EFFECT OF DEBTORS' MANAGEMENT PRACTICES ON GROWTH OF SMALL AND MEDIUM SIZED ENTERPRISES IN KENYA: A CASE STUDY OF HIRE PURCHASE SECTOR IN KENYA

MOSES WANJALA NAMISI WEKESA

DOCTOR OF PHILOSOPHY

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Effect of Debtors' Management Practices on Growth of Small and Medium Sized Enterprises in Kenya: A Case Study of Hire Purchase Sector in Kenya

Moses Wanjala Namisi Wekesa

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DECLARATION

This thesis is my original work and had not been presented for a degree in any other University.

Signature……………………………….…………… Date ……………...………

Moses Wanjala Namisi Wekesa

This thesis has been submitted for examination with our approval as University Supervisors.

Signature…………………………….…………… Date ……………...………

Prof. Gregory S. Namusonge, PhD.

JKUAT, Kenya

Signature…………………………….…………… Date ……………...………

Prof. Maurice M. Sakwa, PhD.

JKUAT, Kenya

DEDICATION

This thesis is dedicated to my family that gave me a lot of support through encouragement and guided mechanisms. They advised me to work tirelessly up to the completion of this study thesis by ensuring I stayed focused and committed to my course. I would also like to thank my wife Sylvia Namisi and my children: Nimrod Wafula, Aquilinah Nafula, Keven Amisi, Mitchel Namisi, Michael Namisi and Victor Job Namisi for the undivided love and support they gave me towards this long journey.

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LIST OF ABREVIATIONS/ACRONYMS

AC	Average Cost
ACP	The Average Collection Period
ANOVA	Analysis of Variance
ART	African Retail Traders
CRB	Credit Reference Bureau
CS	Credit Sales
DSO	Days Sales Outstanding
HP	Hire purchase
GEMS	Growth enterprise market segments
GDP	Gross Domestic Product
GOK	Government of Kenya
ICS	Internal Control System
KCT	Kenya Credit Traders
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JKUAT	Jomo Kenyatta University of Agriculture and Technology
K – S	Kolmogorov-Smirnov
LTD	Limited

MCAR	Missing completely at Random
MNAR	Missing not at Random
NBSSI	National Board for Small Scale Industries
NPL	Non-Performing Loan
NSE	Nairobi Stock Exchange
OCED	Organisation for Economic Co-operation and Development.
ROA	Return on assets
ROI	Return on investment
SMEs	Small and Medium Size Enterprises
SPSS	Statistics packages of science software.
UNEP	United National Environmental Programme
VIF	Variance Inflation Factor

DEFINITION OF TERMS

Credit Management   Credit management is the practice of planning and controlling credit flow into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Akinyomi, 2014).

Debtors   Customers who owe the business; or they are individuals or groups of people who hadthe duty of paying a debt to the business (Swinfen, 2014).

Debtor Management   This is the process of decisions relating to the investment in business debtors transacted on credit (Kannadhasan, 2011).

Growth   Change in size or magnitude of a firm from one period of time to another. Marked and sustainable increase in assets, market share, profitability, customer base, branch network, capital base, and social impact (Avale, Mugambi & Namusonge, 2014).

SMEs Growth.   It refers to an increase in profitability, capital, liquidity and sales turnover in a period. (Public Accounts Committee, (2014); Anyadike, & Armstrong, (2013).

Management Practices	Methodologies and tools aimed at satisfying and exceeding the needs and expectations of the stakeholders with a reduced amount of resources (Bergman & Klefsjo, 2003).
Small and Medium-Sized Enterprises (SMEs	Businesses employing 1-10 full time employees with annual sales turnover $\leq$ Kshs 5 million. (Micro and Small Enterprises Act 2013). Small Enterprises are businesses employing 11-50 employees with annual sales turnover of between Kshs 5 million and Kshs 50 million. (Micro and Small Enterprises Act 2013) while Medium Enterprises: Businesses employing not more than 100 workers with annual sales turnover of less than Kshs 1 billion. (GOK Act, 2013)

ABSTRACT

There are plenty of reasons why SMEs expect growth. There are also many challenges and effects that directly promote or demote growth. The purpose of this study was to determine the effects of Debtors' Management Practices on Growth in Kenya, with specific interest in the hire purchasing industry. Four specific objectives formed the basis of this study: to investigate the effect of Credit Approval Procedures Practices on Growth, to evaluate the effects of Credit Worthiness Practices on Growth, to assess the effects of Credit Administration Activities Practices on growth and examine the effects of Credit Collection Policy Practices on Growth of hire purchase sector for SMEs in Kenya. Accounts receivable, management theory debtor ranking model and linear-stages-of-growth model were used for the study. Mixed research approach was adopted. The target population comprised all registered hire purchase businesses across different counties in the county. There were 1,187 registered businesses as at 21st August, 2015 but I chose to engage with only four, which were Amedo Centres, Kukopesha Limited, African retail Traders and Kenya Credit Traders. A sample size of 305 was drawn from the target population using Cochran's formula. Purposive sampling was then employed considering the nature of the hire purchase industry being carried out. Sample branches were selected deliberately by the researcher from the sample size. Both primary and secondary data were collected. The questionnaires were the primary tools used for collection of data where they were self-administered by the researcher and response of 305 was obtained. In analyzing the responses, the Statistical Package for Social Science (SPSS) Version 22.0 was used to present descriptive statistics such as percentages, frequency distributions, measures of central tendencies, measures of variations, correlations, Factor analysis, reliability, ANOVA and other tabulated expressions. Data analysis and interpretation was based on descriptive statistics and measures of dispersion as well as inferential statistics; bivariate and multivariate regression analysis, Pearson correlation, factor analysis and analysis of variance were employed. Multi linear regression model was used in explaining the influence of effects of debtors' management practices on growth of hire purchase sector for SMEs in Kenya. The study results relatively indicate that credit approval practices, credit worthiness practices, credit administration practices and collection policy activities practices growth, all had significant and positive influence on the growth of family businesses. The study also revealed that there was no moderation effect of these hire purchase sector for SMEs. The study recommends that financial managers should be able to enhance their debtor and credit management practices through acquisition of the credit information to make informed financial decisions. Debtor management practices should be adopted at lower levels to reduce bankruptcy risks, maintain control of the hire purchase sector for SMEs and also control cash spill out to defrauders and loan peddlers as well as planning and

controlling business funds and income into viable projects that will increase the value of the firm

CHAPTER ONE

INTRODUCTION

1.1 Background

Debtors' management for SMEs in Kenya for hire Purchase sector as a case study was stated by (Surani, 2008) indicated that the sector had developed in all societies with rising standards of living, as a best way form of instalment credit for both consumer and producer durable goods. It had special merit for suppliers and customers alike were that ownership does not pass until the final instalment was paid: the merchandise remains as security for the debt and repossession provides a sanction against default. Hire purchase credit has a significant cost, which varies widely depending upon the type of merchandise financed over the last decade. Hire-Purchase was a product specifically designed for the Kenyan market and was available hire purchase sector for SMEs and corporates in Kenya. It had similar characteristics to Finance Lease. Businesses such as hire purchase sector for SMEs offering Hire Purchase in Kenya remain owner of the asset during the tenor of the lease, but one would automatically become the owner of the asset at the end of the contract term, against a very advantageous residual rate. Hire Purchase in Kenya – Principles The Kenyan Hire Purchase law has been governed by the principles of the English common law as modified by the Hire Purchase Act Cap 507 of the Laws of Kenya These companies maintains relations with a large range of sales and distribution partners where you are free to choose the appropriate asset suited for your specific business activities. The businesses are also free to determine the duration of the rental contract that will meet your individual business needs.

It was a sector that targeted the low income earners that had made it difficult for them to buy items on cash basis as indicated by Hire-Purchase Act Chapter 507 Revised Edition (2012 & 1982). The approach was mostly applied to African Retail Traders Ltd, Kenya Credit Traders Ltd, Amedo Ltd and Kukopesha Ltd businesses of hire purchase sector for sector for SMEs. Traditionally debtors 'management practices had focused on either minimizing the interest costs of borrowing, support

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short term interest rates set by monetary makers or helping capital markets by providing appropriate amount of risk free assets and liquidity at key maturities. However, these practical considerations did not always have a straight forward theoretical support especially of hire purchase sector for SMEs in Kenya or globally at large. The Mexican peso crisis painfully showed the macro costs of pursuing a cost minimizing debt issuance strategy in businesses.

In other developed countries such as US, Canada, England, Australia and others, it had long been recognized that efficient management of financial growth was crucial for prosperity and survival of hire purchase sector for SMEs as indicated by (Deloof, 2014). With the focus on the debtors' management, the research intended to explore this on financial growth of hire purchase sector for SMEs. On the other hand, hire purchase sector for SMEs were vital in most economies including Ghana in that they contribute a lot in terms of GDP and employment according to (Keskin, 2006). A survey conducted in the UK indicated that above 20% of business failures was due to irrecoverable debts or poor management of receivable as indicated by (Padachi, 2013). The growth of hire purchase sector for SMEs in Kenya and the contributive of hire purchase sector for SMEs in Nigeria. Kayode (2001) and Hassan (2003) mentioned various of hire purchase sector for SMEs that had contributed to the growth of Medium Scale Enterprises in Nigeria. The Industries Credit Scheme (ICS) was introduced in 1971 as a revolving grant by the federal and state governments in Nigeria to assist in meeting the credit needs of hire purchase sector for SMEs on a relatively more liberal condition than in private leading institutions.

Hire purchase sector for SMEs were flourishing variedly well in various countries in Africa. In South Africa, Mauritius and North Africa, these enterprises were doing well. Msoka (2013) stressed entrepreneurship skills do had influence on performance or growth of women owned Enterprises in Africa. This could be attributed to fairly modern financial systems and clear government policies in favor of private enterprise. 'The policy Sessional Paper No 2 of 2005 for Development of Micro and hire purchase sector for SMEs of Wealth and Employment Creation for Poverty Reduction that were used to guide the sector for SMEs were intended to form the

basis for enacting the hire purchase sector for SMEs Act to institutionalize hire purchase sector for SMEs Policy in Kenya. The new hire purchase sector for SMEs Act would give direction to among others, key issues such as: the legal and regulatory environment, markets and marketing, hire purchase sector for SMEs linkages, the tax regime, skills and technology and financial services. Also (Republic of Kenya, 2009), stated that Sessional Paper No. 2 of 2009 on Development of hire purchase sector for SMEs for Wealth and Employment creation and Poverty Reduction was to be a policy the Government of Kenya took initiative to see to it was to be functional in order to create job and alleviate poverty.

More recently there had been a growing literature focusing on alternative approach to debtors' management basing on the idea that fiscal policy and debt structure should be jointly established as stated by (Abaidoo, & Kwenin, 2013), This approach would build from insight that a key influence on physical policy was the government's or businesses' ability to solve the unexpected frustrations in government or businesses' expenditure or revenue by managing the size, composition and value of debts. There had growing recognition of the important role small and medium enterprises (SMEs) play in economic development. This constituted about 90% of total business units in Ghana and account of 60% of Ghana's employed labour force (KDI, 2008). They were often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it had the SME sector rather than the multinationals that had been the largest employer of workers as stated by (Mullineux, 1997). This had been also supported by a research done on small businesses in the United States by (Charles, 2006), which indicated that U.S. small businesses numbered 23 million in 2003, and it employed about half of the private sector work force, and also produced about half of the nation's private sector output.

Small Medium Enterprises' (SMEs) for hire purchase sector failure had been the subject of considerable research efforts in a capitalist economy. There was a substantial amount of both theoretical and empirical comparison of hire purchase sector for SMEs research relating to debtors' credit management practices and its

relationship to the failure of hire purchase sector for SMEs was due to lack of Information Access for SMEs in Indonesia (Gunawan, 2012). However, there seemed not to be much research that focuses on sorting out the relationships among the many measures of credit management practices that had been used by these researchers. The study described an exploratory investigation of the relationships among a set of items used to measure the debtors' management practices of credit in (SMEs) for hire purchase on growth in Kenya. Micro and Small Enterprises Act (2013), hire purchase sector for SMEs usually made the highest percentage of businesses in Kenya and it recently received a great boost after the enactment of the Micro and Small Enterprises Act at the beginning of year 2013. The sector had hitherto been largely unregulated especially with regard to financial hurdles, lack of proper business management skills such as accounting, book keeping and marketing. This was one of the flagship priorities of the Vision 2030 as it was aimed at small businesses.

Debtors form an important part of hire purchase sector for SMEs current assets of a hire purchase for SMEs. Transactions on credit had become the most prominent force to modern hire purchase   SMEs for hire purchase in Kenya. (Stoner, 2015), stated that hire purchase sector for SMEs on growth as ability to operate efficiency, profitability, survives, grow and led to opportunities and threats. (Houghton, 2009) stated that growth was an increase in size, number, value, or strength; extension or expansion of debtors' growth or expected to had investing in hire purchase sector for SMEs expected to had higher-than-average increases in revenues and returns. Balunywa (2015) stated that hire purchase sector for SMEs grows if it had the ability to achieve required standards, increased market share, ensured return on profitability, and improve on facility and reduction on waste and costs that led to hire purchase sector for SMEs on growth efficiently. Pandey (2015) stated that debtors' management was a unique strategy developed to help the hire purchase sector for SMEs managed their collection from debtors.

The strategy was usually developed and implemented by the hire purchase sector for SMEs on behalf of the debtors as they were unable to sufficiently manage their own debt, due to lack of knowledge or they were overwhelmed by the amount of debt. Mudida *et al.* (2010) who stated that debtors' management practice was a process of decisions relating to the investment in hire purchase sector for SMEs of debtors.

Selling on credit was still one of the business approaches in enhancing sales and it had turned up to be an enticement for customers in retaining the business relationship with the business and in time increase the business's" profit was stated by (Barad, 2010) eventually optimizing the business's profit. The purpose of offering credit was to maximize profit was indicated by (Damilola, 2013). A significant part of receivables management involved the proper selection of customers because every credit sale involved the risk of delayed payment or non-payment of the value involved as was stated by (Hrishikes, 2012). The major preoccupation for most of today's organization management was to remain relevant in the market by striving to cope with the ever increasing brutal competition in the market brought about by production of very close substitutes to the business" own products by competitors.

Debtors' management practices involved all collection processes for public accountability statement as stated by Women Enterprise Fund (2013) qualified the extension of credit to a reliable customer, monitors the reception of payments on outstanding invoices, the initiation of collection procedures and the solution of disputes regarding charges on a customer's invoice. In credit selling, it was certain that the business had to pay the cost of getting money from debtors and took some risk of loss due to bad debts. To minimize the loss due but not receiving money from debtors were the main aims of debtor management techniques. Credit management practices on debtors are very important for the survival and growth of sector for SMEs hence some of their transactions were conducted on credit terms. hire purchase

Oshagbemi (2013) hire purchase sector for SMEs was regarded as one whose scale of operations were less than the average for the industry as explained by Kpelai (2012) stated that Small and Medium Enterprises play a very crucial role in a

country's economy as it provided the basis for industrial development and sustained economic growth of any society and was the oldest and commonest hire purchase sector for SMEs structure for the world over .There had been a number of surveys and study of the growth and constraint experienced by sector for SMEs business of Cambridge Medium hire purchase sector for SMEs as indicated by hire purchase Research Centre (2015), given such situations, hire purchase sector for SMEs had to strive for more efficient credit management practices. Usually the modern hire purchase sector for SMEs in Kenya could not be transacted on cash only but most sector for SMEs in Kenya were transacted on credit terms. They grant credit to their customers and also source credit from their suppliers. In each case, repayment is expected to be made at a stipulated time in accordance with the terms of the hire purchase sector for SMEs transactions. The linear stages of growth model usually indicated the stages of growth of the business on profits and capital. The model usually included the utilization of both domestic and international savings that led to the growth of the business (Rostow, 2013).

The credit management for debtors in hire purchase sector for SMEs a primary concern for managers and owners in hire purchase sector for SMEs in order to had direct impact on the viability of the SMEs. Onami (2010) stated that if the four variables are applied effectively on credit debtors' management practices of the hire purchase sector for SMEs, cash flow and liquidity of the operations in the business would improve. Failure to effectively manage credit sales sector for hire purchase r SMEs would experience late payment to their creditors and a breakdown in the supply chain which then affect their ability to service their customers. Credit management activities encompass debtors as stated by (Drever *et al.,* 2010; Ardic *et al*., 2011) of hire purchase sector for SMEs across the country analysis with a new data set indicated that failure to ensure terms of credit for debtors was maintained for cash flow was a among the causes of failure for many hire purchase sector for SMEs in Kenya. Thus debtors 'credit management practices on debtors needed to ensure proper monitoring of cash flow using all administration activities to customers and other liquidity related indicators as well as appropriate procedures to carefully evaluate the customer's capacity to meet the SMEs' credit payment terms.

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Wanjohi (2011) stated that sector hire purchase tor for SMEs Sector in Kenya had policies that had been known to contribute greatly in economic growth of both developed and developing countries. According to a report published in the journal of Economic Literature in the year 2000 about the manufacturing businesses in developing countries, the share of hire purchase sector for SMEs in employment tends to be higher in developing countries, which were typically more focused on small-scale production. (Kobia *et al.,* 2013) indicated that SMEs' growth and innovation in Kenya had shown little growth for hire purchase sector for SMEs especially on the Women Enterprise Fund by the Research *Report No 47/13*. In Kenya the SME operation cut across almost all sectors of the economy and sustain majority of households that was recognized by the 2003. The debtors ranking model in the study do had positive effect on what was to be collected on time when it was due by ranking the customers according to the performance with the business as stated by (Chesbrough, 2014). Women Enterprise Fund (2012) in the Ministry of Gender, children and social Development Nairobi, stated that to create employment for them, it requires proper debtors' management in their SMEs' businesses. Moti, *et al..,* (2012), indicated how effective of credit management system on loan performance and empirical evidence from Micro Finance Sector in Kenya. Their operations were more labor intensive than the larger manufacturers. As such, policy provisions would mean boosting not only the operations of these enterprises but the country's economy as well. The development of the private sector varies greatly throughout Africa. According to an article which appeared in a UN based booklet 'handbook for local investors.

