such as the central bank, SASRA, and the cooperative societies' regulator will be able to understand the effectiveness of the various financing options in the growth of SMEs, thus provide the appropriate policies and regulations to enhance the efficiency of such options to ensure maximum benefit to the SMEs. Indeed, the findings from the study maybe highly useful to many stakeholders, thus the justification for the study to be scaled up and the findings from the study to be implemented fully.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the empirical literature review related to the financing options and their influence on financial performance of firms. It also discusses the theoretical framework on financing options as well as the conceptual framework on the variables under discussion. The chapter also reviews the gaps in literature on financing options.

2.2 Theoretical Framework

This research is based on four important theories namely: Pecking order theory, information asymmetry theory, credit rationing theory, and financial intermediation theory.

2.2.1 The Pecking Order Theory

The pecking order model was developed by Myers (1984) and later improved in 2001. This theory contends that firms always favor internal forms of funding much more compared to external sources of finance. The implication here is that whenever firms seek for external financing, the preference is always on equity as opposed to debt funding due to the fact that equity is used in the final measure of value of the firm. In most cases, firms always seek to be cautious about their issuance of dividends and thus borrowed funds are used in the enhancement of the firm's value. The arguments brought forward through the pecking order theory received widespread support from different scholars (Bulan & Yan, 2009; and Frank & Goyal, 2007) who have offered evidence of scenarios where firms have made bad choices

in terms of equity and debt. Other scholars (Maksimovic & Frank, 2005) have provided evidence pertaining to experimental bases for firms' financing needs.

Pecking order principle has various important components such as the fact that in terms of offering rewards to firms, organizations choose internally generated funds and apply them as retained earnings instead of seeking for debt financing or seeking for external equity financing. To some extent and proportions, debt is often regarded more expensive than equity. Nevertheless, scholars have argued that large corporate organizations often accumulate debts to help them finance their major activities while smaller firms dislike using large debts and opt for internally generated funds (Goyal & Frank, 2007). In addition, non-US firms have also been found to prefer applying the pecking order principle in their capital structures (Bessler, Drobertz, & Pensa, 2008).

The pecking order theory was majorly conceptualized with the focus on large corporates, listed in the stock exchange which have choices in terms of debt and equity. However, this theory is utilized in this current study on the financing options for firms in the motor vehicle dealership in Kenya. The principles derived from this theory are especially useful in determining the appropriate form of funding for these firms and the essence and feasibility of either internally generated funds, equity from outside the firms in the form of angel finance, seed capital or admission of new financiers in exchange of shareholding capital. The other alternatives would be the use of debt financing from various originators such as commercial banks, SACCOs, microfinance institutions and many others. The theory the need for adoption of equity financing while procuring new motor vehicle from respective dealers.

2.2.2 Information Asymmetry Theory

The theory of information asymmetry was first conceptualized by Akerlof (1970). The theory is based on the argument that in many markets, there is a tendency for the seller to use various statistics within the sector to provide a valuation on the items being promoted in the market. Therefore, in relation to the credit industry, potential borrowers are able to see the prevailing rates of lending as provided by the various originators of the credit or loan. However, the seller always possesses more information pertaining to any given credit facility or loan and thus understands each loan product in more details than the customer. The outcome is that the seller of the loan product is at an advantaged position than the buyer of the same product. Ultimately, the seller can take advantage of this privilege to offer credit with lower market quality at a premium price to the detriment of the buyer. This situation is enhanced by the existence of information asymmetries in the credit market. When the seller offers the customer credit products that are of less value than in the market, then the size of the market is likely to decrease. In this theory, therefore, the assumption is that one party to the transaction has more information pertaining to the deal at hand whereas the other party has less information.

According to Thursby and Jensen, the transfer of innovation from the inventor to the buyer often requires licensing which is much more costly (Lowe, 2001). The reasoning behind this increase in the pricing of the license is the fact that the inventor always retains important information that is regarded relevant to the creation and does not often transfer it whenever selling the invention through a contractual agreement with the purchaser. The argument

behind Akerlof's (1970) information asymmetry principle is that sellers are incentivized to provide lower quality products to buyers due to the fact that they have more information about the market than the buyers. In view of the financing options available to SMEs and vehicles dealers in Kenya, this is an important theory in assessing the quality of the information provided to customers for the various financing options, and especially loans given to SMEs. Information is an integral component of the financing options for SMEs as they will always go for options that they have details about. It has been argued that the subject of information asymmetry for businesses is crucial in determining financing options available to firms. According to Baron (2001), the extent of asymmetric information on the internal operations of a firm which provides financing solutions to borrowers is mediated by the firm's activities or external activists.

Information asymmetry is seen to have influence on various aspects of the firm's operations; not just the provision of the financing options. In fact, the development of the firm is actually driven by numerous aspects such as size and age, internal financing, level of debts, opportunities to undertake development projects, the product development process, and possible improvements in business. Therefore, it is an important requirement that governments consider SMEs at the highest level of priority and provide incentives as well as environments that favor business growth. Various policies, proposals and implementation by governments have particularly helped the sustainability of SMEs. Such policies as disclosure requirements for all material details regarding a debt facility are important in the decision-making process of a firm searching for financing options to expand its operations (Anastasov, & Mateev, 2010). Imperfect and unevenly held market information leads to frictions in the

market for credit. The gaps in economic systems often constrain SMEs due to factors such as costs of credit administration, collateral requirements, as well as fiscal intermediaries' lack of expertise.

The access to financing by SMEs globally is influenced by the provision of consistent, reliable, timely, and quality information by lending institutions. According to Dalberg (2011), SMEs in developing countries greatly benefit from the provision of information by lending institutions. In this study, the theory of information asymmetry is particularly useful is the determination of the information effects on financing options undertaken by firms in the motor vehicle dealership in Kenya. While considering lease financing there is need for respective new motor vehicle dealers to examine the capacity of customers to regularly pay lease payments as they fall due.

2.2.3 Credit Rationing Theory

This theory was developed by Keiding (2015) who argued that financial institutions, which are the main originators of credit are private entities motivated by the sole aim of profit maximization. Therefore, they limit the people and businesses that can access credit financing based on numerous evaluation criteria. This means that credit is rationed by the providers of the funds with the objective of ensuring that moral hazard and adverse selection are not at play. Indeed, Wright et al. (2013) posit that it is possible for credit originators to deny borrowers funds even in situations where they are ready to invest in extremely high interest rates to access the funding. There are various factors that have made the credit market different from the other sectors of the economy where demand is followed by supply and vice versa. Many borrowers and business owners might be readily willing to conform to

the requirements of the credit originators; however, the providers of the credit might not be willing to process the credit as required due to certain limiting factors. Credit rationing is especially widespread in developing economies which are characterized by massively prohibited high interest rates which makes it difficult for borrowers to service the credit hence likely to default (Tirole, 2010).

Credit rationing is created by situations which make expected returns to the institutions of lending tend to be lower than initially anticipated (Ghosh et al., 2000). Some of the reasons for the existence of variations in the expected returns on the loaned funds include damaging option effect which often comes in immediately the interest rates charged fail to filter borrowers that can service the credit from those that can. Some borrowers have the ability to review their projects effectively and determine whether the interest rates being charged are within their safety parameters or not (Steijvers & Voordeckers, 2009). These borrowers often drop out of business whenever interest rates exceed their safety levels or abandon projects that have the risk of consuming more in terms of interest financing compared to the net income and cash flows expected from the projects being financed through the credit. Therefore, moral hazard, often described as the damaging motivator effect, argues that development in interest rate tends to shift the borrower's options towards riskier activities thus also risking the expected returns of the financial institutions.

Credit rationing is often undertaken by financial institutions deliberately with the aim of cushioning them from immediate risks of poor loan portfolio (Mathews & Thompson, 2008). Financial institutions also tend to ration credit in situations whereby they are not able to mitigate risks associated with lending to risky borrowers, especially when prompted by

market principles of free market. This measure can be implemented by financial institutions even in situations whereby there are many borrowers actively seeking for credit facilities. Sometimes, there are market imperfections that fail to address interest rates at equilibrium levels in the financial market. Consequently, information asymmetry sets into the market causing disconnect between the borrower and the lender. As a result, financing gaps are created in the financial market leading to failed ventures by borrowers in need of credit facilities.

The Kenyan financial market presents a major challenge to the financing of SMEs, where most motor vehicle dealers are classified. Most firms in the motor vehicle dealership struggle with financing requirements owing to the credit rationing theorem practiced by financial institutions. In this study, the theory of credit rationing was used in determining the extent to which financial institutions avoid issuing credit to firms dealing in motor vehicles and the implications such moves, and policies have on the performance of the firms. Credit rationing theory was also important in determining the implications the policy had in the choice of other forms of financing for the motor vehicle dealers in Kenya. Further, the theory anchors the choice of purchase order financing which is pursued in partnership with financial institutions.

2.2.4 Financial Intermediation Theory

In any economy, financial intermediation is an important role played by financial institutions through the provision of financial services. Financial institutions are monetary intermediaries for diverse stakeholders and consumers of financial services. The theory of financial intermediation is based on the transaction costs as well as the existence of information

asymmetry in the financial markets. This theory describes the existence of institutions that receive money in the form of deposits from customers and avail the same funds through credit to investors requiring them to undertake projects. In the recent past, there has been an increase in the financial intermediation while transactions costs have declined significantly, mainly due to the improvements in operational efficiency of financial institutions.

Intermediation is created by the need to have access to information that is considered relevant for the growth of the organizations requiring financial services and credit facilities. Financial markets often have informational asymmetries which are possible to detect through the process of intermediation (Bulan & Yun, 2009). Indeed, since borrowers have the ability to understand their moral integrity, collateral value and industriousness than the lender, it is possible that market information asymmetry can arise. The differential in knowledge about the scope and extent of the activities to be financed by borrowing between the lenders and the borrowers creates a challenge on informational asymmetry. This is despite the fact that most lenders play the role of financial intermediation to the borrowers. Capital flows are likely to be affected by the existence of informational asymmetries in the market between the lenders and the borrowers.

The theory of financial intermediation has been useful in this study due to the provision of adequate understanding about the existence of relationships between lenders and SMEs in the motor vehicle dealership. There are inherent barriers in the financial market which prevent firms from accessing financial services such as credit facilities thus affecting their financial performance. Therefore, the use of financial intermediation in this study was particularly

important in determining and evaluating the financing options available for motor vehicle dealers and the implications of these options on the performance of the firms under the study.

2.3 Empirical Literature Review

Numerous studies have been carried out by researchers with the aim of establishing the importance of financing options on business firms. In most cases, the studies have particularly focused on capital structure and the influence it has on the profitability of corporate entity. The majority of these studies have relied on financial measures of performance as the dependent variables. However, there have been variations in terms of the financial performance measures used to assess the performance of SMEs in relation to their access to financing options. In this study, focus has been devoted towards the influence of the various financing options on the financial performance of motor vehicle dealers in Kenya. The empirical review is guided by the study variables.

2.3.1 Financial Performance

The financial growth by SMEs is often measured in different approaches that are often utilized through indices to determine the extent to which an organization is performing in terms of its financial position. In search for financial solutions, firms are able to enhance or boost their financial growth indices to ensure financial growth and the ultimate growth of the firm. Financial growth indicators for firms can include Return on Capital (ROE), Return on fixed assets (ROA), return on net income (ROI) as well as return on sales.

Return on working capital also described as the return on expenditure (ROE) is considered as the current assets excluding the current liabilities of the company and it determines the extent

the business or the firm is able to handle or the output it has the ability to produce. In the absence of sufficient working capital, a business can fail to meet all its obligations to the customers. The various shortcomings associated with insufficient capital include loss of business and the customers. Therefore, working capital return is important in determining the efficiency the business is able to utilize the working capital in meeting its obligations (Entrepreneur Media, 2016). Whenever an SME does not have sufficient capital, they can exploit financing options to fulfill the opportunities and make some returns on the same.

Return on assets (ROA) is another important metric for determining the financial performance of an organization. Fixed assets are often long-term tangible pieces of physical assets of property owned by a firm and is usually used for the production of income without the expectation that it will be consumed or converted into cash or products that will be sold. Fixed assets are normally used in helping the company to produce services or products required by its customers. Fixed assets have a strong influence on the ability of the firm to produce goods and services. If a firm does not have enough fixed assets, it is possible for the firm to seek the same through the available financing options (Entrepreneur Media, 2016).

The return on investment, also described as the net income is yet another measure of financial performance of firms. ROI is often calculated through the revenues and providing an adjustment on the costs of undertaking the business, interest rates, taxes, depreciation as well as any other direct costs associated with undertaking the business. The ROI is purely focused on the profitability of the firm during the period under the review and focuses on reviewing the actual level of sales that leads to the overall firm's profitability (Entrepreneur Media, 2016). Another measure of the performance is the sales activity which is often

described through the total sales value of the company during a specified period of time. Indeed, the higher the sales value from a firm, the more likely the business will record growth over time leading to financial growth (Entreprenuer Media, 2016).

2.3.2 Equity Financing and Financial Performance

The attainment of economic developmental objectives for the country is highly dependent on the success of SMEs. With this in mind, various financial institutions have embraced SMEs financing as a crucial undertaking that is expected to drive economic development of the country. Strong competition exists between the various financial institutions such as commercial banks, microfinance institutions (MFIs), as well as deposit taking microfinance banks in their attempt to provide credit facilities to SMEs (FSD Kenya & Growth Cap, 2016). However, most SMEs are highly constrained in their access to formal financing due to their lack of credit history and collateral. Therefore, most SMEs are equity financed as opposed to debt financed.