The challenges mentioned above, unless addressed properly, they would still persist and finally, cause a threat to the SMEs' growth or lead to a failure as indicated by (Matoha, 2016) who examined the debtors' management practices on growth for hire purchase sector for SMEs in Tanzania and his findings showed that there were challenges in identifying the actual causes in failures of hire purchase sector for SMEs at very early stages of startup. According to Survey carried out by Enterprise Uganda in 2007 one of the common challenges identified for hire purchase sector for SMEs failure were associated with cannot access to loans, poor credit management

practices and poor financial records keeping. Wanjohi (2012) indicated that to create a strong economy and a strong economic future attention were required to urgently address the challenges facing hire purchase sector for SMEs in Kenya. Some of the most important internal problems hire purchase sector for SMEs need to identify are in adequate capital, cash flows management, improper debtors' management practices on growth and not maintaining current and acidity ratio figures at 2:1 and 1:1 respectively.

Bunyasi *et al.* (2014) stated that could the growth hire purchase sector for SMEs grow faster if the relationships of the customers and the owner of the businesses were well handled by each part. Usually if the hire purchase sector for SMEs had lower amount owed by the SMEs' customers, then that was better for the SMEs. An especially high number was an indication sign of inefficiency by the SMEs. It might indicate bad debts, dubious sales figures, or the hire purchase sector for SMEs were being bullied by large customers out to improve their own cash position at the expense. Customers whose credit terms were abused also risk higher borrowing costs and related charges. Akanji (2016) stated that the strategies and measures for each that the hire purchase sector for SMEs could use for debtors' management practices include: Set up credit controls, how to manage debtors and how to deal with problem debtors.

The debtors' management practices on growth according to (Pandey, 2012) stated that was a strategy that involved the process of designing and monitoring the policies that governs how a hire purchase sector for SMEs extend credit to its customer. The idea behind this processes were to minimize the amount of bad debt that the hire purchase sector for SMEs would eventually incur due to customers failing to honor their commitments to repay the total amount of the credit purchases. Typically, the process of debtor management begins with evaluating potential customers in terms of credit worthiness; identifying a credit limit that carries a level of risk that the business was willing to assume; and then monitoring how well the customer makes use of that available credit; including making regular payments within the terms and provisions associated with the credit account. One of the basics of debtor

management was to accurately assess what type of credit line to extend to a given customer. A number of factors go into making this determination, including the credit rating of the client, current ratio of debt to average income, and the presence of any negative items on the customer's credit reports. With this information in mind, it was possible to had some idea of how much credit the customer could reasonably be expected to manage and not present a high risk for defaulting on any outstanding balance. Abor *et al.* (2016) stated that the hire purchase sector for SMEs governance for the Medium and Medium Enterprise Sector requires proper management in order to avoid bad debts occurrence to hire purchase sector for SMEs in Kenya.

Also the debtors' management theory had positive indication on debtors' management practices by ensuring that money due from customers were received on time according to terms and conditions agreed between the parties. Even after the credit limit is set, debtor management requires careful monitoring of how the client chooses to responsibly manage that limit. This included determining if at least the minimum required payment were made on time each billing period, how often the customer pays more than the minimum, and if the customer does from time to time pay off the entire balance in accordance with the terms and conditions of the credit contract. Pike and Cheng (2016) monitoring of activity along with periodically checking credit reports to determine if the client has had any changes in ratings that could affect the credit limit, makes it possible for the creditor to reward the customer with an increased credit line, keep the limit at the current level, or reduce the limit as a means of protecting the creditor's interests.

Pamela *et al*. (2016) stated that considering mentorship and demographic characteristic of the place it impacted in the growth of SMEs that could be applicable to hire purchase sector from the study carried in Eldoret in Kenya. From the above, the owner of the hire purchase sector for SMEs had to assess and deal with only the reliable customers to transact on credit. The hire purchase sector for SMEs in Kenya had played a big role in the increase of GDP and economic development activities in the country as many Kenyans were medium and medium enterprise earners according to economic stimulus (1985).

The hire purchase sector for SMEs played an important role in the economy of Kenya providing 74.2% of employment and making a contribution of 18.4% to the Gross Domestic Product for GOK in 2005. Once many of such people were engaged in economic activities then security and employment especially would be improved and created. Okpukpara (2016) stated that majority of hire purchase sector for SMEs collapse in the first five years of their operations and their medium size and age of the SMEs, the more were likely to collapse. In view of the above, the researcher had chosen to make a study to identify some of the measures of debtors' management practices on growth for hire purchase sector for SMEs would improve SMEs. Specifically, women owned hire purchase sector for SMEs formed an important in economic growth of a country and their improvement should form part of a country's development strategy. Usman, (2016) stated that they play a big role in reducing poverty and promote development by encouraging people's initiative, ingenuity and self-reliance. Namusonge *et al.* (2016) stated that proper management of business finance had a positive impact on the growth of hire purchase sector for SMEs in Kenya from research carried out in some counties.

The SMEs in the hire purchase industry had been playing an important role in the Kenyan economy as indicated by the economic Survey of 2014 that the sector contributed over 50 percent of new jobs created in the market. Despite their significance, past statistics indicate that three out of five hire purchase sector for SMEs fail within the first few months of operation for Kenya National Bureau of Statistics in 2007. Amyx (2013) postulated that one of the most significant challenges were the negative perception towards SMEs. Potential clients perceive medium hire purchase sector for SMEs as lacking the ability to provide quality services and were unable to satisfy more than one critical project simultaneously. Often larger companies were selected and given hire purchase sector for SMEs for their clout in the industry and name recognition alone. In Kenya the hire purchase sector for SMEs had played a big role in creating employment opportunities and revenue generation via taxation to the country's ever growing work force. However, the owners of these hire purchase sector for SMEs had tried to put in strategies to remain even in the harsh economic turbulence such as high inflation rates and high

interest rates on borrowings. Identifying debtors' management practices on growth was of particular importance to the hire purchase sector for SMEs on growth. With limited access to the long-term capital markets, these businesses tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their needed investment in cash, accounts receivable and inventory as stated by (Chittenden *et al*., 2012). However, the failure rate among hire purchase sector for SMEs were very high compared to that of large SMEs.

Wesonga (2016) the political and social skirmishes in Kenya added an extra layer of challenges to the Kenyan SMEs especially the hire purchase sector which was the most affected. Likewise, Sakwa *et al*. (2014) indicated that business innovation was one of important tools for hire purchase sector for SMEs growth to be applied in sector for SMEs in Kenya. The hire purchase sector for SMEs were unlike big hire purchase sector for SMEs that had cash reserves to help weather cyclical economic storms. The hire purchase sector for SMEs commonly operates on thin budgets, virtually maintaining bare minimum debtors and day-to-day cash. The reserve that was there were primarily used to pay current bills and could not help to further expand the hire purchase sector for SMEs to attract new opportunities. This study therefore proposes to examine the effects of debtors' management practices hire purchase sector for SMEs on growth of SMEs. Turuel and Soal (2015) managers could create value by reducing their business's number of days of accounts receivables and inventories.

However, observed that less emphasis was thrust on debtors' management if prudently handled could had possible positive effects on the growth and long term survival of SMEs. Matoha (2016) indicated that little effort had been made in the study on growth possibly as a major cause of SMEs failures. Despite this finding by (Matoha, 2016), the scenario in Kenya was not any better as hire purchase sector for SMEs continue facing challenges in the management of their hire purchase sector for SMEs which had resulted in persistent failures as reported by Moya (2009). The (UNEP, 2003) indicated that there were many challenges for medium hire purchase sector for SMEs as regards sustainability for hire purchase sector for SMEs industry

and environment. The challenging and compelling mission, as indicated by (Shanghai, 2014) manifesto on global SMEs, co-operation was important in various countries to make possible to perform well.

The variables used in the study had not been researched on debtors' management practices, so it called for the researcher to carry out the study. The independent variables used in the study targeted how debtors' management practices was to be applied for improvement purpose which included: Credit approval procedure practices; Credit worthiness practices; Credit administration practices and Credit collection policies practices. Each of independent variable had sub variables that targeted each variable. For the dependent variable on growth, used the sub variables that included: Sales turnover; Profitability; Liquidity and Business environment. The hire purchase sector was doing so well in eighties and nineties but of late it has not been doing well as it has been having very few customers that made the sector grew faster as was noticed from the statement problem explained below.

1.2 Statement of the problem

Debtor management practices in the small business sector had long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of credit management practices (Asuquo *et al*., 2012). Hire Purchase Firms, just like any other form of business, are supposed to carry out Credit Management Functions that will enable them, among other reasons, to be competitive, operate with minimal credit conflicts, allocate resources to the most useful projects without worrying about debts or investments and make profits as well as realize growth for the many years to come within the industry. Whether or not, Hire Purchase firms carry out Debtor Management Practices to achieve growth in the long-run is still unknown. The Hire Purchase industry has suffered a continued failure in Kenya, among other reasons, can also be attributed to, apart from lack of credit planning, failure in carrying out debtor management practices in running their SMEs.

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There are plenty of reasons why Kenyans go into business. For some, entrepreneurship was something coincidental, accidental, and unintended while others had started SMEs to create a challenge after retirement, to augment a meager family income, to avoid starvation and make a country better or even expand sources of income. Johnabell (2015) stated that there were challenges to hire purchase sector for SMEs growth in Kenya as there was a stale continuation of the legacies of past generations by growing existing businesses. It was hard to get into the Hire Purchase industry in Kenya as most had conservative measures of growth. Most had not adopted the internet and hence had retro filing systems and do not conclusively operate on computer based programs. These factors hinder growth.

Debtor Management is one of the several functional areas of Management but it is the center to the success of any SME. Inefficient debtor management, combined with the uncertainty of the firm's credit environment often led Hire Purchase enterprises to serious problems. Careless, undisciplined or unstructured debtor management practices are the main cause of failure for Hire Purchase enterprises in most developing countries. Regardless of the Hire Purchase business led by owner or hired credit manager, if the financial decisions are wrong, profitability of the business will be adversely affected. Consequently, a business organization's growth could also be affected because of inefficient credit record management. Record management enables a firm to refer to mistakes and be efficient in future outcomes. Most Hire Purchase firms had often failed due to lack of knowledge of efficient debtor management as pointed out by (Lakew & Rao, 2009).

In order to help Hire Purchase SMEs owners and managers better understand credit issues relating to growth and profitability and to help them grow their businesses, more research should be conducted to determine the factors that are associated with debtor management practices and growth as a whole. Although many studies had been conducted on entrepreneurship and SMEs (Buang *et al*., 2013) in Kenya and many other parts of developing world, the study on debtor management practices on Hire Purchase firms is still lagging behind (Wallace, 2010). Most studies done on Hire Purchase business performance and growth as a whole, for example, Wallace

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(2010), Wee and Ibrahim (2012), Amran and Ahmed (2010), Prior (2012), Buang *et al*. (2013) and Phillips (2012), discussed the importance of succession planning, but there are many other aspects of Hire Purchase SMEs, specifically on debtor management practices, that are yet to be given more attention.

Namusonge and Sakwa, (2016) pointed out that financial access is an important determinant of the performance of SMEs as it provides them working capital, fosters greater firm innovation and dynamism, enhances entrepreneurship, promotes more efficient asset allocation and enhances the firm's ability to exploit growth opportunities. Hire Purchase firms with access to credit funding are able to build up debtor management plans to avoid stocking out during crises, while the availability of credit increases the growth potential of the surviving firms during periods of macroeconomic instability. Access to external resources allows for flexibility in resource allocation and reduces the impact of cash flow problems on firm activity. Whether or not Hire Purchase firms are able to access external finances and be able to allocate these financial resources to culture financial growth is still unknown.

Lakew and Rao (2009) showed that lack of empirical evidence from less developed economies and the lack of examination of the influence of debtor management practices on growth and profitability of SMEs are major gaps in the knowledge of Debtor Management. Therefore, it is difficult to convince SMEs' practitioners of the need for changes in practices until evidence of the influence of debtor management practice. Based on previous research findings and recognition of these gaps, a study on the influence of debtor management practices on the growth of SMEs in the Hire Purchase Sector is justified.

Waweru and Ngugi (2014) pointed out that the influence of the overall financial management practices on performance was one significant topic as evidenced by an increasing number of publications and studies on the topic. He later on hinted on the importance of Debtor Management Practices on Growth of SMEs. Locally, studies that pivoted linearly on the growth from debtor management practices that had been done include: Wanyungu (2001) who did a research financial management practices

of micro and small enterprises in Kenya, a case of Kibera, while Kagone and Namusonge (2014) looked deeply at financing as one of the factors that influence the growth of women oriented micro-enterprises. None of these local studies has ever directly focused on debtor management practices in Hire Purchase firms in Kenya. It is in this light that the current study seeks to fill the existing research gap by studying the influence of debtor management practices on the growth of SMEs in Kenya with a wide focus on Hire Purchase.

1.3 Research objectives

As stated by Camino (2011), indicated ten essential of writing a good research proposal for a study. The research objectives included both general and specific objectives as indicated below:

1.3.1 General objective

To investigate the effect of debtors' management practices on growth of hire purchase sector for SMEs in Kenya.

1.3.2 Specific objectives

The specific objectives included:

1. To investigate the effect of credit approval procedures on growth of hire purchase sector for SMEs in Kenya

2. To evaluate the effects of credit worthiness on growth of hire purchase sector for SMEs in Kenya.

3. To assess the effect of credit administration activities on growth of hire purchase sector for SMEs in Kenya.

4. To examine the effect of credit collection policy on growth of hire purchase sector for SMEs in Kenya.

1.4 Research questions

The main research questions were:

1. What were the effect of credit approval procedures on growth of hire purchase sector for SMEs in Kenya?

2. How does credit worthiness practices affect growth of hire purchase sector for SMEs in Kenya?

3. What were the effect of credit administration activities on growth of hire purchase sector for SMEs in Kenya?

4. How does credit collection policy affect growth of hire purchase sector for SMEs in Kenya?

1.5 Research hypotheses

As explained by Søren. and Nick (2006) they defined how research questions and Hypothesis could be prepared by a researcher. The null hypotheses were applied in order to predict the relationship that was likely to exist   between each variable on growth of hire purchase sector for SMEs in Kenya.

H_0: There was a statistically significant relationship between credit approval procedures and growth of hire purchase sector for SMEs in Kenya.

H_0: There was no a statistically significant relationship between credit approval and growth of hire purchase sector for SMEs in Kenya.

H_0: There was a statistically significant relationship credit worthiness and growth of hire purchase sector for SMEs in Kenya

H_0: There was no a statistically significant relationship between credit worthiness and growth of hire purchase hire purchase sector for SMEs in Kenya.

H$_0$: There was a statistically significant relationship between credit administration activities and growth of hire purchase sector for SMEs in Kenya.

H$_0$: There was no a statistically significant relationship between credit administration activities and growth of hire purchase sector for SMEs in Kenya.

H$_0$: There was a statistically significant relationship between credit collection policy and growth of hire purchase sector for SMEs in Kenya.

H$_0$: There was no a statistically significant relationship between credit collection policy and growth of hire purchase sector for SMEs in Kenya.

1.6 Justification and importance

This section explains the significance of the study with respect to the importance and justification on the effect of debtors' management practices on growth of hire purchase sector for SMEs in Kenya. The findings of this study could be broadly applicable and beneficial to the following sectors in Kenya:

1.6.1 Justification

There were need for the researcher to carry out this study in the area of ART Ltd, KCT Ltd, Kukopesha Ltd and Amedo Ltd as they had been operating for a very long time since seventies yet they had been very little growth in the area of debtors' management practices for hire purchase sector for SMEs in Kenya. It was also a potential sector in the economy for job creation and assists the low income earners to be able to afford to buy household items. Finally, man hire purchase sector for SMEs in Kenya had not improved in its debtors' management practices due to lack of some debtors' management practices skills and knowledge, were experiencing challenges such as: incurring a lot of bad debts, having difficulties in collecting debts and incurring a lot of costs in collecting debts and poor record keeping. The owners of hire purchase sector for SMEs also had been experiencing problems in areas of credit assessment management; setting of transaction costs and collection policy to be used

by the SMEs. In view of the above challenges, they had made the researcher to carry out the study on debtors' management practices for credits of hire purchase sector for SMEs in Kenya.

1.6.2 The Importance

The importance included the following:

1.6.2.1 Hire Purchase Sector and Small Medium Enterprise Managers

The individuals in hire purchase sector for SMEs sector would benefit from the recommendations made by the research. The recommendations made was to assist the individuals in managing each determinant in their hire purchase sector for SMEs successfully. This led to financial improvement that made it possible to expand many hire purchase sector for SMEs in Kenya.

1.6.2.2 Research Organization

The growth situation of medium businesses was not promising as stipulated by (Bwisa, 1998 & Olomi, 2009), in Kenya where transitions were just from 1-3 employees to 10 whereas there are no current data in other East African Countries. One of the reasons was lack of adequate knowledge to manage the using accounts receivables. The result of this study was open to new focus on how to analyse the growth of these enterprises and open up more areas for study.

1.6.2.3 Policy makers

The recommendations that was made by the researcher was of great importance as adjustments from the existing policies was amended to match with expected hire purchase sector for SMEs growth techniques that led to proper growth of hire purchase sector for SMEs in Kenya. The government could also use the recommendations made to increase the revenue from the hire purchase ssector for SMEs that would lead to increase in economic activities and developments in the

country. From the above activities and developments, these led to increase in employment, finally reduction in poverty and insecurity in the country.