Equity financing relates to situations where the owner of the business invests personal funds into the business (Githira & Nasieku, 2015). Njeru (2013) argues that equity financing is often the difference between liabilities and assets of the business. The funds obtained from personal savings or proceeds from sale of personal assets are some of the main sources of equity financing for SMEs. Since moral selection and adverse selection always affect SMEs in their formative years of operation, they are highly unlikely to obtain credit financing from formal financial institutions. It is only in the latter stages that SMEs are able to acquire credit facilities from banks and other financial institutions to facilitate their growth (Abdulaziz & Adrew, 2013). Some forms of equity financing include angel investors who are high net-

worth individuals or people described as friends of the business who often portray high belief in the business idea thus support the entrepreneurs financially to grow the business (Njagi et al., 2017). In most cases, angel investors do not invest more than $500,000 in the start-up business idea. The fact that the investor is not directly involved in the running of the business daily means that the terms of this financing option are favorable to the entrepreneur.

Venture capitalist financing is another form of equity financing that involves professional investors who directly provide financial support to the SMEs selected through a rigorous process of pitching a business idea. Venture capitalists are involved in the maximization of their returns from the investment and thus concerned with every aspect of the business. The main goal for venture capitalists is to massively grow the business idea to levels where shares can be sold in the stock exchange leading to capital gains on their part (Memba, 2011).

Njagi et al (2017) contend that equity financing includes such funding as retained earnings, friends' contributions, personal savings, cash flow from the business, contributions from partners, and deferred income. Through equity financing, SMEs are able to sustain a firm grip and control of the activities of the business without. Indeed, SMEs that continuously use equity financing register positive performance since this form of financing is considered less risky due to the absence of monthly fixed loan repayments (Njagi et al., 2017). The establishment of many SMEs is such that they are family-owned businesses and thus might not pursue strategies for growth. In most cases, whenever SMEs are constrained on either debt financing or internal financing, they will often avoid debt financing due to their desire to have control of the business as well as total independence (Njagi et al., 2017).

In view of the benefits associated with equity financing, most SMEs always seek to use this form of financing as the primary source of funds to run their business enterprises. The level of freedom and independence associated with the use of equity financing is especially important in the choice of equity financing option (Kepha & Muturi, 2013). In addition, no immediate returns are expected by equity investors from the money they put into the business. Therefore, an assessment of the impacts of equity financing on the performance of motor vehicle dealers is crucial as seen in this current study.

2.3.3 Lease Financing and Financial Performance

Leasing is described as a contractual arrangement requiring the user, also known as the lesee to make payments to the owner, or the lessor, in order to use a specified asset (Kraemer-Eis & Lang, 2015). Therefore, a lease describes a contractual arrangement between two parties, the lessee and the lessor. The lessor is the recognized legal owner of the asset under the consideration; the lessee obtains the right to use the same asset but makes rental payments for a specified period until the value of the asset is paid in full. Thereafter, the ownership shifts from the lessor to the lessee (Salam, 2013). Micro-leasing is a form of leasing that often targets small enterprises in order to address the challenge of the lack of access to financial options and services especially in the developing economies (Kraemer-Eis & Lang, 2015).

The use of leasing as a financing option is often backed by the asset in question and thus assessed on the basis of the capacity of the project to service the lease arrangement. It is one way for businesses that are denied the opportunity to obtain loans from commercial banks to acquire assets to enable them run their businesses effectively through the acquisition of crucial business assets. In most instances, lease financing does not require the lessee to have

an impressive credit history since the asset is used as the security while the cash streams from the transaction are used to evaluate the feasibility of the transaction and business. (Kraemer-Eis & Lang, 2015). The leasing form of financing is also less complicated and does not involve intense paperwork as it the case with formal bank loans. According to Dufie & Singleton (2012), lease financing is a good financing option for SMEs as they are not tied to huge bank loans. It is also possible to acquire different types of leasing to enable SMEs run their operations effectively.

Leasing form of finance is one of the ways through which firms invest in additional assets which they can use to expand their businesses (Kraemer-Eis, 2015). The use of lease financing is an effective strategy for SMEs to acquire critical assets for their businesses. The financing option best works to entrepreneurs who undertake subscription on the services offered through micro-leasing. Since lack of collateral is a major impediment for most SMEs in their pursuit for financing solutions, leasing comes in as a viable option for the SMEs to acquire business assets. The advantages associated with leasing as a financing option to SMEs are the fact that the businesses can acquire important assets that help them pursue their growth and profitability goals without having to face the restrictive measures often put by commercial banks. It can therefore be argued that lease financing has the potential to increase firms' output and lead to increased sales volumes (International Center for Economic Growth, 2009).

2.3.4 Purchase Order Financing on Financial Performance

Financial institutions have created credit facilities to allow borrowers to finance the acquisition of asset through the asset-financing form of credit. In this form of finance, the

financial institutions help the borrower acquire loan meant specifically for the purchase of an asset meant for investment. The same asset is used as the security of the loan advanced to the borrower (Manasseh, 2004). Through asset financing, it is possible for the borrower to obtain the requisite capital for the firm and thus do an expansion of their businesses which can experience growth. In the recent past, there has been a surge in the level of competitions for the asset finance market as banks intensify their search for an increased, market share. The asset finance mode of finance is organized that an agreed percentage of the value of the asset paid out at the start, then the remaining amounts are paid out in the form of monthly instalments.

The installments also include capital value of the asset and the interest rate amounts (Central Bank of Kenya, 2015, Munene, 2013). The ownership of the asset subsequently passes to the borrower once the final installment amount is paid out. Indeed, asset financing provides friendly and flexible terms of financing the acquisition of an asset for periods of sometimes up to 48 months. This makes this form of financing as an extremely lucrative choice especially for most businesses that are prohibitive due to the capital outlay required. The existence of asset financing in the form of asset financing allows businesses to invest in expansive tangible assets such as industry machinery, manufacturing plants, equipment, vehicles, as well as plants, and buildings. SMEs often seek for asset financing from banks to enable them acquire various asset required for their operations, which assists them in developing a clientele and make profit margins (Mac & Lucey, 2010; Entrepreneur's Toolkit, 2015). Purchase order financing (POF) is one of the various asset financing solutions available to SMEs in the modern financial markets.

The purchase order (POF) is regarded as a highly targeted form of finance, intended to allow the business to fulfil a customer's order. The goal here is to cease the market opportunity that could have been easily lost due to lack of financial resources to purchase the inputs and undertake a delivery to the customer within the time stipulated in the contract (Imara Africa, 2010). The nature of POF is such that it is intended to fund the firm in a short term. The funding can come from either a bank or a non-bank finance institution. The intention of the POF is to finance the production stage a firm's activities through the provision of working capital to help cover part of the production of services and goods demanded by the firm's customers (Munro, 2013). The firm is able to obtain a verified purchase order from the prospective customer and does an estimate of the direct costs associated with the delivery or production of the requested product. Such costs could include direct labor, packaging, shipping, insurance, and raw materials (Entrepreneur's Toolkit, 2015).

Purchase order is often submitted to the financial institution which uses the same to base the decision to provide credit based on the creditworthiness of the customer or through a backing of an irrevocable letter of credit from a different bank on ascertaining the ability of the SMEs to produce and efficiently deliver the products or services based on the terms in the contract with the firm's customer (Munene, 2013). In the event that an approval of the loan is done, the financial institution advances a part of the total value of the order and mostly pays the suppliers of the various approved costs to the suppliers directly. After the completion of the production and delivery of the service or product, the accounts receivables from the customer is then assigned to the financier for onward recovery of the amount loaned out (Munro, 2013).

Purchase order financing (POF) has been utilized in the United States with a great deal of success and has been associated with massive growth of SMEs. Some emerging markets have also adopted the same model and are reaping massive success in the same. Such countries include Moldova, Macedonia, Kosovo, and Azerbaijan. Indeed, POF is globally being regarded as a major financing option due to its ability to assist firms generate sales growth, exports, employment and profitability within a very short time (Landstrom, 2005). According to Wagema, (2008), the ease of access to purchase order financing has major positive influence on the financial performance of SMEs. Nevertheless, Storey (2010) argues that purchase order financing can be significantly higher than other options in the event that the lender requires a factor to intervene during the transaction. This is especially possible in situations whereby the payment period goes beyond 60 to 90 days.

2.3.5 Cheque Discounting Financing and Financial Performance

Many small businesses have a major challenge in accessing financing. Indeed, many of these firms find it challenging to finance their business production cycles as goods delivered often receive payments between 60 to 90 days. In the period before payments are received, the selling firms often issue invoices to the buyers and are thus recorded as accounts payable. The seller, on the other hand, records the invoices as accounts receivable which forms part of the firm's illiquid assets.

Cheque discounting is a supplier financing mechanism whereby firms are able to sell their accounts receivable on discount to financers. The discount is part of the interest and the service fees for discounting the illiquid assets (Cahna, 2008). Since cheque discounting is not a type of a loan, the seller does not have any liability on this part once the deal has been

finalized. Importantly, this form of financing provides working capital financing on the business entity. Since cheque discounting has no recourse, the factor that takes up the purchase of the same takes up the credit risks associated with the same and has to rely on the ability of the buyer or issuer of the invoice to pay for the invoice.

Cheque discounting can thus be regarded as a comprehensive financial service that includes the protection of the credit, bookkeeping of the accounts receivable, financing and collection services (Manos & Yaron, 2013). There is widespread use of cheque discounting in both developed and developing countries around the world. According to Reynolds (2005), the pattern of global cheque discounting shows that it has advantages over various other types of financing options including collateralized loans. It is therefore a powerful tool through which high risk and sometimes informational opaque sellers can be financed (Reynolds, 2005). The key virtue to cheque discounting is the underwriting is purely based on risk associated with accounts receivable as opposed to the seller's risk. Aggarwal, Klapper, and Singer (2012) argue that cheque discounting can be well suited for the financing of receivables from firms from foreign countries or those that have their receivables from buyers considered more creditworthy than the seller.

The discounting of post-dated cheques is an arrangement that helps businesses which are paid by cheque by their customers for services and goods. In the modern-day business environment, high levels of liquidity are required to take advantage of various business opportunities that arise (Klapper, 2006). Therefore, it is important that a business has cash to use in its trading activities. Cash purchases always provide an edge to businesses as they can readily restock or add more products and services. When large credit worthy buyers purchase

and pay through post-dated cheques, the sellers can readily discount the cheques for cash. The working of a cheque discounting form of financing is similar to asset backed financing. However, the credit worthiness of the borrower does not determine the effectiveness of the discounted cheque; it solely depends on the credit worthiness of the issuer. There are limited studies on the impact cheque discounting and financial performance of motor vehicle dealers.

2.4 Conceptual Framework

A conceptual framework is the schematic presentation of variables, depicting the how independent variables relate with dependent variable (Sekaran & Bougie, 2013). In this study, the independent variables were equity financing, lease financing, purchase order financing and cheque discounting. The study examined the effect of financing options on financial performance of new vehicle dealers in Kenya. Firm performance was the dependent variable and operationalized to be measured as natural logarithm of profit after tax. The conceptualized interrelationship between dependent and independent variables was conceptualized as shown in Figure 2.1.

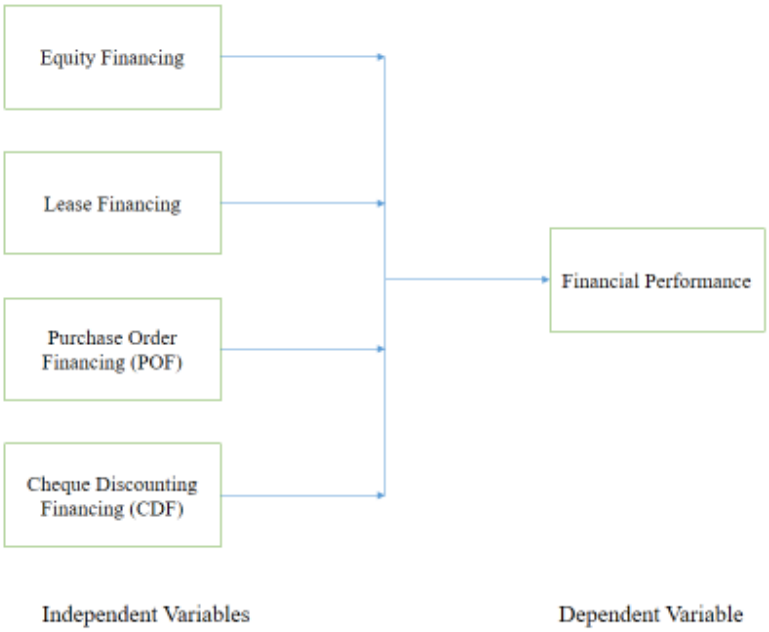

Figure 2.1 Conceptual Framework

Table 2.1 Operationalization of Variables

Variable	Measurement	Source
Financial Performance	Natural logarithm of profit after tax	(Memba, 2011)
Equity financing	Natural logarithm of equity financing	(Abdulaziz & Adrew, 2013; Njagi et al., 2017)
Lease financing	Natural logarithm of lease financing	(Kraemer-Eis & Lang, 2015;
Purchase order financing	Natural logarithm of purchase order financing	(Storey 2010; Mac & Lucey, 2010)
Cheque discounting financing	Natural logarithm of cheque discounting financing	(Aggarwal, Klapper, and Singer 2012; Manos & Yaron, 2013)

2.5 Chapter Summary

The access to financing options by SMEs is highly important for the growth of the economy. Since SMEs are the engines that drives economic development in a country, there is a need to ensure that they have ample opportunities to access funds to scale up their enterprises. Nevertheless, there are inherent challenges especially financial strains that often inhibit the growth of SMEs. These make it difficult for SMEs to access adequate funding. It is impossible for SMEs to thrive in absence of adequate capital. Evidence suggests that SMEs are able to improve their operational efficiencies whenever they have access to funding opportunities. Indeed, it is possible for SMEs to cultivate good managerial culture to attract the funding from financial institutions. There are various financing options available to SMEs and bank financing is one of the major forms. SMEs rely heavily on equity financing, especially during the formative stages of their existence. Equity financing can come in the form of personal savings, donations/contributions from friends and family, retained earnings from the business, partners contributions, angel financing, and venture capital financing. Another form of SME's financing is the use of leasing arrangements which enables firms to acquire a business asset and pay for the same over a specified period. SMEs can also take advantage of purchase order financing whereby financial institutions fund businesses to supply specified goods and services to their buyers who have already issued an order. Cheque discounting has also been regarded as an important form of SMEs financing whereby financial institutions discount cheques and invoices based on the issuer's creditworthiness.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The current chapter discusses the methodology that was employed in the study. The key aspects being discussed in the current chapter are research design, determination and identification of the sample population size, the instruments for data collection, data collection instruments and data analysis.