1.7 Scope of the Study

The research intended to assess the effect of debtors' management practice on financial growth for hire purchase sector of SMEs in Kenya. The four sectors that were used to conduct with four hundred and fifteen (415) as target population of SMEs for hire purchase in Kenya. The four (4) headquarter offices in Nairobi that were used had a total of seventy-five (75) branches all the country. The four hundred and fifteen (415) was the for target population where, ART Ltd had 60; KCT Ltd had 190; Amedo Ltd had 95 and Kukopesha Ltd had 70. (See Appendix iii). The researcher was to carry out the study by considering the hire purchase sector for SMEs that was providing credits facilities to the customers from the above hire purchase companies in Kenya. The researcher had expected to collects 100% of that hire purchase sector for SMEs to respond from 305 questionnaires that were to be given out and if they were to be correctly filled. From the the study the researcher was to ascertain whether there was any relationship between debtors' management practices on growth of a business using the four variables by analyzing of using SPSS 22.0.

1.8 Limitation

Limitations are weaknesses of a study related to the proposed sample, data collection environment, measurement techniques, and personal biases that may affect the quality of the results and credibility of the conclusions (Field, 2013; Leedy & Ormrod, 2015). During the research study, the researcher encountered the following challenges in carrying out the study for SMEs in hire purchase in Kenya:

Formulation of research aims and objectives. The researcher might had formulated research aims and objectives too broadly. This required the researcher to specify in which ways the formulation of research aims and objectives could be narrowed so that the level of focus could be increased.

Implementation of data collection method: Because as a researcher, extensive experience was a requirement as a primary data collection there could a great chance that the nature of implementation of data collection method could flawed.

Sample size: Sample size depends on the nature of the research problem. If sample size was too small, statistical tests would not be able to identify significant relationships within data set. The researcher could then state basis of the study in larger sample size could had generated more accurate results. The importance of sample size was greater in quantitative studies compared to qualitative studies.

Lack of previous studies in the research area: Literature review is an important part of any research, because it helped to identify the scope of works that had been done so far in research area. Literature review findings were used as the foundation for the researcher to be built upon to achieve her research objectives. However, there might had been little, if any, prior research on your topic if you had focused on the most contemporary and evolving research problem or too narrow research problem.

Scope of discussions: The researcher included this point as a limitation of the research regardless of the choice of the research area. Because in most cases there was likely hood of the researcher not to had many years of experience of conducing researches and producing academic papers of such a large size individually, the scope and depth of discussions in researcher paper was compromised in many levels compared to the works of experienced researcher.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter discusses the Theoretical framework; debtors' management practices on growth of hire purchase sector for SMEs in Kenya, Conceptual framework for analysis, Credit approval procedure practices, credit worthiness practices, credit administration activities practices, credit collection practices, theories, review of elements of debtors' management practices, measure of hire purchase sector for SMEs on growth, Critique of the existing literature relevant to the survey, and Research gaps in Kenya. The survey also reviewed the previous surveys already done by other researchers on debtors' management practices on growth. The above assisted the researcher to find out what had been done already in the survey and what require to be done so that the researcher can be able to make recommendations for the study.

2.2 Theoretical Framework

There had been many theories proposed for trade credit. The theories in finance as stated (Mian & Smith, 2013) stated that businesses were able to obtain funds at low costs would offer trade credit to businesses facing higher financing costs. Thus, for the sellers, trade credit was a more profitable for short term activities. The operational theory stresses the role of trade credit by smoothening demand and reducing uncertainty in payments. (Connolly, 2013) stated that trade credit could lessen cash flow uncertainty by separating the payment cycle from the delivery cycle so that both the buyer and could save the cost of handling liquidity. Also commercial theory stated that trade credit improves product marketability by making it easier for businesses to sell as indicated by (Nandiri, 2016). Cash management was the process of planning and controlling cash flows into and out of business from receivables. Cash flows within the business, and cash balances held by a business at a point in time had been indicated by (Pandey, 2012) that relates to collection of receivables to

be collected on time required by the business. Schmidheiny (2006) stated that a view of corporate citizenship if linked with efficient cash management, the business would grow. Also when involving the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little as stated by (Ross, 2013) would lead to growth of the business. In addition, as stressed by (Atrill, 2015) there was need for careful planning and monitoring of cash flows over time to determine the optimal cash to hold. As indicated by (Kwame, 2014), established that the setting up of a cash balance policy ensures prudent cash budgeting and investment of surplus cash. The theoretical framework would include:

2.2.1 Theory-Off Trade

Janazeb *et al..,* 2014) stated that Trade-Off Theory on businesses had an incentive to turn to debt in the generation of annual profits that allowed benefits from the debt tax shields. According to several studies (DeAngelo, Masulis 2014; Fama, French 2005; López-Gracia & Sogorb-Mira 2008) stated that a positive relationship was expected between the effective tax rate and debt. Basing on this argument, Trade Off Theory, there was a positive relationship between the effective tax rate and debt in SMEs. DeAngelo and Masulis (2014) stated that non-debt tax shields, such as reductions allowed by depreciations and investment tax credit could substitute the role of tax savings allowed by debt. This means that a business with a high level of non-debt tax shields was perhaps to had a lower level of debt than a business with low non-debt tax shields.

The Trade-Off Theory usually forecasts a negative relationship between non-debt tax shields and debt, therefore it was formulated the following research hypothesis. The most profitable business usually had capacity for a higher level of debt, taking advantage of debt tax shields (Fama French, 2014). Highly profitable business was likely to be more able to fulfil their responsibilities regarding the repayment of debt and interests, which contributed to a less likelihood of bankruptcy.

The anterior arguments justify the possibility of a positive relationship between profitability and debt in SMEs. (Myers, 2015) stated that as bankruptcy and agency costs are greater for businesses with high expectations of growth opportunities, businesses could be reluctant to use high amounts of debt so as not to increase their likelihood of bankruptcy. As a result, businesses with high growth opportunities may not use debt as the first financing option. According to the Trade-Off Theory, businesses with greater growth opportunities had a lower level of debt, given that greater investment opportunities increase the possibility of agency problems between managers/owners and creditors, because the former do had a great incentive to underinvest (Myers, 2015). Tangible assets could be used as collaterals in the case of business bankruptcy, protecting the creditors' interests. Michaelas et al. (2013) claimed that businesses, with valuable tangible assets, which could be used as collaterals, do had easier access to external finance, and they could have had probably higher levels of debt than businesses with low levels of tangible assets. Therefore, in the Trade-Off approach, do had a positive relationship it was forecasted between asset tangibility and businesses' level of debt. Larger businesses tend to had greater diversification of activities that implied less likelihood of bankruptcy as indicated by (Titman & Wessels, 2015). In addition, large businesses with less volatile profits were more likely to take advantage of the debt tax shields, so they increased the potential benefits of debt (Smith & Stulz, 2017). Therefore, according to the Trade-Off approach, large businesses tend to increase their level of debt as a consequence of the lesser likelihood of bankruptcy, and also as a way to increase the debt tax shields. Therefore, a positive relationship was expected between size and debt. The researcher could argue that age could be an important factor of capital structure decisions, given that the businesses in the later stages of their life-cycle had more advantageous terms in obtaining debt than young businesses. (Ramalho & Silva, 2009) the older was the business (and the greater was its reputation), the lower was the cost of debt, as long as creditors believed that the business will not undertake projects that imply the substitution of assets.

Therefore, a positive relationship was expected between age and debt. The positive relationship between age and debt were subject to higher business risk, and greater probability of bankruptcy. Consequently, SMEs tend to reduce their level of debt. Therefore, according to Trade-Off Theory a negative relationship was expected between businesses' level of risk and debt and there was an optimal debt ratio, which was the ratio where tax benefits were equal to the bankruptcy and agency costs associated with debt. Whenever businesses deviate from their debt ratio, the existence of adjustment costs prevents businesses from making a total adjustment to that ratio, and so Trade-Off Theory forecasts that businesses were to make a partial adjustment of debt towards the optimal debt ratio as stated by (López-Gracia & Sogorb-Mira 2008). Adopting the perspective of Trade-Off Theory. In summary the theory targets credit collection policy practices and credit administration activities practices variables to minimize the debt ration of the company.

2.2.2 Agency Theory

The agency theory was first stated by (Biwott, 2011) who contributed to the Accounts receivables management decision. According to the theory, agency conflicts arise from the possible differences of interests between shareholders (principals) and managers (agents) of firms. The Primary duty of managers was to manage the business in such a way that it generates returns to Shareholders thereby increasing the profit figures and cash flow. Due to a non-rational and opportunistic behavior of agents as indicated by (Jensen, 1994) the interests and decisions of managers are not always aligned to the shareholders' interests, resulting in agency costs or agency problems Agency theory deals with own a business enterprises and all others who had interests in it and who works on behalf of others. The agency theory rules stated that the day to day running of a business enterprise was carried out by managers as agents who had been engaged by the owners of the business as principals who were also known as shareholders. The theory was on the principle of 'two-sided transactions' which held that any financial transactions usually involved two parties, both acting in their own best interests, but with different expectations.

Problems of agency theory usually included: i. Information asymmetry- a situation in which agents had information on the financial circumstances and prospects of the enterprise that was not known to principals (Emery, 2009). ii. Moral hazard-a situation in which agents deliberately took advantage of information asymmetry to redistribute wealth to themselves in a dishonesty manner which was ultimately to the detriment of principals. iii. Adverse selection-this concerns a situation in which agents misrepresent the skills or abilities they bring to an enterprise. As a result of that the principal's wealth was not maximized (Emery, 2009). iv. In response to the inherent risk posed by agents' quest to make the most of their interests to the disadvantage of principals or all stakeholders, then each stakeholder tried to increase the reward expected in return for participation in the enterprise and finally v. Emanating from the risks faced in agency theory, researchers on small business growth contend that in many small enterprises the agency relationship between owners and managers may be absent because the owners are also managers; and that the predominantly nature of SMEs make the usual solutions to agency problems such as monitoring and bonding costly thereby increasing the cost of transactions between various stakeholders as stated by (Emery, 2009).

Nevertheless, the theory provided useful knowledge into many matters in SMEs growth and showed considerable avenues as to how SMEs growth should be practiced and perceived. It also enabled academic and practitioners to pursue strategies that could help sustain the growth of SMEs.

In summary the theory targets the application of credit approval procedure practices to minimize the bad debts, credit collection policy practices for all dues to be collected on time and credit administration activities practices to monitor the collections from customers of the company.

2.2.3 Signalling Theory

Arthurs *et al.* (2008), stated that Signaling theory has been useful for describing behavior when two parties (individuals or organizations) had access to different information. Typically, one party, the sender, must choose whether and how to

communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. Also (Emery, 2009) indicated that Signaling theory rested on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance was made available to the enterprise. This meant, flows of funds between an enterprise and the capital market are dependent on the flow of information between them as stated by (Emery, 2009). The emerging evidence on the relevance of signaling theory to small enterprise growth was mixed. Until recently, there has been no substantial and reliable empirical evidence that signaling theory accurately represents particular situations in SME growth, or that it adds insights that are not provided by modern theory as indicated (Emery, 2009).

Keasey *et al*. (2011) wrote that of the ability of small enterprises to signal their value to potential investors, only if the signal of the disclosure of an earnings of forecasts were found to be positively and significantly related to enterprise value in terms of: percentage of equity retained by owners, the net proceeds raised by an equity issue, the choice of financial advisor to an issue and the level of underpricing of an issue. Signaling theory has now been considered to be more insightful for some aspects of small enterprise growth than others (Emery, 2009).

The theory used Credit approval procedure practices basing on potential customers; Credit worthiness practices of customers that would pay without problems, credit collection practices and credit administration activities practices that would give less problems during collection of receivables.

2.2.4 The Pecking-Order Theory or Framework (POF)

Jahanzeb *et al.* (2014) stated that this was another financial theory, which was to be considered in relation to SMEs growth. It was a finance theory which suggested that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and finally using externally issued equity; with bankruptcy costs, agency costs, and information asymmetries

playing little role in affecting the capital structure policy. A researched study carried out by (Norton, 2017) found out that 75% of the small enterprises used seemed to make financial structure decisions within a hierarchical or pecking order framework. As indicated by (Holmes *et al..,* 2013) admitted that POF was consistent with small business sectors because they were owner-managed and did not want to dilute their ownership. Owner-managed businesses usually prefer retained profits because they wanted to maintain the control of assets and business operations. This was not strange when the researcher considered the fact that in Ghana, according to empirical evidence, SMEs funding was made up of about 86% of own equity as well as loans from family and friends.

As stated also by (Leary & Roberts, 2010) stated on issues relating to Pecking Order Theory, Static Trade-off Theory, internal fund deficit, debt ratio, capital Structure and asymmetric information on SMEs. The theory targeted credit worthiness practices and credit approval procedure practices as the owners of the company did not want to dilute their ownership of the company. Simiyu (2012) indicated that assessment of the adoption of the theory should be applied causally to each business for success.

2.2.5 Access to Capital Theory

Atieno (2012) stated that there existed challenges in the access to Finance and the Development for Small Scale Enterprises in Kenya that required to be addressed. Bolton report on small businesses outlined some that issues underlined the concept of finance gap that involved two components of gaps which were: knowledge gap-debt was restricted due to lack of awareness of appropriate sources, advantages and disadvantages of finance; and supply gap-unavailability of funds or cost of debt to small enterprises exceeds the cost of debt for larger enterprises that had set of difficulties. Small companies are hit harder by taxation, face higher investigation costs for loans, are generally less well informed of sources of finance and are less able to satisfy loan requirements.

Small businesses do had limited access to the capital and money markets and therefore suffer from chronic undercapitalization. As a result; they were likely to had excessive recourse to expensive funds which act as a brake on their economic development.

In summary access to capital theory indicated that small businesses had found it difficult to get access to borrowing for their businesses including taxes to be paid. The small businesses usually they do not meet the loan requirements by financial institutions. The theory targets the credit worthiness practices of the business to be applied.

2.3 Conceptual Framework

The concept of hire purchase sector for SMEs had been defined in various ways by various people and government agency just as it had been worked on in various ways by different nations. Micro hire purchase sector for SMEs had been recognized, a medium sized business was recognized as well as medium scale SMEs. Theoretical background and development of hypotheses was a contentious issue among both academics and practitioners in hire purchase sector for SMEs as indicated by (Zhao, 2009) the financial theory development hire purchase in sector for SMEs had been somewhat limited and often relies on the application of classical financial models to medium hire purchase sector for SMEs as stated by (Krolo & Ustil, 2007). From an environmental management perspective, environment factors affect the full spectrum of hire purchase sector for SMEs businesses and proxy of the risks related with fluctuations in the level of economic activities. (Murphy, 2011) the conceptual analysis of determinant foundation for entrepreneur Discovery theory could be applied in finance to identify various variables or determinants as applied in the study. The measures of credit management used for the purposes of this research were shown in the conceptual framework in Figure 2.1. Each of the identified variables in the study was associated with a distinct aspect of credit management practices in hire purchase sector for SMEs in Kenya. The development of each of these four variables and the existing research underlying their development was

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discussed in the following sections. It was important to note at the outset that the items were developed from existing research but to the best of the authors' knowledge it was the first time they had been examined in a single study.

Credit approval procedures practices • Length of credit period. • Collection and analysis of information. • Ranking customers. • Bank and Trade references for customers.	
Credit worthiness practices to the customers: • Character • Capital • Condi • tions and terms • Collateral.Capability	**HP sector for SMEs Growth** • Sales turnover • Profit increase • Employment increase • Managerial competences Business environment
Credit administration activities practices to the customers: • The timing of the initial reminder. • The timing of different types of reminders. • The timing of the engagement of a professional collection agency. • The timing of credit refusal.	
Credit collection policy practices to the customers: • Action on defaulters • Number of calls made in a month • Recovered amount in a period • Assignment to collection agencies	

Independent Variables   **Dependent Variable**

Figure 2.1: Conceptual Framework

There were many different measures that could be used to assess a debtor's capacity to service their account by using; the length of time they had been in business, bank or trade references, and credit agency checks, (Chittenden *et.al.,* 2014) identified that the smallest businesses did not had a written customer credit policy. This tends to highlight the poor credit management practices of small business and their inability to assure adequate cash flow through efficient and effective management of accounts receivable.

2.4 Empirical Review

This section gave general literature on credit management practices and went further to look at each variable element separately to outpour an evaluation that enabled a deepening understanding of the credit failures and successes. In other words, the critical review revealed that there has been no study carried out on the four variables used in the study that would boost the debtors' management practices to be used in hire purchases.

2.4.1 The concept of Credit Management Practices.

The performance of any hire purchase sector for SME in Kenya when it was fully functioning in a competitive economy was highly depended upon the quality of its credit management via effective implementation of strategic plans using the variables identified in the study. Strategic credit management was required for any hire purchase sector for SME in Kenya. Strategic management had been used successfully by the failing businesses to be prepared for any challenges in future and was to improve long-term growth of hire purchase sector for SMEs as stated by (Zafa & Babar, 2013). The formulation of a good credit and debtor management system using the independent and dependent variables together with their sub variables were very important for any business but the most important stage that was to cause an immeasurably significant difference was the stage that involved implementing these policies in place which had been crafted as indicated by (Potter, 1985).

More than 70% of the businesses came up with excellent strategies that could help curb the debt issue but they faced many bottle necks when it came to translating them into actionable practices by the credit section and the management in general.

In summary the theory stressed strategic management that had been used successfully to be applied by the businesses. However, those that had failed by not preparing for the challenges of the future and to improve long-term growth, did not succeed as stated by (Zafa, Babar & Abbas, 2013). In the current business world, knowledge usually evolved rapidly and the useful lifespan of the businesses skills that was decreasing, which meant that the survival and competitiveness of businesses was linked to its ability to learn and included its findings in their strategic credit management as indicated by (Nedelea & Paun, 2011).

The researcher used the independent variables plus the sub variables as they were to had positive outcome on dependent variable together with the sub variables to the study.