3.2 Research Philosophy

Research philosophy aims at developing an understanding on source, nature and development of knowledge (Saunders, Lewis & Thornhill, 2016). Further, Sekaran and Bougie (2016), a research philosophy refers to the guidelines on how data should be collected, analysed and applied. There are different research philosophies that can be categorized into pragmatism, positivism, realism and interpretivism. The study was anchored on positivism since it is highly structured, has a large sample and it is skewed towards the use of quantitative data. The current study applied positivism since it aimed at examining the effect of financing choices on financial performance of new vehicle dealers in Kenya.

3.3 Research Design

Research design is a guideline showing how the study objective was attained (Kerlinger & Lee, 2000; Kombo & Tromp, 2006). In the current study correlation design will be adopted, (Oso and Onen, 2009) argued that the design is appropriate if the study seeks to show the

causal relationship between the study variables. The research design was appropriate in the study since it examined the effect of financing options on financial performance of new vehicle dealers in Kenya.

3.4 Target Population

Kothari (2011) defines target population to be the complete enumeration of all individuals or objects under consideration. In this the target population comprised of nine new vehicle dealers in Kenya. They were CMC motors, DT Dobie, Isuzu East Africa, Nissan Kenya, Scania East Africa, Simba corporation, Tata motors, Toyota Kenya and Weichai Generators and spares. Since there were only nine companies, a census was considered and secondary data sourced from 2011 to 2021.

3.5 Data Collection Instruments

Creswell (2008) argues that prior to research a researcher ought to develop a data collection instrument which is purely meant to measure, quantify or observe the data under investigation. In the current study a document check index (DCI) was used as a principal instrument for data collection. The DCI consisted of six sections; equity financing, lease financing, purchase order financing, cheque discounting financing and profit after tax.

3.6 Data Analysis

The current section composed of four steps: data preparation through cleaning, data analysis, interpretation and report writing. Microsoft Excel and Stata 17 were used to analyze the data. Graphical methods were used to explore the data. Descriptive statistics that include measures

of central tendency and dispersion were applied. Inferential statistics included product moment correlation coefficient aimed at examining strength of effect of financing options on financial performance. Further, multiple regression analysis was applied to examine nature of the effect of financing options on financial performance of new vehicle dealers in Kenya. A multiple regression model for panel analysis can be given as follow:

$$y_{i,t}=\alpha+\beta_1 x_{1i,t}+\beta_2 x_{2i,t}+\beta_3 x_{3i,t}+\beta_4 x_{4i,t}+\acute{\varepsilon}_{i,t}$$

y= Financial Performance, x_1= Equity financing, x_2= Lease financing, x_3= Purchase order financing, x_4= Cheque discounting, $\acute{\varepsilon}_{i,t}$= error term

3.7 Diagnostic Tests

Panel regression modelling was based on several assumptions that were evaluated through use of diagnostic tests for normality, heteroskedasticity, serial correlation, multicollinearity and Hausman test.

Normality is an examination whether the data follows a bell-shaped curve. In this study normality was examined through Jarque Berra tests whose null hypothesis stated that the data was normally distributed against an alternative that its not normally distributed. The null hypothesis was rejected at 5% level of significance since p value was less than 0.05. Hence, the need for data transformation (Wooldridge, 2012).

This is a condition in which the error term variance is not constant. In this study it was evaluated using Breusch Pagan test whose null hypothesis stated that the error term was

homoscedastic against an alternative of heteroskedasticty. If p value exceeds 0.05, then there is need for adoption of robust standard errors (Baltagi, 2005).

The assumption in regression analysis is that the error term is not correlated. The likelihood ratio was used to test for serial autocorrelation. In the event that serial autocorrelation is present, it can be corrected by fitting feasible generalized lest squares (FGLS) (Baltagi, 2005).

The assumption in regression analysis is that independent variables are not related. In the event that independent variables are correlated, it is important to undertake a model re-specification. In this study, it was examined through evaluation of correlation matrix and if two independent variables have correlation coefficient greater than 0.7, then there is multicollinearity (Wooldridge, 2012).

The purpose of fixed effects model is to explain the unobserved variables are not allowed to have any associations with observed variables. Thus, fixed effects model control for, or partial out the effects of time-invariant variables with time-invariant effects. The random effects model provides and explanation that unobserved variables should be uncorrelated with all the observed variables. The Generalized Least Squares (GLS) is used to measure random effects. Hausman test was used to guide on the exclusive model to use among the fixed effects and random effects (Wooldridge, 2012). A summary of panel diagnostic tests considered in the study is as shown in Table 3.1.

Table 3.1 Panel Data Diagnostic Tests

Test	Test Used	Conclusion
Use of pooled or random effects model	Breusch Pagan LM test	If P value >0.05, use pooled effects model.
Time Fixed Effects	F statistics	If p value >0.05, there are no time fixed effects do not use two-way model or introduce dummy variables
Heteroskedasticity	Modified Wald Test	If P value <0.05, presence of non-uniform variance.
Serial correlation	Wooldridge Drukker test	If P>0.05, no serial correlation
Random or fixed effects	Hausman test	If p value>0.05, use random effects model.

3.8 Ethical Considerations

The researcher sought approval from Strathmore ethical committee. The letter was used formal to seek research permit from National Commission for science and technology that aided in gathering and sourcing of data from respective new vehicle dealers in Kenya. Further, all references that were upon in the study were properly referenced and cited.

CHAPTER FOUR

FINDINGS AND INTERPRETATIONS

4.1 Introduction

This chapter presents findings and interpretation for the study. Panel data collected was analyzed using descriptive and inferential statistics. The data was sourced from annual records of 11 new vehicle companies from 2011 to 2021. Random effects models with non-robust standard errors were applied in examining the effect of equity financing, lease financing, purchase order financing and cheque discounting on financial performance of new vehicle companies in Kenya.

4.2 Descriptive Statistics

Results in Table 4.1 indicates the average financial performance of new vehicle companies was 15.10, with a maximum of 19.31. There was a wide variation in performance of new vehicle companies in Kenya as indicated by standard deviation of 2.67. Financial performance was not normally distributed as indicated by Jarque Berra coefficient of 8.82 and p value <0.05. The mean equity financed motor vehicles were 16.32, with a standard deviation of 2.84. Which indicated wider variation in amount paid through equity financing. Equity financed motor vehicles recorded non-normal distribution. The average lease financing was 14.53, with a minimum of 9.25 and standard deviation of 3.22. This indicates that there were wider variations in motor vehicle payment through lease financing. Moreover, lease financing was not normally distributed since its Jarque Berra p value was less than 0.05. Those who purchased through purchase order financing has a mean of 14.98, with a

minimum of 9.58 and maximum of 19.86. The mean cheque discounting was 13.66 with a minimum of 6.99. This was the least preferred mode of payment amongst motor vehicle dealers in Kenya.

Table 4.1 Descriptive Statistics

	Financial Performance	Equity Financing	Lease Financing	Purchase Order Financing	Cheque Discounting
Mean	15.10	16.32	14.53	14.98	13.66
Median	14.75	17.69	15.62	15.67	15.17
Maximum	19.31	20.20	19.31	19.86	17.83
Minimum	10.99	10.54	9.25	9.58	6.99
Std. Dev.	2.67	2.84	3.22	3.28	3.20
Skewness	0.20	-0.53	-0.18	-0.10	-0.48
Kurtosis	1.60	1.94	1.68	1.60	1.88
Jarque-Bera	8.82	9.32	7.75	8.30	8.90
Probability	0.01	0.01	0.02	0.02	0.01
Sum	1494.43	1615.85	1438.63	1483.39	1352.15
Sum Sq. Dev.	696.21	787.68	1015.89	1053.53	1003.42
Observations	99	99	99	99	99

4.3 Trend Analysis

The pictorial presentation indicates there is a positive co-movement of equity financing, lease financing, purchase order financing, cheque discounting and financial performance of new vehicle companies in Kenya.

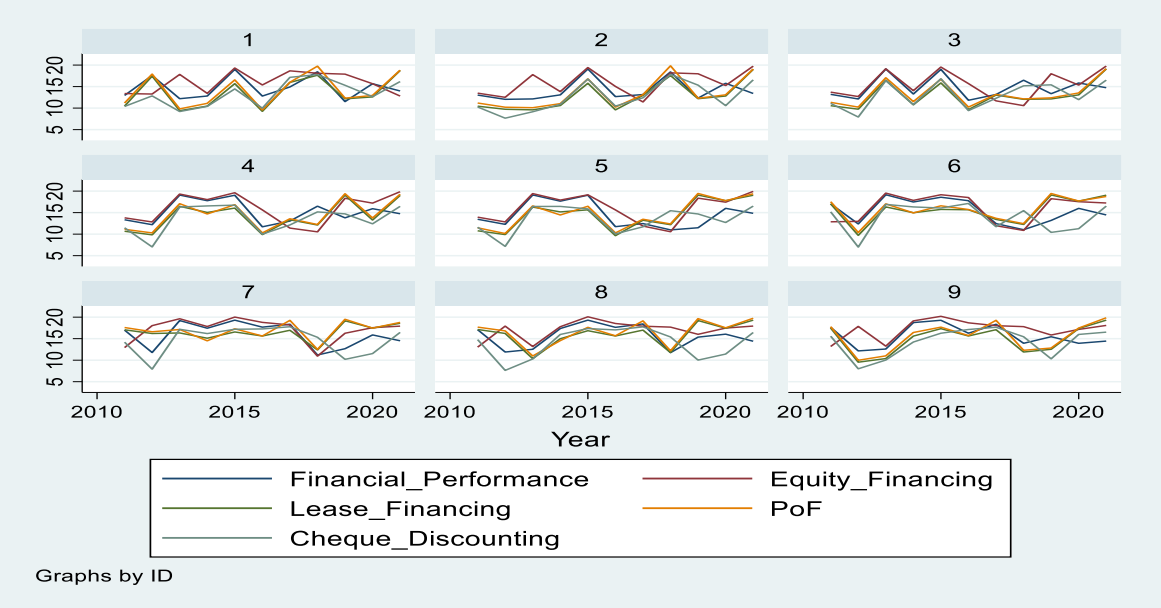

Figure 4.1 Trend Analysis

4.4 Diagnostic Tests

Prior to modelling diagnostic tests; Lagrange multiplier test, heteroskedasticity, serial correlation and Hausman test.

4.4.1 Lagrange Multiplier Test

Lagrange multiplier test was carried out with a null hypothesis that there is no panel effect against an alternative that there are panel effects. Results in Table 4.2, has a chi square of 48.19 and p value 0.000. This indicates that there is enough evidence for rejection of null hypothesis and conclusion that there are panel effect and the most appropriate would be either fixed or random effects.

Table 4.2 Lagrange Multiplier Test

	VAR	sd=sqrt(Var)
FIE	0.064	0.253
e	0.011	0.104
u	0.044	0.210
	Chi square = 48.19	P value =0.000

4.4.2 Heteroskedasticity Test

Heteroskedasticity test was carried out using Breusch Pagan test whose null hypothesis stated that there was uniform variance of the error term against an alternative that the error term variance was non-uniform. Results in Table 4.3 has a p value 0.9415 which was greater than 0.05. Hence, we can conclude that the error term was homoscedastic. Lack of homoscedasticity may have led to adoption of robust standard errors.

Table 4.3 Heteroskedasticity Test

Chi Square	P value
3.49	0.9415

4.4.3 Serial Correlation Test

Serial correlation was evaluated using likelihood ratio. The null hypothesis stated that there was no first order serial correlation against an alternative that there was a first order serial correlation. Results in Table 4.4 indicates that there was no first order serial correlation since the p value was 0.8894. Presence of first order serial correlation may have to adoption of feasible generalized least squares model.

Table 4.4 Serial Correlation Test

F	P value
0.021	0.8894

4.4.4 Hausman Test

The choice between fixed and random effects model fitting while examining the effect of financing options on financial performance of new vehicle dealers in Kenya was evaluated using Hausman test. The null hypothesis for the test stated that the most appropriate model was random effects against an alternative for fixed effects. Results in Table 4.5 indicates that the most appropriate model to fit is random effects since the p value was greater than 0.05. Thus, we cannot reject the null hypothesis. Hence, the study applied random effects model to examine the effect of financing options on financial performance of new vehicle dealers in Kenya.