2.4.2 Credit Approval Procedures Practices

The sub variables used in the variable are: Length of credit period; Collection and analysis of information; Ranking customers; Bank and Trade references for customers. Each of the variable had a positive effect on debtors' approval procedures if applied well on credit management. Debtor's approval procedures had grouped elements used to measure the importance of various types of information in determining whether a customer receives approval to purchase on credit. (Michael, 2004), indicated that credit policy and procedure manual would assist the owner of the business whether or not customers were granted credit. The same was also stated by (Dash & Ravipati, 2010). The study of the current research would involve: Monitoring of excessive past due payments; Repetitive and large bad-debt write-offs; unusual situations resulting in extended credit and identification of credit controls.

As stated previously, payments by debtors was the singular most important factor affecting a business's liquidity. Nonpayment or late payment by debtors inhibits cash flows and leaves the business having their own outstanding debts. This could result in debtors imposing penalties or refusing goods or services which directly inhibits servicing customers (Kl'jelly, 2017). As stated by (Bradstreet & Dun, 2013), less than half of all enterprises perform any form of check on a business before granting credit to them. There were many different measures that could be used to assess a debtor's capacity to service their account using: The length of time they had been in business, Bank or trade references, and Credit agency checks. As explained by (Chittenden *et al.,* 2014) identified that most small businesses did not had a written customer credit policy. This tends to highlight the poor credit management practices of hire purchase sector for SMEs and their inability to assure adequate cash flow through efficient and effective management of accounts receivable. The variables used to determine whether a client was to be granted approval to be a debtor or not would include: Agency reports, Business size, Age of business, knowledge about business, credit history of the business and Trade references over each debtor of the business before approval was made by those concerned.

In summary if the business carried the Credit procedures practices properly and be handled by the business as indicated by various authors, then it meant only committed customers were to be awarded credits that would increase revenue collection of the business that would lead to the growth of the business.

2.4.3 Credit Worthiness Practices

The 5Cs as the sub variable applied for credit worthiness practices included: Character; Capital; Collateral; Capability; Conditions and terms that had to be applied to each debtor of the business after analyzing the debtor with each sub variable in the study. A different set of criteria had to be used when assessing the suitability of the debtors that would adhere to terms and conditions of payments. In many cases it seems unusual to assess the suitability of a creditor, but small business was about creating appropriate and timely supply chains enabling timely and

efficient processing of customers. The inability of a debtor to pay for service indicated the obvious domino effect of not being able to provide the required goods or services. As well the business must also be cognizant of the prices for required services and products in the broader market. Over payment to debtors due to ineffective policies related to the pricing of goods and services reduces cash flow and liquidity. However, a business might find it suitable to charge prices which were higher than usual in order to compensate for the credit taken, or where the prices were generally applicable it might be difficult to obtain suppliers in the future as stated by (Kabongo & Okpara, 2014) on ICT possession and usage among Congolese SMEs: Debtors' reliability was very important as it was an indication of payment on time for credit goods or services. The business needs to operate with debtors that could pay on time or required. This danger constitutes a risk element which had to be weighed against the profitability of trading on short-term finance as stated by (Kabongo & Okpara, 2014) in case there could be delays in payments. Also (Kabongo & Okpara, 2014) went further to indicate that searching for future customers over prices, the business required to the 5Cs that involved the Character, Capacity, Capital, Conditions and Collateral of the customer.

After sales service by the customer was another factor that should be evaluated when examining customer, particularly when the product or service had a warranty. The measurement of credit worthiness of a business would use the following assessment of factors over each debtor: Product quality, Location of business, Credit terms, Business relationship, Supplier reliability and Supplier price. (Richard, 2008) indicated that businesses should set up regular reviews in order to monitor each customer's credit worthiness to avoid occurrence of bad debts that would be written off as expenses.

In summary if the business carried the credit worthiness practices properly as indicated by various authors, then it meant only committed customers were to be awarded credits that would increase revenue collection by being paid on time to the business. This meant the growth of the business would be realized faster.

2.4.4 Credit Administration Activities Practices

The sub variable used in the study for credit administration activities practices to the customers included: The timing of the initial reminder; the timing of different types of reminders; the timing of the engagement of a professional collection agency and the timing of credit refusal where each had to be applied to each debtor of the business. Credit administration activities practices were a major component of debtors' management. (Bishop *et al*., 1993 & 2012) found out that credit collection policies differed from one SME to another. Procedures that should be followed by the business once credit was extended include: The timing of the initial reminder after a customer's debt was past due; the timing of different types of reminders; the timing of the engagement of a professional collection agency; and the timing of credit refusal. (Mian & Smith Jnr, 2014) recognized five functions must be performed in the credit administration process: credit-risk assessment, credit granting, accounts receivable financing, credit collection, and credit-risk bearing. All these items were clearly associated with activities that directly impact on a business's liquidity. (Chittenden *et al*.., (2014) found that the owner-manager or credit officer undertakes the management of accounts receivable. In the UK hire purchase sector for SMEs showed that the breakdown of total time devoted to accounts receivable (debtors) was 84 per cent of time consumed on invoicing and collecting revenues, with 8 per cent on approving credit requests, negotiating and agreeing terms.

Quite obviously hire purchase sector for SMEs worldwide were of the importance of credit management procedures and generally seek to implement practices that were generally oriented towards the provision of effective cash flow – the lifeblood of the business. The measurement of credit administration activities for each debtor would include: Discounted invoices; Administration ledger; Agreed terms, Credit limits; Negotiation terms; and ability to pay by the customer.

In summary if the business carried the credit administration activities practices properly as indicated by various authors, then it meant only the management was to awarded credits to only those debtors that would adhere to the credit policies of the business that would increase revenue collection for the business leading to the growth of the business.

2.4.5 Credit Collection Policy Practices

The sub variables applied in study for Credit collection policy practices to the customers included: Action on defaulters; Number of calls made in a month; Recovered amount in a period and Assignment to collection agencies to each debtor for effective application of policies. If all properly applied to the debtor, then all customers would pay their dues on time for the business. (Smith & Schnucker, 2012) examined the decision to factor as a choice between vertically integrating trade credit functions and using a specialized contract with an external business. Information costs and monitoring costs arise for both buyers and sellers during the selling process. The buyers must value the delivered products or services, and the seller must collect information regarding the creditworthiness of the buyer as stated by (Torres, 2010).

Usually factors acted as information sources for the supplier and the customers and if a factor deals with multiple different sellers that had large overlaps in their customer bases, the intermediary had a cost advantage over the seller because the factor could deliver information about a single customer to several suppliers. We identify two dimensions of customer concentration by the number of customers that were offered trade credit and the number of industries among which these customers were distributed.

A business that sold its product to many buyers on credit would reap greater benefits from applying properly the four variables used in the study. The variable that measured number of customers that a seller served and expected a variable that was to display a positive relationship with factoring tendencies was the one to be applied in the study as indicated by (Bell *et al.,*2011). A supplier would also derive greater

benefits from using a variable that was to serve with greater variety of different industries. However, variables used must balance diversification across industries with the costs of obtaining additional industry-specific knowledge. The sign of the coefficient of this variable might be either positive or negative, depending on which of the effect that were described above proves to be predominant.

Transaction costs were the criterion which a hire purchase sector for SMEs used to follow in selecting its customers for the purpose of credit extension and credit analysis as stated by (Pandey, 2012). There were two aspects of the quality of customers that included time taken by the customer to repay obligation and the default rate. Usually the average collection period determined the speed of payment by customers. The hire purchase sector for SMEs usually had five Cs to be used for estimation of the probability of default that included: Character of the customer's willingness to pay including moral factors, Capacity of the customer's ability to pay by assessing customer's capital, income, assets etc, collateral that was security, capital that was the worthiness of the hire purchase sector for SMEs and Conditions that refers to prevailing economic, political and social conditions.

Mudida (2014) stated that credit policy refers to the effect of debtor management practices usually guided the management of debtors and how to balance between liberal and strict credit. This liberated credit policy usually increased the amount of sale, profitability and risk. If sales were to be made to those debtors whose capability to pay was not good, then it was possible that some amount would become bad debts. The hire purchase sector for SMEs could increase the time limit for paying by such debtors. On the other hand, if business's credit policy was strict, then it would increase liquidity and security, but decrease the profitability. So, finance manager should make credit policy at optimum level where profitability and liquidity would be equal. The sub part of credit policy included as indicated by (Pandey, 2012) stated that credit policy usually depended on the volume of credit sales and the collection period for success of hire purchase sector for SMEs. Also to succeed in in hire purchase policy for SMEs in Kenya, credit policy variables and sub variables required transaction costs to be analyzed using: credit terms, transaction costs,

collection policy and procedures being used by hire purchase for SMEs in Kenya on growth.

The policies that could be applied in the hire purchase sector for SMEs included lenient credit policy that depended on the customer by being rated good, average or bad customer so that optimum credit policy could be applied using marginal cost benefit analysis policy. Credit policy was a set of policies to be used to take action on designed way of managing costs related to credits while maximizing the benefits as stated by (Kakuru, 2014). This meant that decision relating to analysis of credit policy required evaluation and analyzing of credit policy by basing on the following factors: Credit decisions to be made after collection and analyzing the debtor's information and the manager had to decide whether business should facilitate to sell goods on credit or not. If a particular debtor failed below the given standard, then he should not be accepted to be sold on credit. For getting fund fast from debtor, the following steps were used under collection policy: Send reminding letter for paying debt; Take the help of debt collection agency for getting bad debt; To take legal action against bad debtors; To request personally debtor to pay his dues on mobile or email and the finance manager should monitor collection position through average collection period from past sundry debtor and their sales turnover.

After investigation and research, it was found that many authors agree that cash flow information was a better indicator of financial growth than traditional earnings. (Laitinin, 2006) indicated that although profits were increasing, Grant and Laker Airways had severe cash flow problems prior to bankruptcy. (Jooste, 2015) investigated whether the cash flow statement could enhance the usefulness of financial information for the economic decision-making. The authors proposed nine cash flow-based ratios to be used for relative growth evaluation. An empirical study was conducted using US companies for the two years from 1986 in the electronics, food and chemical industries. Averages for the cash flow ratios were computed for each industry. This study also determined that the potential existed to develop benchmarks for the ratios by industry. (Jooste, 2015) did a similar study in South

Africa, using the same ratios, calculations and SA industries, for the two years from 1994.

In summary if the business carried the credit collection policy practices properly as indicated by various authors, then it meant only committed customers to adhere to the laid down policies were to be awarded credits. This would increase revenue collection for the business that would lead to the growth of the business.

2.5 The Growth of Hire Purchase Sector for SMEs

The sub variables applied for measure of growth for hire purchase sector in SMEs included: Sales turnover; Profit increase; Employment increase; Managerial competences and Business environment where each if were to be applied well it was too had a positive effect to the business on growth. As indicated by (Chittenden *et.al.,* 2014) found out that credit management in small businesses usually falls behind best practice to be applied. That meant many hire purchase sector for SMEs had no idea of how to use credit control techniques like aging receivables, accounts receivable forecasting and collection procedures as indicated by (Singh, & Pandey, 2016) using impact of working capital management in the profitability. Maina and Njuge (2011) indicated that the effects of the financial management on growth of hire purchase sector for SMEs had positive appropriate credit collection and processing controls that were to be in place that was equally important the hire purchase sector for SMEs monitor the growth of the processes.

Failure to regularly monitor any process within a business setting makes it impossible to assess their appropriateness and effectiveness. (Pike *et al.,* 2013) identified that small businesses feel that the management of debtor days was the most important measurement of the effectiveness of their credit management processes (82 per cent of participants) followed by their achievement of cash collection targets. Less than half of the participants reported that reducing bad debts and bad debt to sales ratio a being an important measure of credit growth within the business. As indicated by (Ali, 2016) stated that cash management practices and growth of hire purchase sector for SMEs was usually an indication of growth of a business. It was

interesting to note that a number of countries were implementing or had implemented interest charges on late payments in an attempt to support small business. Generally, the interest rates on these late payments were quite high. In Australia the Late Payment Bill was not passed but other government bodies were seeking remedies to the problem.

The hire purchase sector for SMEs effectiveness of debtors' management practices and cash flows ratios in a business was important to the SMEs. Eljelly (2017) indicated that efficient liquidity management involved planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short term obligations and avoids excessive investment in these assets. The relationship between profitability and liquidity was examined, as measured by current ratio and cash flows (cash conversion cycle) on a sample of joint stock companies in Mozambique using correlation and regression analysis. The study found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The size variables were found to had significant effect on profitability at the industry level. The hire purchase sector for SMEs effectiveness of debtors' management practices in the hire purchase sector for SMEs was indicated by cash flows, calculated ratios of current ratio and acidity ratio for hire purchase sector for SMEs growth. (Sakwa *et al.,* (2016) account receivables collection practices on hire purchase sector for SMEs growth had a great impact from the study carried in Kakamega County. The collection periods of debtors were also a measured of debtor' management where the fewer the number of days taken to collect revenue from each debtor the better for hire purchase sector for SMEs growth. The hire purchase sector for SMEs growth would be measured using growth in sales turnover, liquidity, profitability and capital growth by comparing percentage rate growth in the last five years. hire purchase sector for SMEs growth would be realized from sales and when profits were increasing as a result of new customers and expanding markets. The Growth of hire purchase sector for SMEs could also be noticed from the hire purchase sector for SMEs outpaces the hire purchase sector for SMEs growth rates and establishes itself as a viable concern.

Some entrepreneurs decide to sell their hire purchase sector for SMEs at this stage. At maturity stage the sales hit their highest point or might level off as a result of saturated or very competitive markets. Profits decrease as prices were lowered to compete. Customer retention and managing resources were keys. Adoption of a new strategy to maintain historical growth trends was important if continued hire purchase sector for SMEs growth was desired. Finally, hire purchase sector for SMEs growth could be noticed from existence of innovation or decline sales and profits start or continue their descent. Without innovation, the hire purchase sector for SMEs decline. New products or services and new markets were needed to recapture the historical growth trends of the hire purchase sector for SMEs in Kenya. As indicated (Sakwa *et al.,* 2014) stated that business and innovation move hand in hand for the measurement of growth in debtors 'credit management practices would be used in the following elements in the overall measurement: Increase in employment, profitability, sales turnover, better managerial competences and business environment.

2.5.1 Techniques for Monitoring quality of Accounts Receivable

There were three most frequently cited techniques for monitoring the overall quality of accounts receivables namely: Average-collection-period (Days Sales Outstanding), Aging of accounts receivables and payment pattern monitoring. These techniques were discussed below: The average Collection Period (ACP) also known as Days Sales Outstanding (DSO) represents the average number of days that credit sales were outstanding. As stated by (Graham and Scott, 2015), they indicated that the average collection period had two components; first the time from sales until the customer places the payment in the mail and secondly, the time to receive, process and collect payment once it had been mailed by the customer. As indicated by (Mary et al, 2016), stated that collection practices hire purchase sector for SMEs growth had to be monitored closely by those concerned in the management in order to collect all dues for the business on time.

The Average Collection Period was computed as follows:

2.1……………………………….ACP = **AC** x 365 days' equals to number of days

Total sales

Where:

ACP   Being the Average Collection Period

AC   Being the accounts credits

S   Being the total sales

If it was assumed that the receipt, processing and collection time was constant, then the Average Collection Period tells the business how many days (on average) it took customers to pay their accounts as stated by Graham bell *et al.* (2015). The computed average collection period might had been used by the business for trend analysis to comp the collection period over time.

Secondly, it might had been used to compute the set target by the business and lastly it might be used in comparison with the industry average. About 76.7% of the businesses" accounts receivable had been outstanding for 30 days or less. This showed the outstanding receivables were on the higher side but preferably it should be at less than 50% of total receivables. If the business allows 30 days for payment of credit sales, 33.3% of the receivables were past due. Still this one at 33.3% was on the higher side but preferably it should at most be 20%. The business would probably need to discover why so many of its outstanding receivables were past due to were customers experiencing temporally financial difficulties; or were customers delaying payment because they were unhappy with the businesses product; or which of the customers would eventually pay and which receivables would the business had to write off as bad debt expense as indicated by (Kent *et al.,* 2016). From the above analysis it indicated that the owner was to should deal mostly with customers that were good in paying the business.

The payment pattern techniques were the normal timing in which businesses‟ customers pay their accounts; it was expressed as the percentage of monthly sales collected in each month following the sale. One approach to determine the payment pattern was to analyze the business's sales and resulting collections on a monthly basis. That was, for each month's sales, the business computes the amount collected in the month of sale and each of the following months. Every hire purchase sector for SMEs had a pattern by which its credit sales were paid, if the payment pattern were to change, the business should consider reviewing its credit policies. By tracking these patterns over a period of time, the business could determine the average pattern of its collection using either spreadsheet or regression analysis. For most companies, these patterns tend to be fairly stable over time even as sales volumes fluctuates as stated by (Megginson, 2010).

Pricing administration, order processing and invoicing that aims accuracy was possibly the most important determinant of management success as indicated by (Salek, 2015). There were some fundamental practices that promote pricing and invoicing accuracy. They include: Keeping the pricing scheme as simple as it could be; complex pricing structure complicates receivable management; for example, a large business selling numerous different products whose prices change sporadically. If this business maintains individual cost plus pricing schedule for each of its many customers, each time prices changes on a product, it potentially requires a price change in all the individual customers‟ price schedules. This would amount to a very difficult price administration challenge as indicated by (Salek, 2015).

However, maintaining a simple pricing scheme might not be possible if the competitor offers complex pricing incentives. Incorrect invoices resulting from price discrepancies would cause customer to refuse to pay, frequently demanding corrected invoices. This would increase day's sales outstanding and delinquency. As stated in the quotation and „contract administration sections ensure the multiple elements of the price to be clearly articulated to both external customers and internal customers of the business as stated by (Salek, 2015). The various elements of price include List or base price for the stock keeping unit, Applicable discounts, Freight terms,

Payment terms (including prompt payment discounts and billing timing, Applicable sales tax, Late payment fees /financial charges); Ensuring all elements of the pricing master and individual customer price were up to date and in force and ensuring promotional pricing was adequately controlled, that was, all promotions were authorized and communicated internally.

Before an order could be routed to fulfillment it must be reviewed to ensure it meets the conditions of an acceptable order. Such conditions were elements such as; price, freight terms (which party pays freight changes), payment terms, delivery date, clear description of the product ordered, quantities of product or service ordered and a purchase order number business would not pay an invoice unless it references a valid purchase order number). The purchase order must be filled correctly and promptly; it should also be billed accurately. The purpose of presenting an invoice to a customer was to secure payment for having provided a product or service; it might also be as a deposit on the future provision of a product or service. The invoicing function in many companies was highly automated; it requires little manual intervention and was often overlooked. However, invoicing accuracy was the single most important determinant of effective and efficient receivable management Accurate invoicing led to: Lower receivables delinquency and increased cash flow; Reduced exposure to bad debt loss; Lower cost of administering the entire revenue cycle; Fewer concession of disputed items and also enhanced customer service and satisfaction as indicated by (Salek, 2015).

The two key objectives of invoicing were accuracy and speed. Accuracy was defined as meeting the customers" requirements for timely payment of an invoice, On the other hand, speed was defined as presenting an invoice to the customer as soon as permissible under the terms of the business agreement; usually after shipping a product or rendering a service as stated by (Salek, 2015). Invoice presentation could be accelerated by electronic presentation. Many companies begin the countdown to the due date on receipt of the vendors' invoice; hence speed of invoicing was critical to maximizing receivable asset turnover. Speed however, was less important than accuracy as an inaccurate invoice would typically delay payment by several weeks.

Thus, a delay of a few days to ensure accuracy was worth the avoidance of weeks of delay caused by a disputed invoice.

In summary the techniques for monitoring quality of accounts receivable included the following: To calculate the number of days to ascertain the collection period and monitoring of credit sales ((Graham Bell & Scott, 2015); To set the target credit sales in the period (Kent *et al.,* 2015) and determine the pattern of payments for business credit sales (Megginston, 2010). There has to be pricing administration, order processing and invoicing standards to be in place for accuracy and management success (Salek, 2015) and There should be a contract administration section in a business for ensuring the multiple elements of pricing to be clearly articulated to both external and internal customers (Salek, 2015). The theory to the study used the following variables: Credit administration activities by monitoring; Credit collection policies practices by ascertaining the collection period for each customer; Credit worthiness practices by determining the payment pattern of each customer and Credit approval procedure practices by ascertaining the accuracy and management success in debtors' management I a period.

2.5.2 Linear-stages-of-growth model

An early theory of development economics, the linear-stages-of-growth model was first formulated by (Rostow, 2013) who stated that in the Stages of Growth for a Non-Communist Manifesto, following work of Marx and List. This theory modifies Marx's stages theory of development and focuses on the accelerated accumulation of capital, through profits and the utilization of both domestic and international savings as a means of spurring investment, as the primary means of promoting economic growth and, thus, development. The linear-stages-of-growth model points out that there were a series of five consecutive stages of development which all businesses must go through during the process of development in the application. These stages of application were "the traditional society, the pre-conditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption" by using the variables that had been identifies to be used in the study.

The summary of the model indicated the following five stages to be used: The traditional society; the preconditions for takeoff; the takeoff; the drive to maturity; and the age of high mass consumption by using the variables identified for the study as stated by (Rostow, 2013). The theory targeted the sub variables of dependent variable of growth for hire purchase had been achieved by application of five stages that included: The traditional society; the preconditions for takeoff; the takeoff; the drive to maturity; and the age of high mass consumption by using the variables identified.

2.5.3 Debtor Ranking Model

(Chesbrough, 2014) stated that open hire purchase sector for SMEs models aim at thriving in the new innovation landscape to collect what was due to be collected on time by the business. This meant the credit department could make more informed decisions using the Debtor Ranking Model by applying the four variables used in the study. This would rapidly process the commercial data, based on a set of customized rules, and gave those involved an intuitive view of the potential risk associated with each debtor. The solution ranks debtors within a debtor's management was based on potential risk (high, medium or low) and an associated score enabling those involved to better focus limited resources more efficiently on higher risk clients requiring more attention. The Debtor Ranking Model suggested the below approach to be applied: Allows for easy interpretation of your debtor risk; Provides an affordable entry into the analytical environment; Identifies the low, medium and high risk customers for better credit risk management and rapidly assimilates current, comprehensive and consistent bureau data. Debtor's collection days was an indication of the business's efficiency in collecting the amounts owed by the SMEs. This meant the fewer the days to take to collect the debts, the better for the SMEs.

The summary of the model indicated the following: Allow for easy interpretation of the business' debtors' risk; provide an affordable entry into the analytical environment; Identify the low, medium and high risk customers for better credit risk management and Rapid assimilations of current comprehensiveness and consistence

bureau data as pointed out by (Chesbrough, 2014). The theory targets the application of credit worthiness practices to the customers by identifying low, medium and high risk customers, credit approval procedure practices by ranking of customers, credit collection policies practices by collecting what was due to be collected on time by the business and credit administration activities

2.6 Critique of the Existing Literature

While the subsector constituted close to 85 percent of employment and contributes about 20 percent of the total GDP. This implies dismal growth of the subsector would work negatively to the economy. The development trajectory of the subsector thus required a system which holistically fosters SME development. The current constitutional framework and the new Micro and Small Enterprise Act, (2012) provided a window of opportunity through which the evolution of hire purchase sector for SMEs could be realized through the devolution framework. However, the impact of devolution on hire purchase sector for SMEs development depends on the architecture of the regulatory and institutional framework inclined to support hire purchase sector for SMEs in an economy as indicated by Kigundu (2014). (Wanjohi, & Mugure, 2008) also stated that it was important to appraise the regulatory and institutional framework for hire purchase sector for SMEs given the existing devolved government system in Kenya. It was against this background that this study was undertaken to assess the regulatory and institutional framework in the hire purchase sector for SMEs subsector vis-à-vis the emerging devolved governance system in Kenya. The challenges facing hire purchase sector for SMEs in Kenya was generally recognized that hire purchase sector for SMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development these include: lack of Managerial Training and Experience, Inadequate Education and Skills,

Lack of Credit, National Policy, Regulatory Environment, Technological Change, Poor Infrastructure and Scanty Markets information as stated by (Hall & Josh, 2010) being some financial challenges that were faced by hire purchase sector for SMEs in

Kenya. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs.

Numerous money lenders in the name of Pyramid schemes came up, promising hope among the little investors which they could make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs was mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing hire purchase sector for SMEs in Kenya. The strategies and measures for each that the hire purchase sector for SMEs could be used for debtors' management practices includes; set up credit controls, how to manage debtors and how to deal with problem debtors. (Matoha, 2016) indicated that little effort had been made in the study of hire purchase sector for SMEs growth possibly as a major cause of hire purchase sector for SMEs failures. Some of the most important internal problems hire purchase sector for SMEs need to identify were inadequate capital, cash flow management, improper debtors' management practices and not maintaining current ratio and acidity test ratio figures at 2:1 and 1:1 respectively.

2.7 Research gaps

The studies carried out on debtors' management practices, they focused on of other variables on working capital which meant that the four variables used in this study, had not been readily applied on the business or sectors in the economy. As stated by (Onami, 2010) indicated that further studies need to be carried out on other sectors of the economy using the four variables as used in the study to determine their similarity, since the scope had been limited only to agro-manufacturing companies. It was therefore critical that a study be carried out in a cross-section of hire purchase sector for SMEs to establish whether the principles and practice of accounts receivable management were firm-specific or could apply to other sectors. In the studies that had been carried out on working capital management, the asset of accounts receivable had not been dealt extensively by applying Average Collection

Period, which had been used as proxy for the accounts receivable management. There was therefore necessary to carry out a study that would deeply focus on the four variables used in the study that might influence the asset of accounts receivable as a function of financial growth for hire purchase sector for SMEs in Kenya.

The research gaps that existed made the researcher to undertake the study was from manuscript published were missing some elements debtors' management practices with existing research literature that would fill the research approach. Conflicts in theoretical approach, Conflict in empirical methods, Arbitrage between literatures, practical approach in debtors' management practices made it necessary for the researcher to undertake the study. The literature review affirmed that much of the empirical studies undertaken in the topic under study had been undertaken outside Kenya. Hence, there was definite need to focus the study in the Kenyan context to add to literature with evidence from the experiences in Kenya. Maina Njuge, (2011) who investigated a study on effect of the growth on growth of hire purchase sector for SMEs in Kenya. It was summed up that hire purchase sector for SMEs attained growth on a normal growth curve with but declined abnormally with intense bureaucracy actions.

Foshan *et al.* (2012) argued that businesses engaged in hire purchase sector for SMEs due to a collateral profit maximizing behavior but did not explain whether businesses considered debtor management practices when maximizing these profits hence this study was to be carried out. It was explained further that managers who worked in competitive industries which had higher manufacturing intensity always used debtor management practices to obtain consistent growth because that strengthened organisation and planning pillars. Well, despite the extensive literature on examining growth from super scale of debtor management practice, it had been found that only good governance had a positive effect on the growth of hire purchase sector for SMEs but other factors came in. Similarly, due to the fact that there was no universally agreed upon reasons behind SMEs' financial growth, it meant that there was a void that needed to be filled through this study. As much as there were many studies on credit management, the researchers that had been done,

had focused so much on the relationship between consumers and financial growth only but not on the four variables used in the study as stated by (Johnabell, 2015).

Campbell (2007) indicated that very few studies had been carried out on understanding why hire purchase sector for SMEs in Kenya acted by targeting the consumers or not. The existing literature were criticized by (Walsh, 2003) and for ignoring effect and sideling with irrational judgment on practices. (Walsh *et al.,* 2003; Campbell, 2007) had called for more serious theoretical inquiry into the matter of growth of credit management. Also studies on debtors' management policies had been carried out extensively in western countries only but not in Kenya or Africa as stated by (Schmidheiny, 2006). It was therefore necessary that the study was carried out to fulfil the existing gaps in Kenya.

Margolis Walsh (2003) explained that rethinking on social initiatives by the Business was to determine ways of finding an optimal accounts receivable level along with making optimum use of different variables that involved credit approval, and credit worthiness procedure practices, credit administration activities practices and credit collection policies procedure practices in order to achieve a maximum return for growth of hire purchase sector for SMEs in Kenya that would be at an acceptable level of risk. In striving to fulfil the gaps relating on how to achieve growth and objectives on hire purchase sector for SMEs in Kenya, the study would had made its own contribution to the managers of hire purchase sector for SMEs by giving them general recommendations in dealing with debtors' management. Johnabell (2015) stated that challenges to hire purchase sector for SME growth in Kenya where the aimed at carrying out this study were to complete the existing gaps in the study that were investigated for accounts receivables and explore on how to minimize the costs and identify the benefits of the application of the four variables on hire purchase sector for SMEs growth in Kenya. In summary the tabular research gap was as indicated in research gap table: 2.3 below:

Table 2.1: Tabular Research Gap.

No.	Researchers and year	Country of study	Focus/Objective of study	Methodology	Key findings	Knowledge/gap	Focus on current study
1	Onami (2010)	Kenya	On agro manufacturing companies	Questionnaires, Interviews, Observation and descriptive survey were used	Working capital had been carried out	Other variables had been applied in other sectors but not SMEs	Application of the four variables
2	Maina Njuge (2011)	Kenya	Growth	Questionnaires, Interviews, Observation and descriptive survey were used	Growth on financial management	Growth on SMEs for hire purchase.	Effects of the financial management on growth of SMEs.
3	Wanjohi, A. (2012).	Kenya	Good governance affecting growth and profitability for SMEs	Questionnaires, Interviews, Observation and descriptive survey were used	Maximizing profits	Sales turnover and Business environment	Challenges Facing SMEs in Kenya.

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4	Johnabell (2015).	Organisation for Economic Co-operation and Development (OECD)	Relationship between consumers and financial growth	Questionnaires, Interviews, Observation and descriptive survey were used	Application of each variable in the study by companies	Application of the four variables on growth	Challenges to SME growth in Kenya
5	Campbell (2007)	Europe	Targeting consumers or not	Questionnaires, Interviews, Observation and descriptive survey were used	Each variable to target each debtor	Targeting Debtors of the company	An Institutional Theory of Corporate Social Responsibility*".*
6	Schmidheiny (2006).	United Kingdom	Debtors' management on Western Countries only	Questionnaires, Interviews, Observation and descriptive survey were used	Debtors' management Policies	Debtors' management in Kenya	A view of corporate citizenship.
7	Margolis Walsh (2003).	Africa	Ignoring effect and sideling with irrational judgment on practices for SMEs	Questionnaires, Interviews, Observation and descriptive survey were used	Called for more serious theoretical inquiry into the matter of growth of credit management	Target the four variables on growth	Rethinking Social Initiatives by Business.

2.8 Summary

From the literature review it had indicated that there existed theories and concepts that had explained the proper ways of managing the debtors' management practically hire purchase sector for SMEs. The identified variables from the concepts would be used to manage the debtors that would reduce bad debts occurrence and improve growth of SMEs. There were many challenges in Kenya facing the hire purchase sector for SMEs but through the study some of the problems would be solved if variables identified were well applied by those concerned. Also the hire purchase sector for SMEs owners had to apply the identified theories for the success of the hire purchase for SMEs in Kenya. Kiraku (2013) stated that growth and innovation in Kenya of hire purchase sector for SMEs had to be encouraged in the sector in order to alleviate poverty. There had to be trade credits and evidence to be used by the hire purchase sector for SMEs owners in order for the hire purchase sector for SMEs to grow. The owners of hire purchase sector for SMEs in Kenya had to be reviewing the variables of debtors' management practices from time to time in order to offer the credits to only genuine debtors for the hire purchase sector for SMEs in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the techniques and procedures employed to facilitate in data collection. It was presented in the following headings: research design, population size, sampling framework, data sampling and sampling size, instruments, record analysis guide, data collection procedure, pilot tests, data processing and analysis and summary.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose (Kothari & Garg, 2014). This study adopted a mixed research design where both quantitative and qualitative approaches were used to determine the effect of debtors' management practices on growth of Small and Medium Sized Enterprises in Kenya. Creswell (2014) showed that both forms of data provide different types of information. Each type of data collection has both limitations and strengths that can be combined to develop a stronger understanding of the research problem or questions (and, as well, overcome the limitations of each). This "mixing" or blending of data provides a stronger understanding of the problem or question than either by itself.

3.3 Research Philosophy

Is where the researcher specified the research philosophy that required the reasons behind philosophical classifications that was provided by carrying out the study on debtors' management on growth of hire purchase for SMEs in particular. The implication of the variables in the study if applied properly by the hire purchase companies, they would lead to the growth of hire purchase sector for SMEs as stated by

(Bajpai, 2011). The idea of research philosophy was to deal with the source, nature and development of knowledge from [the ways in which data was about a phenomenon that should be collected, analysed and be used. Even though the idea of knowledge creation might had been appeared to be profound, the researcher engaged in knowledge creation as part of completing the thesis. The researcher collected secondary and primary data and engaged all answers of the research questions in the creation of new knowledge. In the final analysis, in addressing research philosophy in the thesis, the researcher involved by being aware and formulating the believes and assumptions that were applied in the study. In each stage of research philosophy, it was based on assumptions about the sources and the nature of knowledge.

The research philosophy is a reflection of the researcher's important assumptions and these assumptions served as base for the research strategy as indicated by (Saunders, Lewis, & Thornhill, 2012). The choice of research philosophy was affected by practical implications. There were important philosophical differences that focused on facts and numbers such as an analysis of the impact at headquarters and branches on growth and qualitative analysis of leadership style on employee motivation in organizations had the impact on each hire purchase company. In this study the researcher used the latest developments in the practice of conducting study by increasing the popularity of pragmatism and realism philosophies as well. Research philosophies and data collection methods used the following steps by assistance that contained discussions of theory and application of research philosophy. All stages of the research process starting from the selection of the research area to writing personal reflection. Important elements of thesis such as research philosophy research approach, research design, methods of data collection and data analysis were explained in the study as stated by (Saunders, Lewis, & Thornhill, 2012).

The area of study was hire purchase sector for SMEs in Kenya and used the following variables: Credit approval procedures practices; Credit worthiness practices; Credit administration activities practices and Credit policy collection practices. The used these variables as they had direct effect on growth for hire purchase sector in SMEs in Kenya. The variables in most cases had not been applied properly by the sector and that why they had negatively been growing. So proper application of variables was to had a positive outcome on growth in the sector.

3.4 Target Population

The target population in statistics was the specific population about which information was desired (Jindal Nia, 2017). A Target Population were the total items required for the study to be made conclusion(s) from the sample used (Kothari & Garg 2014). The target population consisted of four (4) hire purchase sector for SMEs where their headquarter offices were in Nairobi including seventy-five (75) being branches for all the four hire purchase sector for SMEs in Kenya. The researcher used the top managers at Head office and employees at branches oy hire purchase for SMES to provide valuable and credible information using both the questionnaires and interviews about debtors' management practices on growth of hire purchase sector for SMEs for their companies. Finally, the researcher distributed questionnaires proportionally to each of the head office one week in advance to the Employees, Accountants, HODs, Section heads and the chief credit officers. The CEOs, Directors, Operation Managers and Chief Operators were interviewed using the interview guide. The source of target population was four hundred and fifteen (415) that were arrived at by being assisted by the four head quarter offices for branches in the Counties. The researcher, used headquarter offices for branches to be distributed with questionnaires as to ease the administration in distribution of questionnaires indicated in the table 3.1 below:

Table 3.1: Target Population

Business (Industry) Activity	Total Number
Shop & Retail	60
Transport, Storage and Communications	39
Creative designers	53
Customer Relations and PR	30
Financial Professionals and Accounts Services	154
Manufacturing, Industrial and Plant	41
Sales and Marketing	38
Total	**415**

Source: Data Findings

The researcher based the study on hire purchase sector in SMEs in Kenya as customers prefer credits in order to be able to take the following advantages from the seller: Goods were released as the customer was the legal owner; Goods could not be repossessed; It was a cheaper method of purchasing; Ownership of goods was passed on to the buyer immediately and There was no deposit required or down payment before goods are released. Also in eighties most employees started owning households' items by using hire purchase in Kenya.