Table 4.5 Hausman Test

Test Summary		**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
		0.91	4	0.92
Variable	**Fixed**	**Random**	**Var(Diff.)**	**Prob.**
Equity Financing	0.20	0.19	0.00	0.57
Lease Financing	-0.91	-0.85	0.01	0.56
Purchase Order Financing	1.01	0.96	0.01	0.59
Cheque Discounting	0.37	0.37	0.00	0.75

4.5 Product Moment Correlation Analysis

Product moment correlation coefficient was carried out to examine the strength of the effect of financing options on financial performance of new vehicle dealers in Kenya. Results in Table 4.6 indicates that there was a positive and significant effect of equity financing and

financial performance of new vehicle dealers in Kenya (rho = 0.52, p value < 0.05). Secondly, there was a positive and significant effect of lease financing and financial performance of new vehicle dealers in Kenya (rho = 0.53, p value < 0.05). Thirdly, there was a positive and significant effect of purchase order financing and financial performance of new vehicle dealers in Kenya (rho = 0.56, p value < 0.05). Further, there was a positive and significant effect of cheque discounting and financial performance of vehicle dealers in Kenya (rho = 0.65, p value < 0.05). Moreover, correlation matrix depicts that there was no multicollinearity since none of the predictor variables had correlation coefficient greater than 0.8.

Table 4.6 Product Moment Correlation Analysis

	Financial Performance	**Equity Financing**	**Lease Financing**	**Purchase Order Financing**	**Cheque Discounting**
Financial Performance	1				
Equity Financing	0.52**	1			
	0.00	-----			
	99	99			
Lease Financing	0.53**	0.23	1		
	0.00	0.32	-----		
	99	99	99		
Purchase Order Financing	0.56**	0.24	0.19	1	
	0.00	0.21	0.25	-----	
	99	99	99	99	
Cheque Discounting	0.65**	0.48	0.42	0.32	1
	0.00	0.52	0.54	0.47	-----
	99	99	99	99	99

4.6 Random Effects Regression Model

Random effects model was carried out to examine the effect of financing options on financial performance of new vehicle dealers in Kenya. Results in Table 4.7 has an R squared of 0.267, that indicates that 26.7% of changes in financial performance of new vehicle dealers can be explained by equity financing option. Equity financing option has positive and significant effect on financial performance of new vehicle dealers in Kenya ($\beta = 0.49$, p value < 0.05). This indicates that unit increase in equity financing increases financial performance by 0.49 units. Secondly, an R squared of 0.283, indicates that 28.3% of changes in financial performance can be explained by lease financing while the remaining percentage is attributed to other issues. Lease financing has positive and significant effect on financial performance of new vehicles dealers in Kenya ($\beta = 0.44$, p value < 0.05). Thirdly, an R squared of 0.317 indicates that, 31.7% of changes in financial performance of new vehicles dealers in Kenya is explained by purchase order financing while the remaining proportion is linked to other aspects. There was a positive and significant effect of purchase order financing and financial performance of new vehicle dealers in Kenya ($\beta= 0.46$, p value < 0.05). In model 4, an R squared of 0.424, indicates that 42.4% of changes in financial performance is explained by cheque discounting. Further, cheque discounting has positive and significant effect on financial performance of new vehicle dealers in Kenya ($\beta = 0.54$, p value < 0.05).

In model 5, an R squared 0.652, indicates that 65.2% of changes in financial performance of new vehicle dealers in Kenya is accounted for by equity financing, lease financing, purchase order financing and cheque discounting while the remaining percentage is associated with extraneous attributes. There was a positive and significant effect of equity financing ($\beta =$

0.07, p value < 0.05), lease financing (β = 0.85, p value < 0.05), purchase order financing (β = 0.96, p value < 0.05) and cheque discounting (β = 0.37, p value < 0.05) on financial performance of new vehicle dealers in Kenya.

Table 4.7 Random Effects Regression Model

	Financial Performance				
Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Constant	7.16 (1.35)**	8.69 (1.90)**	8.24 (1.82)**	7.68 (1.35)**	4.74 (2.03)**
Equity financing	0.49 (0.08)**				.19 (.07)**
Lease financing		0.44 (0.16)**			.85 (.33)**
Purchase order financing			0.46 (0.15)**		.96 (.32)**
Cheque discounting				0.54 (.12)**	.37 (.10)**
R^2	0.267	0.283	0.317	.424	0.652
Adj R^2	0.260	0.276	0.310	.419	0.631
F	35.41**	38.32**	45.00**	71.69**	25.52**

*** p value <0.05.*

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussion, conclusion and recommendations from the study. Further, areas of further studies are suggested and limitations of the study.

5.2 Discussion

The current study arose from the need to bride methodological, conceptual, theoretical and empirical gaps. Methodologically past studies have adopted heterogeneous research approaches that yielded inconsistent findings. They are those studies that have applied cross sectional research designs while examining financing options and financial performance and their studies were exposed to myriad of challenges on the measurement of financial performance. Further, studies have been carried out in different context whose industry specific risks differs from motor vehicle dealing. Thus, the current study examined the effect of financing options by business on the financial performance of new vehicle dealers in Kenya. Specifically, the study examined the effect of equity financing, lease financing, purchase order financing and cheque discounting financing on financial performance of new vehicle dealers in Kenya. The study applied causal research design and sourced secondary from 2011 to 2021. Descriptive and inferential statistics were used for data analysis. The findings indicates that equity financing, lease financing, purchase order financing and cheque discounting have positive and significant effect on financial performance of new vehicle dealers in Kenya.

5.2.1 Equity Financing and Financial Performance

The first objective of the study examined the effect of equity financing on financial performance of new vehicle dealers in Kenya. The study found positive and significant effect of equity financing on financial performance of new vehicle dealers in Kenya. The findings are in agreement with Abdulaziz and Andrew (2013) who argues that equity financing guarantees positive outcomes since it has limited levels of adverse selection and moral hazard. Further, it is the readily available source of financing across business enterprises because it has no collateral security demand. Njagi et al., (2017) cautions on the reliance with equity financing especially angel investors since they are rarely involved in daily business operations thus, they may charge premiums on their finance. Furthermore, in most instances business enterprises are family owned and rigidity to cede ownership may deter their ability to raise finance through alternative channels and have corporate governance shortcomings.

5.2.2 Lease Financing and Financial Performance

The second objective of the study examined the effect of lease financing on financial performance of new vehicle dealers in Kenya. Results of the study indicates positive and significant effect of lease financing on financial performance of new vehicle dealers in Kenya. The findings are in agreement with Kraemer-Eis and Lang (2015) who alludes that use of lease financing is common among small and medium enterprises due to inability to access debt in relation to collateral security. The findings agree with Dufie and Singleton (2012) who argued in favour of lease financing since it can be fragmented into different options to optimize firm operational efficiency. Moreover, lease financing enables an

organization to easily access assets that would not have been accessible through bank loans due to hiccups linked to collateral security.

5.2.3 Purchase Order Financing and Financial Performance

The third objective of the study examined the effect of purchase order financing and financial performance of new vehicle dealers in Kenya. Results of the study indicates that there was a positive and significant effect of purchase order financing on financial performance of new vehicle dealers in Kenya. The results are in support of Munene (2013) who alludes that asset accumulation through purchase order financing is dominant since it accords flexible and friendly payment modes. Further, Mac and Lucey (2010) argue that business enterprises continuously seek for asset financing from financial institutions in response to growth and expansion strategies. Munro (2013) allude that purchase order financing is dominant in production phase as an organization seeks for working capital to finance its customer demands.

5.2.4 Cheque Discounting and Financial Performance

The fourth objective examined the effect of cheque discounting on financial performance of new vehicle dealers in Kenya. Results of the study indicate that there was a positive and significant effect of cheque discounting on financial performance of new vehicle dealers in Kenya. The findings are in agreement with Manos and Yaron (2013) who argues that cheque discounting is a financing approach that enhances credit protection, quality of book keeping and allocation services. Further, Aggarwal et al., (2012) advocates for it to be used for financing receivables especially from credit worthy buyers as compared to sellers. The

findings are in agreement with pecking order theory that supports use of financing sources in cost hierarchical order.

5.3 Conclusion

Based on the findings the following conclusions can be drawn. Since there was a positive and significant effect of equity financing on financial performance of new vehicle dealers in Kenya. There is need for consideration of financing business enterprises using equity capital. The equity funds can be raised through venture capital and business angels for start-ups. Further, there is need for business enterprises to embrace pecking order theory in management of its financial needs through retaining profits to finance its growth and expansion rather than procure debts.

Secondly, there was positive and significant effect of lease financing and financial performance of new vehicle dealers in Kenya. Thus, it can be concluded that lease financing options provides favourable terms among business enterprises. This can be attributed to its flexibility and efficiency it leads to in business enterprises. Thirdly, purchase order financing has positive and significant effect on financial performance of new vehicle dealers in Kenya. Thus, it can be concluded that there is a positive co-movement between purchase order financing and financial performance of new vehicle dealers in Kenya. Therefore, there is need for new vehicle dealers to develop favourable terms for purchase order financing. Finally, cheque discounting has positive and significant effect on financial performance of new vehicle dealers in Kenya. This implies that positive changes in cheque discounting is associated with positive growth in profitability of new vehicle dealers in Kenya.

5.4 Recommendations

5.4.1 Practical Recommendations

Since financial performance of new vehicle dealers in Kenya is dependent on equity financing, lease financing, purchase order financing and cheque discounting there is need for adoption of financing liberalization principles aimed at optimizing gains from each financing approach. For instance, equity financing has positive and significant effect on financial performance, this calls upon new vehicle dealers to develop strategic partnership with venture capitalists and business angels to ease their customers access to equity finance. Further, there is need for development of modules guiding on how to pitch on their venture capital.

Secondly, positive and significant effect of lease financing on financial performance of new vehicle dealers in Kenya indicates the need for adoption of customized model for lease vehicle financing. To minimize odds of not meeting required payment there is need for development of risk-based customer evaluation models. Thirdly, purchase order financing being complementary approach between financial institutions calls for development of strategic partnership that would maximize odds of wealth maximization principle. Further, positive significant effect of cheque discounting on financial performance of new vehicle dealers calls for enhancement of respective organization working capital management model to enhance achievement of profit maximization principle.

5.4.2 Policy Recommendations

From the findings there is need for government institutions to develop measures aimed at promoting business enterprises by easing access of finance. There is need for financial liberalization approach in mitigation of challenges associated with lack of finance. For instance, rather than relying on business angels and venture capital as equity finances there is need for regulation and introduction of crowd funding to minimize finance costs. Academic stakeholders should develop and customize development financing models for start-ups and customize traditional financing structure models so as to adopt cheapest and reliable financing sources. Further, there is need for academicians to develop financing models for evaluating alternative financing worthiness of respective customers acquiring vehicles from new vehicle dealers in Kenya.

5.4.3 Areas for Further Research

Since there are few new vehicle dealers in Kenya there is need for expansion of the research to consider alternative dealers of vehicle inclusive of old vehicle financing option and their effect on financial performance. The current study was limited to new vehicle dealers in Kenya there is need for expansion the study and evaluate effect of alternative financing models on financial performance of enterprises that may have purchased vehicles. The current study was quantitative in nature, there is need for consideration of mixed methods research and draw data from primary and secondary sources. Furthermore, there have been changes in political structure in Kenya, thus the need for expanding the panel period and examine the controlling effect of respective changes.

5.5 Limitations of the Study

Even though there may be alternative financing options the current study was limited to equity, lease, purchase order and cheque discounting financing. This promotes conceptual limitations that may call for subsequent empirical examination and expansion of the operational definition of financing options. The study was limited methodological approach since it was limited on financing options that were considered by new vehicle dealers in Kenya. The study never considered whether the customers were constrained while purchasing their vehicles in available options. The study was limited to use of financial records whose preparation was not harmonized whereby some institutions adopted LIFO and FIFO in their inventory management. There is need for subsequent studies to control for the effect other variables that may have contributed on the effect of financial performance.

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APPENDICES

Appendix I Letter of Introduction

Sylvia A

P.O Box

Nairobi

TO WHOM IT MAY CONCERN

RE: LETTER OF REQUEST FOR PERMISSION TO COLLECT DATA

I am a student pursuing a Master's in Development Finance in Strathmore Business School. As part of partial requirement, I have to undertake data collection on a research topic titled **"EFFECT OF FINANCING OPTIONS ON FINANCIAL PERFORMANCE OF NEW VEHICLE DEALERS IN KENYA".** The research is purely for academic consumption.

Yours Sincerely,

Sylvia A

Appendix II Document Check Index

Company	Year	Equity financing	Lease financing	Purchase order financing	Cheque discounting financing	Profit after tax

Appendix III Ethical Approval

Strathmore UNIVERSITY

16th December 2020

Ms Agani, Sylvia
agani.sylvia@strathmore.edu

Dear Ms Agani,

RE: The Effect of Financing Options by Businesses on The Financial Performance of New Vehicle Dealers in An Interest Regulated Regime in Kenya

This is to inform you that SU-IERC has reviewed and **approved** your above research proposal. Your application reference number is **SU-IERC0913/20.** The approval period is **16th December 2020 to 15th December 2021.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://oris.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

Dr Virginia Gichuru,
Secretary; SU-IERC

Cc: Prof Fred Were,

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
16 DEC 2020
TEL: +254 (0)703 034 000
P. O. Box 59857 - 00200
NAIROBI - KENYA

Appendix IV NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 649687

Date of Issue: 24/June/2021

RESEARCH LICENSE

This is to Certify that Ms. Sylvia Agasi of Strathmore University, has been licensed to conduct research in Nairobi on the topic: The effect of financing options by businesses on the financial performance of new vehicle dealers in an interest regulated regime in Kenya for the period ending : 24/June/2022.

License No: NACOSTI/P/21/11204

649687

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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National Commission for Science, Technology and Innovation
off Waiyaki Way, Upper Kabete,
P. O. Box 30623, 00100 Nairobi, KENYA
Land line: 020 4007000, 020 2241349, 020 3310571, 020 8001077
Mobile: 0713 788 787 / 0735 404 245
E-mail: dg@nacosti.go.ke / registry@nacosti.go.ke
Website: www.nacosti.go.ke