3.5 Sampling Framework

The study was restricted to Chief Executive Officers, General Managers and Finance Managers of all registered family businesses who are either in charge at branch level of the Hire Purchase SME or hired to operate the at headquarter level. The sampling frame consisted of only four registered hire purchase firm businesses in the country as at 31st December 2015. The list of the firms obtained sufficiently represented the target population (Appendix IV).

3.6 Sample Size and Sampling Technique

A statistical technique provided by (Mugenda & Mugenda 2008), suggested that a sample of 10% was sufficient to represent a population in the study. Well the following formula was used to determine the sample size (Sekaran, 2006; Cooper & Schindler, 2006; Mugenda & Mugenda, 2008). The researcher used data or list of all registered Hire Purchase businesses provided by the Government of Kenya as at 31st December, 2015. The sample size obtained was adequate and yielded desired precision.

In determining the sample size, Cochran's formula was used to calculate the sample size at 95% confidence level and P = 0.05) as follows:

3.1 ……………………………………………………. $n = \dfrac{z^2 pq}{e^2}$

Where:

n -The desired sample size when the target population was less than 415

z -The standardized normal deviation at a required confidence level in the study was be placed at 95% that was at 1.96.

p -The proportion in the target population that had assumed characteristics being measured where in the study was a 50:50 bases were assumed to be a probability of 50% (0.5) = 0.5.

q -The balance from p to add up to 100%. That was 1-p, which in our case was (1-0.5) = 0.5

d -The significance level of the measure, that was at 95% confidence level the significance level was 0.5.

e -Being 0.05%.

By applying the formula then it gave:

$$n = \frac{1.96^2 \times 0.5 \times 0.5}{0.05^2}$$

$n = 384$

This meant that the sample size was three hundred and eighty-four (384) where seventy-nine (79) of the questionnaires were not returned from respondents. Cooper and Schindler (2011; Mugenda and Mugenda (2008), attest that in quantitative research mathematical procedures could had been used to make precise estimated value when hypotheses needed to be tested and statistical power analysis was involved. As explained by (Saunders 2011), the sample size was almost a matter of judgment rather than calculation.

From this discussion, a sample size used was three hundred and five (305) questionnaires that were received where twenty-nine (29) questionnaires were badly filled so they were discarded from the analysis. The above constituted 73.49% of the population that was targeted for investigation. The target was 26.51% lower than the existing size because the sample was scarcely positioned all over the country and the control was mostly at head offices in Nairobi. The three hundred and five (305) sample size was chosen because the population was easy to locate. The table below illustrates the SME with its number of branches alongside its Headquarter region. Similarly, stratification requires knowledge of the relative sizes of different population strata which could be derived from the total population as seen in Table 3.2 below:

Table 3.2: General Overview

SMEs (HP)	H/O	Branches	Target Population	No. of questionnaire	%
ART	Nairobi	10	60	55	14
KCT	Nairobi	36	190	176	46
Amedo	Nairobi	17	95	88	23
Kukopesha *Nairobi*		12	70	65	17
Total	**4**	**75**	**415**	**384**	**100**

Source: *Data findings*

The researcher needed a margin of error (Confidence Interval) where census would be perfect, so the researcher was required to decide how much error to allow. The confidence intervals determines how much higher or lower than the population meant the researcher was willing to let the study felt that would be at 95% of selected SMEs for hire purchase for SMEs that would respond to Proposition Z, with a margin of error of $\pm 5\%$. The confidence level for the researcher would fall at 95% confident and Sd. The use of 0.5 that was the most accepted number and ensures that the census would be large enough. The key characteristic under study was hire purchase for SMEs on growth, thus, methods used were provided by researchers with the justification to make generalizations from the population that was being studied, whether such generalizations were theoretical, analytic and/or logical in nature according to (Wooldridge 2008), supported and used of sampling techniques as it the emphasis was on quality rather than quantity and the objective was not to maximize numbers but to become saturated with information on the topic.

In study the target proportion was assumed to had the characteristics of interest at 50% that was p=0.5 as indicated by (Kothari, 2004). This proportion was based on personal judgment and this argument was proposed by (Fisher, 2010). It allowed the researcher to trade-off between the cost and benefit of large and small samples in research. The selected margin of error was 10%. Lower proportions of p were led to bigger samples and in effect it might had made the research cumbersome to carry out as stated by (Sekaran, 2006; Cooper & Schindler, 2011). This proportion was arrived at after an extensive consideration of the cost and time to be spent in the research. With higher proportions, a more realistic sample population, which was neither too high nor too low for the study was established and vice versa, (Shenoy *et al*.., 2002, Fisher 1995, Mugenda & Mugenda, 2008).

3.7 Data Collection Instruments

Both primary and secondary data were collected for the purpose of this study.

Oso and Onen (2009) stated that data referred to anything given or admitted as a fact on which a research inference will be based. Cooper and Schindler (2011); Mugenda and Mugenda (2012) defined data collection instruments as the tools and procedures used in the measurement of variables in research. The main objective of the study was to establish the effect of debtors' management practices on growth of hire purchases sector for small and medium sized enterprises in Kenya. The study relied on questionnaires, supplemented with interview guides in the collection of the primary data.

3.7.1 Primary Data

Primary data was collected from the Chief Executive Officers, General Managers and Finance Managers of Operation managers from the head sections and branch offices in the country. The researcher used questionnaires as primary data collection instrument. (Kothari & Garg 2014) defines a questionnaire as a tool that consists of a number of

questions printed or typed in a definite order on a form or set of forms, sent to persons concerned with a request to answer the questions and return the questionnaire. It can be administered or mailed to the respondents. In this study, due to specialized nature of family businesses, the questionnaire where self-administered by the researcher and with the help of research assistants. Sasaka, Namusonge and Sakwa (2014) showed that self-administered questionnaires are usually preferred for purposes of developing close relationship with the respondents and also assists in providing clarifications sought by respondents on the spot. The questionnaires were collected immediately after they are filled and any omission can be detected. The questionnaire was divided into three parts.

Part I comprised questions on general information, Part II – Debtor management practices and growth of Hire Purchase SMEs. Part III –. Personal characteristics on the respondent and their experience in the firms they belong to. Both structured questions and Likert scale were used to capture relevant information for the study. The questions were formulated to address all the objectives of the study.

3.7.2 Secondary Data

Secondary data was collected from various financial journals, published financial statements and documents. Secondary data collected was used to complement and validate the primary data collected. Secondary data comprised all the information collected for purposes other than the completion of a research questionnaires and it was used to gain initial insight into the research problem. It was made for quantitative purposes in the study. It was classified in terms of its source either internal or external. Secondary data was also data collected by someone other than the researcher. Common sources of secondary data for social science included: censuses, organizational records, financial statements, cash flows, ledger accounts, trial balance, books of original accounts and data collected through qualitative methodologies or qualitative research (See Appendix ix). Primary data, by contrast, were collected by the investigator conducting the research. Secondary data analysis saved time that was otherwise be spent

collecting data and, particularly in the case of quantitative data, provided larger and higher-quality databases that was to be unfeasible for any individual researcher to collect on their own. In addition, analysts of social and economic change consider secondary data essential, since it was impossible to conduct a new survey that could adequately capture past change and/or developments.

3.8 Data Collection Procedure

The researcher received a letter from CEO'S department requesting whoever concerned to grant the researcher access to their institutions. Armed with this letter from the University, the researcher wrote a letter to the HR Director for each of the Hire Purchase Companies requesting for permission to administer questionnaires. This permission was granted by each of the four hire purchase sectors for SMEs companies. The researcher was connected to the training department to guide the distribution of questionnaires to selected managers in each department. The researcher used questionnaires to collect primary data information. The questionnaires were self-administered and distributed to the respondents within reasonable time before they were collected. The completed questionnaires were sorted and cleaned of any errors. Secondary data was collected was from records, reports and documents in various departments within the Hire Purchase companies at headquarters and branches as documentary evidence.

3.9 Pilot Study

The study involved reliability and validity tests by the researcher to confirm whether the instruments used were clear and understood by the respondents. (Cooper & Schindler, 2010), indicated that a pilot test was conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. (Babbie, 2004) a pilot study was conducted when a questionnaire was given to just a few people with an intention of pre-testing the questions. Pilot test was an activity that assists the research in determining if there were flaws, limitations, or other weaknesses within the

interview design and allows him or her to make necessary revisions prior to the implementation as stated by (Kario Bromavich & Gio Ivan, 2017).

A pilot study was undertaken for 20 questionnaires of hire purchase sector for SMEs companies to test the reliability and validity of the questionnaire. The rule of thumb was that 1% of the sample should constitute the pilot test as stated by (Cooper & Schilder, 2011; Creswell, 2003). The proposed pilot test was within the recommendation. (Hillary Zain 2016) stated that if a researcher uses 10 to 30 questionnaires for pilot in the study it would be reasonable enough to use to confirm the reliability of the questionnaires to be used in the study. I this study twenty questionnaires were used to carry out the pilot study. Tirimba *et al.* (2015) identified logistical problems that are likely to occur with proposed methodology in determining resources required for the planned study and proposing data analysis techniques to uncover potential problems in the study.

3.9.1 Reliability

Reliability was the extent to which results were consistent over time and an accurate representation of the total population under study and if the results of a study could be 78 reproduced under a similar methodology, then the research instrument was considered to be reliable as stated by Orodho (2003). Reliability concerns the extent to which an experiment test or measuring procedure yields the same results on repeated trials and error as stated by (Leedy & Ormrod, 2012) suggested that, to be reliable, each instrument must consistently measure the factors for which they were designed to measure. In research involving questionnaire data the internal consistency indices of reliability were useful as stated by (Hatcher, 2013). One of the most widely used indices of internal consistency in Cronbach‟s coefficient alpha. The Cronbach's coefficient alpha ranges from 0 to 1 and it's a measure of reliability not a statistical test, as stated by Tavakol and Dennick (2011) and Sekaran (2006). This study used the Cronbach alpha as indicated by (Neuman, 2005), to assess the construct reliability that was the extent of measurement error in a measure. Cronbach‟s coefficient alpha was used as a measure of

reliability in relation to the Operationalization of the constructs. (Cooper & Schindler, 2001) identified three types of reliability referred to in quantitative research, which relates to; the degree to which a measurement, given repeatedly, remained the same as the stability of a measurement over time; and the similarity of measurements within a given time period. (Mugenda & Mugenda, 2008), adhered to the notions that consistency with which questionnaire items were answered or individuals scores remain relatively the same could be determined through the test-retest method at two different times. This attribute of the instrument was actually referred to as stability. If we were dealing with a stable measure, then the results should be similar. A high degree of stability indicated high degree of reliability, which meant the results were repeatable. As stated by (Klein & Ford, 2003) a problem might occur with the test-retest method which could make the instrument, to a certain degree, unreliable. The scholar explains that test-retest method might sensitize the respondent to the subject matter, and hence influence the response given. Similarly, (Cooper & Schindler, 2011) noted that when respondents answer a set of test items, the scores obtained represent only a limited sample of behavior. As a result, the scores might change due to some characteristic of the respondent, which might lead to errors of measurement. These kinds of errors reduced the accuracy and consistency of the instrument and the test scores. Hence, it was the researchers" responsibility to assure high consistency and accuracy of the tests and scores (Kothari, 2004). To measure the reliability of the gathered data, Cronbach's alpha was applied. Cronbach's alpha was a coefficient of internal consistency. Suppose that we assume a sum of n components (n-items or test lets).

$$KR\text{-}20 = \frac{k(S^2 - \Sigma S^2)}{S^2(k-1)}$$

Where;

KR -The reliability coefficient of internal constancy

K -The number of questions used to measure the reliability

$\sum S^2$ -The total variance of overall scores for the whole test

S^2 -The variance of scores for each question.

Alternatively, Cronbach's α could be defined as

$$\alpha = \frac{k\,\bar{c}}{\{\bar{v} + (k\text{-}1)\bar{c}\}}$$

Where;

k -The average variance of each component (item), and

$\bar{c}$ -The average of all covariance's between the components across the current sample of persons (that, without including the variances of each component).

A commonly acceptable rule of thumb for describing internal consistency using Cronbach's α was as follows.

Table 3.3: Internal consistency with Cronbach's alpha

Cronbach's alpha	Internal consistency
α≥0.9	Excellent (high stakes testing)
0.7≤ α <0.9	Good (low stake testing)
0.6≤ α<0.7	Acceptable
0.5≤ α<0.6	Poor
α< 0.5	Unacceptable

However, greater number of items in the test could artificially inflate the value of alpha and a sample with a narrow range could deflate it, so this rule of thumb should be used with caution. A scale was considered too had a good value if it had alpha value greater than 0.6 (Zickmund *et al.,* 2012). In order to refine the scale, the researcher would start with computing coefficients in line with Churchill's (1983) recommendations. Due to the multidimensionality of the independent variables" constructs, Cronbach alpha was computed separately for the determinants of each variable to ascertain the extent to which the items making up each variable shared a common core. Cronbach alpha was generated using SPSS version 20 as explained and the results were indicated in chapter four of this thesis.

3.9.2 Validity

Both reliability and validity were important issues in the measurement of research variables both concerned with the accuracy of measures or indicators, though it was virtually impossible to achieve perfect reliability and validity as indicated by (Neuman, 2003). Validity was the ability of a test to measure what it was supposed to measure and

were applied to test whether the questionnaire measures what it aims to measure. Validity was assessed based on the response from the pilot test. In order to reduce the threat to content validity, experts in the area were asked to give their opinion on the instrument so as to judge the appropriateness. The expert's opinion confirmed to the study whether the content in depth and breadth were suitable to the study. Internal validity on control of extraneous variables was addressed by making the questions simple, straight forward and free from ambiguity. For external validity the model applied in this study was stratified random sampling to ensure heterogeneous representation of top, middle and lower management in the sugar companies and therefore giving credence to generalization.

Validity was required to measure the accuracy of research instrument that was the degree to which results obtained from the analysis of the actual data represented under the study stated by (Kothari & Garg, 2014). The approach used gave the basis for discussion of the main aspects of study design and conduct, and provided a decision making tool which could be applied to many other studies. Each decision that was taken was listed in a table of options with their advantages and disadvantages. Based on this the rationale of the decisions could be explained and be transparent. This was important because debtors' management study demands openness of all decisions taken to encourage as many hire purchase sector for SMEs owners as possible to participate and accept the initiatives that would be undertaken to undress the credit management upheavals. Measures suitable to increase the response rate should be applied. Various quality control measures to guarantee a good fieldwork growth would be recommended.

3.9.3 Data Management

Several assumptions were met in this study before subsequent analysis. The researcher came up with a checklist for the data screening. For proper data management, there was need to establish the accuracy of data, missing data, outliers, normality and multicollinearity. To determine the accuracy of data, the data entry was re-checked and

also the minimum and maximum values for each variable was checked to ensure that all the values for each variable was valid on the scale of 1 to 5. The researcher used a research assistant to compare the raw data with the entered data and made any corrections along the way.

The study further took note of the missing data values. There were only a few cases that had missing values at random and were deleted because there seemed to be no pattern or reason in terms of what was missing. To avoid missing data, the respondents were prevailed upon to answer all the questions on a survey. Data collected for the study had all pieces of information for every case. Hair, Black, Babin, Anderson, and Tatham (2012) noted that the important thing in dealing with missing data was to figure out if the data was missing randomly or completely at Random-MCAR or missing at Random-MAR) or if there was some pattern to why the data points were missing not at Random-MNAR).

According to Anderson (2011) if only about 5 percent or less of the data are MCAR or MAR from a large data set almost anything done yield the same results. The missing data was only 3.5 percent for this study. (Sekaran & Bougie, 2010) explained how outliers occur in multiple regressions as outliers on the independent variables or on the dependent variable. Therefore, the researcher checked for the outliers, that was, the extreme values on the variables. The outlier was a value that was at least 3 standard deviations above or below the mean. The outlier was done by running the Skewness and kurtosis tests. Histograms were used indicated whether the distribution contained outliers. As shown by the histograms, there were no outliers in this distribution. The outliers were avoided by minimizing the mistakes in the data entry. If there was any, it was detected through frequencies and was fixed through deletion of the variable. There was need to determine if data followed a normal distribution to facilitate the subsequent analyses. (Sekaran & Bougie, 2010) the assumption of normality was important for fitting linear regression model.

Three aspects to normality of a distribution of Skewness, kurtosis and Kolmogorov-Smirnov tests were done. The Skewness described how unevenly the data was distributed with a majority of scores piled up on one side of the distribution and a few trailing off the sides of the distribution. Kurtosis described how peaked or flat the distribution was. If too many or all of the scores piled up on or around the mean, then the distribution was too peaked and therefore it was not normal while normal when a distribution was too flat. Hair *et al.* (2009) recommends that Skewness and kurtosis Z-scores were determined by hand by dividing Skewness value by standard error, and kurtosis value by standard error respectively. In situations where the Z-score was greater than 3.3, then there was a problem. This was shown on Tables 4.4 and 4.5 respectively. Multicollinearity dealt with correlations among variables and if the data had a correlation between two variables that was 0.90 or greater, they observe multicollinearity. To determine multicollinearity in this study, a bivariate correlation between all variables was run to ensure that all correlations were less or equal to 0.90. Multicollinearity was examined by tolerance and variance inflation factor (VIF).

3.10 Data Processing, Analysis and Presentation

Data analysis was a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making as pointed out by (Mugenda & Mugenda, 2008). All the data collected through the questionnaires and key informants was edited for completeness and consistency to validate the initial field findings. Data entry was done in a designed SPSS version 20 template through variable definition files generated from the questionnaires. Qualitative and quantitative data was analyzed using descriptive and inferential statistics. The same method was used to summarize the dependent variable as exhibited from the data collected from various Hire Purchase SMEs in Kenya. This was concerned with the basic general statistics procedures and techniques required to process and analyze the research data. The researcher examined all questionnaires for consistency

and completeness and then the researcher organized the observations, constructed frequency tables, codes, and percentages to compare the distributions. As stated by Wooldridge, (2006) and (Creswell, (2011) qualitative techniques employed structured questions to be used by the respondents. Descriptive statistics were used to analyze the characteristics of the population.

The null hypothesis was used to test F – ratio using a two-way Fisher analysis of variance (ANOVA) with the assumption that uniformity exists in the population used as was census that was normally distributed at 95% confidence level with a sampling error of 5% using two tail tests. To measure the degree of association of several sets ranking (K) of Ranking for items or objects (N), Karl Pearson's Coefficient of Correlation was used in this study. It was non-parametric test that was appropriate to measure variables of ordinal or nominal scales of three or more sets (rankings). The Kruskal Wallis test was used to test the Null hypothesis that debtors' management practices hire purchase sector for SMEs on growth of hire purchase sector for SMEs in Kenya. As explained by (Reilly, 2007) stated that most debtors for hire purchase sector for SMEs were expected to make serious efforts to manage their debtors of hire purchase sector for SMEs pay were as part of working capital assets (e.g., marketable securities, accounts receivable, and inventory). Most debtors in the hire purchase sector management were conscientious about protecting their business's tangible assets that requires to be analyzed from time to time. The data collected was analyzed using graphs, pie charts, bar charts and histograms. The presentations from diagrams indicated on growth that was used to make conclusions and recommendations. The multiple regressions were hence used to determine the types of relationship that exists between independent variables and dependent variable in the study.

(a) Normality Test

The normality test was to assist in checking if the data was normally distributed. In order to do this one was to construct histograms and looked at the distribution. The histogram included a line that depicted what shape would look like if the distribution was truly normal and could eyeball how much the actual distribution deviated from this line as indicated by (Moore & McCabe, 2009). Another method to determine the normality graphically was to use the output of a normal Q-Q plot. If the data was normally distributed, the data points was to be closed to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data were not normally distributed. Should a researcher be uncertain of being able to correctly interpret the graph, numerical methods could be used instead because it could take a fair bit of experience to correctly judge the normality of data based on plots. There were two well-known tests for Normality, that included Kolmogorov-Smirnov Test and Shapiro-Wilk Test. For sample sizes which were small i.e. <50, the Shapiro-Wilk Test could handle it, although it could handle sample size of up to 2000. If the Sig. value of the Kolmogorov-Smirnov Test or Shapiro-Wilk Test was greater than 0.05, the data was normal while if the Sig. value was below 0.05, then the data significantly deviated from the normal distribution, as indicated by (Cohen, 2013). The study utilized the Kolmogorov-Smirnov Test and it indicated that the data was normally distributed would be seen in chapter four.

(b) Factor Analysis

According to (Mason, 2006) stated that the Common Method Variance (CMV) was the amount of spurious correlation between variables that was created by using the same method like a questionnaire to measure each variable. Common Method Variance might lead to erroneous conclusions about relationships between variables by inflating or deflating findings. In order to control for common method variance, factor analysis was carried out on all items in each variable and all items with factor loading of below 0.4 were dropped from the regression analysis calculations. In this study all the variable

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items had a factor loading of more than 0.4, with the least accepted having a corresponding loading of 0.411 and hence retained.

(c) Multicollinearity

Multicollinearity refers to predicting of events to be carried out that were correlated with other predictors. Multicollinearity occurs when the model includes multiple factors that were correlated not just to the response variable but also to each other. (Tabachnik & Fidel, 2007) multicollinearity increases the standard errors of the coefficients. Increased standard errors in turn mean that coefficients for some independent variables might be found not to be significantly different from 0. This meant that by overinflating the standard errors, Multicollinearity makes some variables statistically insignificantly when they should be significant. Without Multicollinearity, those coefficients might be significant. Pearson's correlation analysis was used to test for the existence of Multicollinearity. A Pearson's Correlation coefficient of 0.7 was a reasonable and recommended indicator for Multicollinearity measurements, which also indicated variable relatedness. Variance inflation factor (VIF) was also used to confirm Multicollinearity. If the VIF for any variable was around 10 or greater than 10, there was collinearity associated with that variable and must be removed from the regression model, as stated by (Cox, 2006). In this study there was no collinearity exhibited.

(d) Autocorrelation

Well, in order to detect the presence of autocorrelation between the variables in the study a Durbin-Watson Test was conducted. Autocorrelation was the correlation between members of the series of observations ordered in time or space, as indicated by (Cameron, 2005). The Durbin-Watson statistic varies from 0 to 4 where a value near 2 indicated non-autocorrelation while a value closer to 0 showed autocorrelation. A value closer to 4 indicated negative autocorrelation. In this study the value was closer to 2 and we concluded that there was no autocorrelation.

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(e) Regression Analysis

Balaban (2016) stated that transfers made by a debtor with actual intent to hinder, delay, or defraud the hire purchase sector for SMEs could be avoided by applying the identified determinants for the last five years for each business. However, transfers of those were made voluntarily or involuntarily by a debtor that was insolvent or rendered insolvent when the transfer was made where less than reasonably equivalent value was received in exchange for the transfer. The growth of businesses usually depended on indicators to be used on each variable as stated by (Coad, 2009). A multiple collinear regression analysis was used in the data to analysis and predict the relationship accounted for in the criteria for dependent variable. It was appropriate as the researcher had only one dependent variable being used in the study for hire purchase sector for SMEs growth.

3.11 Data Analysis and Presentation

The data was collected, processed and analyzed with respect to the study objectives, using both descriptive and inferential statistics. The tool of analysis used for this study was Statistical Package for Social Sciences (SPSS) version 22.0 for descriptive data and Microsoft Excel for quantitative data. The data was analyzed using descriptive statistics such as mode, median, mean, standard deviation. Research hypotheses were tested by use of F-Statistics (ANOVA) to measure and determine the statistical significance between the variables and to draw conclusions of the study. The data was also assumed to take a normal distribution.

Correlation and multiple linear regression analyses were also used to determine the relationship between the debtor management practices and the growth of Hire Purchase businesses. Univariate analysis was first done for each independent variable to establish their influence on the dependent variable and as preparation for multivariate analysis. Moderation study was also done to establish the influence of SMEs characteristics

(moderating variables) on each of the independent variable that affects the dependent variable (i.e. growth of SMEs)

3.11.1 Multiple Linear Regression Model

The study employed multiple linear regression model as presented below:

3.4………………………………………. $y_i = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon_i$

Where:

y_i -The growth of SMEs in the Hire Purchase Industry.

β_0 -The Constant (Co-efficient of intercept)

x_1 -The Credit Approval Procedures Practices,

x_2 -The Creditors' Worthiness Practices,

x_3 -The Credit Administration Practices,

x_4 -The Credit Collection Policy Practices.

ε_i -The study error.

$\beta_1, \beta_2, \beta_3, \beta_4$ Represented Regression co-efficient of five independent variables with β showing the change in dependent variable for a unit change in the independent variable.

As explained by (Kombo & Tromp 2011) indicated that data organization as a research was about the orderliness in data, which meant putting data into some systematic format. Data analysis refers to examining the data that had been collected and making deductions and inferences as stated by Oso and Onen, (2011), Cooper and Schindler, (2011); Kothari, (2004); Mugenda and Mugenda, (2008); Kombo and Tromp, (2011). Data analysis involved uncovering the underlying structures, extracting important variables, detecting any anomalies and testing any underlying assumptions. It meant scrutinizing the acquired information and making inferences.

3.11.2 Moderated Multiple Linear Regression Model

The moderated Multiple Linear Regression Model was given as:

3.5……………….$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ Z (\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4) + \varepsilon$

Where,

> **Y** – Growth of Hire Purchase SMEs in Kenya (Revenues, Profitability and Change in Net worth)

> **X_{1-4}** – Credit Approval Procedures Practices, Creditors' Worthiness Practices, Credit Administration Practices and Credit Collection Policy Practices.

> **Z $(\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4)$** – Independent variable intersection with the moderating variable (computed variable)

> **Z –** Moderating variable, Hire Purchase Industry Characteristics.

> **ε** – Error term.

Tests on the continuous moderator variable effects were perform ed by computing on Independent variables intersecting the moderating variable from the data, and by subjecting it to a regression model as a predictor. Tests were carried on the overall effect of independent variables to determine the moderating effect for them. The moderated multiple regression was used to estimate the effect of a moderator variable, debtor management practices on the independent variable i.e. credit approval procedures practices, creditors' worthiness practices, credit administration practices and credit collection policy practices and the dependent variable i.e. growth of Hire Purchase SMEs businesses.

3.11.3 Operationalization of Variables

Table 3.4 showed the operationalization of the independent and dependent variables that based on responses from the questionnaires. It presented the actual parameters that was used to measure of all variables in the study.

Table 3.4: Organization Study Variables

Variable Scale	Indicators	Measurement
Credit approval procedures practices	1. Length of credit period. 2. Collection and analysis of information. 3. Ranking customers. 4. Bank and Trade references 5. Decrease in repetitive and large bad-debt write-offs. 6. Rental history. 7. Trade references 8. Agency reports 9. Age of the business 10. Knowledge of the firm.	5-Point Likert Scale
Credit worthiness practices	1. Capital 2. Conditions and terms 3. Collateral. 4. Increase in net income to sales 5. Capacity 6. Capability 7. Reduction in expenses 8. Reliability of the supplier. 9. Increase in cash balances	5-Point Likert Scale
Credit administration activities practices	1. The timing of the initial reminder, after a customer's debt was past due. 2. The timing of different types of reminders. 3. The timing of the engagement of a professional collection agency. 4. The timing of credit refusal.	5-Point Likert Scale
Credit collection policy practices	1. Action taken on defaulters. 2. Number of calls made. 3. Recovered amount in a period. 4. Assignment to collection agency.	5-Point Likert Scale
Growth of SMEs in the Hire Purchase industry	1. Sales turnover 2. Profit increase 3. Employment increase 4. Managerial competences 5. Business environment	5-Point Likert Scale

3.11.4 Hypotheses Testing

The study was based on the assumption that debtor management practices had an influence on the growth of SMEs. The conceptual framework was used to guide the study and five relevant hypotheses were therefore set out and tested at 95 per cent confidence level (level of significance, $\alpha = 0.05$). To test the hypotheses, the p-value was used to test the significance of each independent variable to the dependent variable. If the p-value calculated was less than 0.05, it failed to reject the stated null hypothesis that the variable was significant. All the hypotheses were tested at 95% confidence level (Level of significance at $\alpha = 0.05$).

Table 3.5: Study Hypotheses and Analytical Models

Hypotheses	Hypothesis Test	Decision Rule and Anticipated Model
There was no statistically significant correlation between Credit approval practices and the growth of financial HP sector for SMEs in Kenya.	$H_0\beta_1 \neq 0$ Karl-Pearson Coefficient of correlation; F-test (ANOVA)	(Reject H_0 if p-value $\leq$ 0.05, otherwise, fail to reject if p-value ≤ 0.05). Analytical Model: $Y = \boldsymbol{\beta}_0 + \beta_1 x_1 + \varepsilon$
There was no statistically significant correlation between Credit worthiness practices and growth of financial HP sector for SMEs in Kenya.	$H_0\beta_2 \neq 0$	(Reject H_0 if p-value $\leq$ 0.05, otherwise, fail to reject if p-value ≤ 0.05). Analytical Model: $Y = \beta_0 + \beta_2 x_2 + \varepsilon$

Hypotheses	Hypothesis Test	Decision Rule and Anticipated Model
Hypothesis iii. There was no statistically significant correlation between Collection Policy Activities Practices and growth of financial HP sector for SMEs in Kenya.	$H_0\beta_3 \neq 0$	(Reject H_0 if p-value $\leq$ 0.05, otherwise, fail to reject if p-value ≤ 0.05). Analytical Model: $Y = \beta_0 + \beta_3 x_3 + \varepsilon$
Hypothesis iv. There was no statistically significant correlation between HP sector for SMEs Growth and growth of financial HP sector for SMEs in Kenya.	$H_0\beta_4 \neq 0$	(Reject H_0 if p-value $\leq .05$, otherwise, fail to reject if p-value $\leq .05$). Analytical Model: $Y = \beta_0 + \beta_4 x_4 + \varepsilon$
Hypothesis v. There was no statistically significant correlation between relationships the debtors' Management Practices and growth of financial HP sector for SMEs in Kenya.	$H_0\beta_5 \neq 0$	(Reject H_0 if p-value $\leq .05$, otherwise, fail to reject if p-value $\leq .05$). Analytical Model: $Y = \beta_0 + \beta_5 x_5 + \varepsilon$

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents an in-depth analysis and results within the framework objectives, research questions and the hypothesis. This chapter further put in discussion the interpretation and presentation of the findings obtained from the field on the debtors' management practices on growth of small and medium sized institutions in Kenya. Descriptive and inferential statistics were used to analyze and discuss descriptively. Furthermore, inferential statistical analysis was carried out for the purposes of testing hypothesis and to predict the relationship between dependent variables and independent variables. Data analysis was in line with specific objectives that were instigated, analyzed, interpreted and various implication were drawn from them. The data was presented in various tables and figures that the researcher used to draw conclusions and recommendations. Finally, the researcher tested the reliability, regression model and all hypotheses of the independent variables.

4.2 Response Rate

Mugenda and Mugenda (2003); Theuri, Mugambi and Namusonge (2015); and Duncan *et al.,* (2015), observed that a 50% response rate is adequate, 60% good and above, while 70% rated very well. Based on this assertion, the response rate of 77.8% in this case is therefore very good and is considered satisfactory to make conclusions for the study. Studies by Theuri *et al*., (2015) and Duncan *et al*., (2015), obtained similar response rates hence adequate for a research analysis.

A total of three hundred and five (305) responses were received, translating into 79.43% response rate. The response rate was considered appropriate because a response rate of more than 75% was considered good according to (Sekaran, 2008). However, twenty-nine (29) questionnaires were poorly done and so they had to be discarded from being used for analysis, hence the correct filled questionnaires used were two hundred seventy-six (276) that led to a vivid and subjective analysis that translated to 71.88%.

Table 4.1: Response Rate

Response	Frequency	Percentage
Responded	305	79.43
Non-response	79	20.57
Total	**384**	**100**

The recorded high response rate as shown in Table 4.1 was attributed to the data collection procedures, where the researcher pre-notified the potential participants of the intended survey, utilized a self-administered questionnaire where the respondents completed and immediately after, they were picked. Follow up calls were also made to clarify queries in the questionnaires.

4.3 Pilot Results

The study involved reliability and validity tests by the researcher to confirm whether the instruments used were clear and understood by the respondents. As indicated by (Cooper & Schindler 2010) indicated that a pilot test was conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. As stated by (Babbie, 2004) a pilot study was conducted when a questionnaire was given to just a few people with an intention of pre-testing the questions. Pilot test was an activity that assisted the research in determining if there were flaws, limitations,

or other weaknesses within the interview designed and allowed him or her to make necessary revisions prior to the implementation (Kario Bromavich & Gio Ivan, 2017). The rule of thumb was that 1% of the sample should constitute the pilot test (Cooper & Schilder, 2011) and (Creswell, 2003). The proposed pilot test was within the recommendation. (Zain H., 2016) stated that if a researcher uses 10 to 30 questionnaires for pilot in the study it would be reasonable enough to use to confirm the reliability of the questionnaires to be used in the study. The study used twenty questionnaires to carry out the pilot study. As indicated by (Tirimba *et al.,* 2015) identified logistical problems that were likely to occur with proposed methodology in determining resources required for the planned study and proposing data analysis techniques to uncover potential problems in the study

Table 4.2: Pilot Test Reliability Results

Statement	Number of Items	Co-efficient Alpha	Comment
Credit approval practices	20	.841	Accepted
Credit worthiness practices.	20	.802	Accepted
Credit administration practices	20	.738	Accepted
Collection policy practices	20	.798	Accepted

Cronbach's alpha was used to determine the reliability of the questionnaire used in this study. In their study, (Theuri *et al*., 2015) showed that Cronbach alpha values ranges between 0 and 1.0; while 1.0 indicated perfect reliability, the value 0.70 was deemed to be the lower level of acceptability. The reliability statistic for each of the identified factors was presented in Table 4.2. It was evident that Cronbach's alpha for each of the independent variable was well above the lower limit of acceptability of 0.70. the

findings indicated that credit approval practices had a coefficient of .841, credit worthiness practices had .802 credit administration practices had .738 while collection policy activities practices yielded .798. the analysis established that almost all the sections and questions achieved a Cronbach's alpha of 0.7 and above. The study also assessed the responses per question to determine if there were any technical snags with the questions. Thus, the results indicated that the questionnaire used in this study had a high level of reliability for conducting the major research.

4.4 Normality Test Results

In this section, normality tests were performed for both dependent and independent variables before subjecting the study variable sets to other statistical tests. In respect of the measures of Skewness and Kurtosis, that were mostly used as the first measure of Skewness based on mean and mode or on mean and median. Other measures of Skewness, based on quartiles or on the methods of moments, were also used sometimes. Kurtosis was the measure of flat-topped-ness of a curve. A bell shaped curve or the normal curve was mesocratic because it was Kurtis in the center; but if the curve was relatively more peaked than the normal curve, it was called Leptokurtic whereas a curve was more flat than the normal curve, it was called Platykurtic.

In brief, Kurtosis was the humped-ness of the curve and points to the nature of distribution of items in the middle of a series (Kothari & Garg, 2014). Skewness and Kurtosis tests were used to measure symmetric distribution and peak-ness of distribution respectively. The values of asymmetry and kurtosis between -2 and +2 were considered acceptable to prove distribution normality as indicated by (Ali *et al*., 2016). The Skewness and kurtosis measures should be as close to zero as possible. However, in reality, data were often skewed or kurtosis. A small departure from zero was therefore not a problem as long as the measures were not too large compared to standard errors. In this study, the Skewness and kurtosis were within the accepted ranges. It was therefore assumed that the data were approximately normally distributed,

in terms of Skewness and kurtosis from the measure of the independent variable as seen in the table below.

Table 4.3: Skewness and Kurtosis

Statement	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Growth	276	.285	.139	-.436	.276
Valid N (listwise)					

Growth being the independent variable was subjected to Kolmogorov–Smirnov test to check if the data set was from a particular distribution and if it confirmed the normality. It was a non-parametric test and was applicable for continuous distributions. It was used to test whether the distribution of a variable in a sample was similar to or different from the distribution of a population which was already known as stated by (Greener, 2008). According to (Malhotra, 2011) Kolmogorov-Smirnov (K-S) one-sample test was a non-parametric goodness of fit test that compares the cumulative distribution function for variables within a specific distribution and this was finally computed. Therefore, there was need to establish whether the distribution data was normally distributed before data analysis to ensure data management and hence Kolmogorov-Smirnor (K-S) one sample test was run and the results were shown in Table 4.4 below.

Table 4.4: One-Sample Kolmogorov-Smirnov Test

Non-parametric Test		Growth of SMEs (HP)
N		276
Normal Parameters [a,b]	Mean	22.2379
	Std. Deviation	5.31869
Most Extreme Differences	Absolute	.110
	Positive	.110
	Negative	-.076
Kolmogorov-Smirnov Z		5.926
Asymp. Sig. (2-tailed)		**.431**

The null hypothesis was that the sample was drawn from the reference distribution (i.e. the data was probably normal). A one-sample Kolmogorov-Smirnov test failed to reject the null hypothesis that the data followed the normal distribution since the Asymp. Sig. (p-value) was 0.431 which was greater than the one set at $p > 0.05$. The results indicate the Kolmogorov-Smirnov Z was 5.926 and hence the null hypotheses were rejected and the alternate accepted.

4.5 Background Statistics

This section summarizes the characteristics of the general data statistics. The results of the tests on the differences in means of all variables were considered i.e. Return on assets, Asset quality, Cost efficiency, Cash reserve requirement and Lending interest rate. Their respective mean, range, standard deviation, kurtosis, minimum and maximum values were considered. Descriptive statistics were also used to describe the basic features of the data in the study and the key trends of the variables over the period. They

provide simple summaries of the measures. Descriptive statistics such as graphs, key categorizations and percentages were used to analyze the data.

4.5.1 Location of Respondent

The survey sought to establish the number of respondents and their location for an easier survey and a more knowledgeable approach on the credit environment and the scale management of the research. From the Table 4.5 below, it was evident that most Respondents occur in the main cities and town. Many Respondents were recorded to be located within Nairobi, Kisumu, Mombasa and Kericho. The Respondents that registered zero data were closed at the time of research and some were not reachable. Some branches of Amedo and Kukopesha were closed down indefinitely in Nairobi, Meru, Bungoma and Kisii because of the shrinking market and diminishing returns. It appeared many Respondents were located within Mombasa, Nairobi and Kisumu for all the four companies excluding the companies that had countrywide coverage like Kenya Credit Traders.

Table 4.5: Location of Respondents

Position	Frequency	Percentage
Nairobi	57	20.5
Mombasa	47	16.9
Kisumu	44	15.8
Nakuru	36	12.8
Kakamega	28	9.9
Machakos	27	9.7
Bungoma	19	7.9
Nyeri	18	6.5
Total	**276**	**100**

A total of **two hundred and seventy-six (276)** respondents from all branches from all respective for hire purchase had their employees answer the research questionnaires.

4.5.2 The relationship between SMEs and Growth.

From the table 4.6 below, 100% of the respondents said there was a cohesive relationship between them and there hire purchase sector for SMEs that sees a high value on growth of the businesses enhanced.

Table 4.6: Relationship Table

Response	Frequency	Percentage
No	0	0
Yes	276	100
Total	276	**100**

4.5.3 The Hire Purchase Sector SME's Period of Existence.

The study was to understand how long the organization had been in existence and surprisingly 100% of our survey data recorded to be in existence for more than 21 years. The study also sought to establish the length of time which the hire purchase sector for SMEs had been conducting hire purchase as a service. These hire purchase sector for SMEs had been in existence for a longer time than many new technologies based hire purchase sector for SMEs because they dealt with Hire purchase which had seen many firms fall off the road years ago because of the tech based firms that had grown an online platform for cheap importable assets.

Table 4.7: Business Longevity

Business existance	Frequency	Percentange
1 - 5 years	0	0
6 - 10 years	0	0
11 - 15 years	0	0
16 - 20 years	0	0
Above 21 years	276	100
Total	276	**100**

4.5.4 Total Number of Branches Operated by the SMEs

A general and brief indication of the business decentralization was the establishment of this study. Most of the firms had businesses operating for a long time because the Hire Purchase industry had been the earliest credit asset offering environment before private businesses and asset banks could establish baseline in Kenya.

Table 4.8: Total Number of Branches the Business was Operating

Response	Frequency	Percentange
Below 2	0	0
3 – 4	0	0
5 - 6	0	0
Above 7 branches	276	100
Total	276	**100%**

4.5.5 The Frequency of Financial Statements Preparation

The analysis ought to find out the frequency within which financial statements were prepared and 100% of the respondents agreed to had their respective hire purchase sector for SMEs perform financial record preparations periodically.

Table 4.9: The Frequency of Financial Statements Preparation

Response	Frequency	Percentage
No	0	0.0
Yes	276	100.0
Total	**276**	**100**

4.5.6 Adoption of Computerized Debtor Management Systems

The study sought to determine the businesses that had adopted computerized Debtor Management Practices. From the findings 76.61% of the respondents indicated that

their businesses had adopted Credit Management practices, whereas 23.39% indicated that their businesses had not, this implies that a significant number of businesses had adopted the use computerized Credit Management practices as indicated in fig.5. The study was also aimed at finding out how the technology and other management systems were adopted in the respective environment. The respondents had mixed reactions as shown on the table 4.10 below.

Table 4.10: Use of Computerized Debtor Management Systems

Response	Frequency	Percentage
No	65	23.39
Yes	221	76.61
Total	**276**	**100**

Furthermore, table 4.11 below showed the response by the company to clearly indicated which company responded either of the open ended questions. Kukopesha was the only business that had not materialized the use of computing systems to manage its debtors in the credit department in line with the modern debtor management software's available in the market.

Table 4.11: Adoption of Computerized Debtor Management Systems.

Response	Frequency	Percentage
Yes	229	75.0
No	76	15.0
Total	**276**	**100**

From observation, Amedo centers used the Wiko DBMS software by Interpose Inc., Kukopesha Limited had a freelance idea, and African Retail Traders used the modern Simplicity Collect by Seiko Soft companies and Kenya Credit Traders had a custom based management software. The businesses that used the computerized systems had a reduced number of workers as well per unit open office desk. This data was sampled by observation as well.

Table 4.12: Computerized Debtor Management Systems

Response	Frequency	Percentage
No	0	0.0
Yes	276	100.0
Total	**276**	**100**

4.5.7 Use of Business Environment for Decision Making

The study sought to determine the businesses use of Business environment in their working environment and none of the respondents indicated they didn't use the ratio tools for decision making and also to enhance good management policies. Good use of Business environment increases the business returns edge by a huge amount if used obsessively and determinatively in accurate measures as stated by (Jonathan; Gilmore and Carson, 2016; Harrigan, 2011 Harrigan, (2012). This showed that all Business environment were fundamental and highly necessary.

Table 4.13: Use and Preparation of Business Environment for Decision Making

Response	Frequency	Percentage
No	0	0.0
Yes	276	100.0
Total	**276**	**100**

4.6 Reliability and Validity

The reliability and validity were handled as be from the following explanations:

4.6.1 Reliability Results

The study conducted a pilot test analysis to ascertain if the research instruments used would bring reliable information. The pre theses pilot research was conducted on all the four hire purchase sector for SMEs but each firm was to surrender 5 sample questionnaires each from the headquarters sampling up to a total of 20. The firms were responsible for their own answers and only one questionnaire e was filled by either the CEO or the management, most preferably in the finance, marketing, accounts or the supply environment. The questionnaires were given and follow up calls were administered until questionnaire sheets were given back. As indicated by (Sasaka *et al..,* 2014), acknowledged that reliability was the base for the ability of perfect research instruments in giving thorough similar answer within the same circumstances from time to time. Thus if the respondents answer a questionnaire in the same way, then the questionnaire was said to be reliable. Reliability gives the same answers under the same questions in different rates and conditions and this measurement was mostly used to ascertain the reliability of data and results.

4.6.2 Individual Variable Reliability Statistics

Cronbach's Alpha was used to determine the reliability from the questionnaires used in the study. As explained by (Theuri *et al..,* 2015), further stated that Cronbach's Alpha values should range from 0 to 10 where 1 indicated perfect reliability and the value 0.7 was said to be the lower level of acceptability. The table 4.14 indicate the values of variables were all accepted as the values obtained were all above 0.7 as seen below:

Table 4.14: Sorted Reliability Variables for Individual Variables

Variable Sets	Cronbach's Alpha	Sub Variables
Credit approval practices	.823	4
Credit worthiness practices.	.811	5
Credit administration practices.	.777	4
Collection policy activities practices	.838	4
Client's HP sector for SMEs on growth	.785	9
Relationship on growth	.822	8

The table 4.14 above showed the total reliability segments for individual variables. The pilot research had promising reliability sets and thus motivated the next move to conduct a thorough research based on the effect of debtors' management practices.

4.6.3 Total Reliability Statistics

The set of data was organized and analyzed for reliability.

Table 4.15: Total Reliability Statistics

Cronbach's Alpha	Number of Items
.823	34

.823 was the total reliability scale for all the set data from 276 respondents. This was a very positive value to measure straight future occurrences.

4.6.4 Validity

As indicated by (Kothari & Garg, 2014) stated that Validity was required to measure the accuracy of research instrument that was the degree to which results obtained from the analysis of the actual data represented under the study. This was important because debtors' management practices demand openness of all decisions taken to encourage as many hire purchase sector for SMEs owners as possible to participate and accept the credit and purchase initiatives that would be undertaken. Various quality control measures to guarantee a good fieldwork was recommended as well.

As explained by Kaiser-Mayor-Oklin Measures of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity was a measure of sampling adequacy that was recommended to check the case to variable ratio for the analysis being conducted. In most academic and business studies, KMO and Bartlett's test plays an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world-over accepted index was over 0.5. Also, the Bartlett's Test of Sphericity relates to the significance and thereby showed the validity and suitability of the responses collected to the problem being addressed through the study. For Factor Analysis to be recommended suitable, the Bartlett's Test of Sphericity must be less than 0.05 (Theuri *et al*., 2015). The study applied the KMO Measures of Sampling Adequacy and Bartlett's Test of Sphericity to test whether the overall relationship among the variables was significant or not as shown in Table 4.16. The Kaiser-Meyer-Olkin Measures of Sampling Adequacy showed the value of test statistic as 0.794, which was greater than 0.5 hence an acceptable index. While Bartlett's Test of Sphericity showed the value of test statistic as 0.000 which was less than 0.05 acceptable indexes. These result indicated a highly significant relationship among variables.

Table 4.16: Overall KMO and Bartlett's Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	Approx. Chi-Square	3081.837
	Df	561
	Sig.	.000

4.6.5 Likert Scale

A 'Likert item' was a statement that the respondent was asked to evaluate in a survey. The table below as a whole was the Likert scale used to summarize the closed end opinion answers in the questionnaire. This scale was used throughout the six variables attested.

Table 4.17: Likert items

Likert item	Scale value
Strongly Disagree (SD)	1
Disagree (D)	2
Not Sure (N)	3
Agree (A)	4
Strongly Agree (SA)	5

4.7 Effect of Credit Approval Practices on Growth

The study sought to determine the extent by which the business empathizes on Credit Approval Practices and how the practice led to growth of the hire purchase sector for SMEs**.** From the study, the results were hence met and analysed.

4.7.1 Descriptive Statistics on Credit Approval Practices

The table below confirms to the descriptive analysis on credit approval practices as equivalent output because the researcher used the univariate option. The only way to observe how many cases were actually set to be used in the factor analysis was to include the univariate option. The number of cases used in the analysis were less than the total number of cases in the data file because there were missing values on some data entries by respondents. The factor analysis was conducted on the correlations (as opposed to the covariance values), it was not much of a concern that some variables had very different means and/or standard deviations (which was often the case when variables were measured on different scales). The credit approval practices had acceptable variables as they registered a closer mean to the average mean.

Table 4.18: Descriptive Analysis for Credit Approval Practices

Variable	N	Mean	Std. Deviation	Cronbach's Alpha
Credit period.	276	4.1142	.59944	.836
Data Analysis	276	4.4332	.42567	.888
Ranking customers.	276	4.4296	.55327	.838
Trade references	276	4.3042	.54501	.791

The descriptive data on the table above showed response outcome on statements regarding the Sales Turnover and Profit Increase as measures of sub variables of Credit Approval Practices in the respective hire purchase sectors for SMEs. In the findings above the researcher intended to find out the credit approval practices and the variable had a set of questions that argued about an accrued of 4.2201 and 4.1942. A mean score above 4.0 was much likely preferable in making justifiable recommendations on response results as this showed the target answers were obtained.

4.7.2 KMO and Bartlett's Test on Credit Approval Practices

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was used in this model. The KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis (Abdallah et al., 2015). The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was a measure that varies between 0 and 1, and values closer to 1 were better. A value of .6 was a suggested minimum as stated by (Thomas Webb, *et al..,* 2016). Bartlett's Test of Sphericity on the other hand tests the null hypothesis that the correlation matrix was an identity matrix. An identity matrix was matrix in which all of the diagonal elements were 1 and all off diagonal elements were 0. If wanted to be rejected, this null hypothesis should be taken together, which means these tests provided a minimum standard which should be passed before a factor analysis (or a principal component analysis) should be conducted. Below was a table that showed the findings and analysis of the KMO and Bartlett's test.

Table 4.19: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.681
Bartlett's Test of Sphericity	Approx. Chi-Square	165.357
	Df	6
	Sig.	0.000

From the table above, the KMO measurement of sampling adequacy results was .681 this indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.0001 which was within the acceptable level to test for significance and validity of the data. As indicated by (Rusuli, Tasmin, Takala, Norazlin, 2013) explained that measure of sampling adequacy should exceed 0.5 and for Bartlett's test of Sphericity the significant level at less than 0.05.

4.7.4 Credit Approval Practices Normality Test Results

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally distributed. To check for normality, the study adopted the Skewness and Kurtosis test and Auto-correlation test.

4.7.5 Skewness and Kurtosis Test Results

Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution as indicated by (Kothari & Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values implied a leptokurtic distribution. The results presented in Table 4.22 show that a skewed average coefficient of - 0.515 and kurtosis coefficient of - 1.347. Based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1.

Table 4.20: Skewness and Kurtosis

Statement	N Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Considers credit period length	276	-0.536	0.147	-1.059	0.292
Information of collection and analysis for approval	276	-0.619	0.147	-1.385	0.292
Approval for ranking debtors used	276	-0.398	0.147	-1.454	0.292
Credit approval uses bank and trade references	276	-0.474	0.147	-1.126	0.292
Valid N (listwise)	276				

4.8 Effect of Credit Worthiness Procedure Practices on Growth

The sourcing of this data was to study the extent by which the business emphasizes on the following set of variables over credit worthiness practices that lead to growth of hire purchase sector for SMEs in Kenya.

4.8.1 Descriptive Analysis on Credit Worthiness Procedure Practices

The descriptive data on the table 4.23 below showed responses on statements regarding the credit worthiness procedure practices in the respective hire purchase sector for SMEs.

Table 4.21: Descriptive Analysis on Credit Worthiness Practices

Variable	N	Mean	Std. Deviation	Cronbach's Alpha
Character	276	4.1142	.59944	.836
Capital	276	4.4332	.42567	.888
Conditions	276	4.4296	.55327	.838
Collateral.	276	4.3042	.54501	.791
Capability	276	4.4962	.47187	.728

In the findings above the researcher intended to find out the credit worthiness procedure practices variable had a set of five (5) questions that concurred about a mean of 4.58 and this mean score for a set of every question gave us an average mean which showed a strong agreement with every policy asked. The respondents were sure that the credit period length and bank with trade references were highly used before credit approval.

4.8.2 KMO and Bartlett's Test on Credit Worthiness Practices

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. KMO index ranges from 0 -1 with 0.5 were considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

From the table below, the KMO measurement of sampling adequacy results was 0. .744. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.0001 which was within the acceptable level to test for significance and validity of the data that could be used in Factor Analysis. As stated by (Kasperov . 2013), indicated that measure of sampling adequacy should exceed 0.5 and for Bartlett's test of Sphericity the significant level should occur at a value less than 0.05.

Table 4.22: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.744
Bartlett's Test of Sphericity	Approx. Chi-Square	446.276
	Df	10
	Sig.	0.000

4.8.3 Factor Analysis on Credit Worthiness Practices

The broad purpose of factor analysis was to summarize data so that relationships and patterns could be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels as indicated by (Bartholomew *et al..,* 2011). Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance as stated by (Pearce & Yong, 2013). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test. The results were generated using the rotational Varimax methods to explore the Statements contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance.

Table 4.23: Credit Worthiness Procedure Practices Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.761	55.212	55.212	2.761	55.212	55.212
2	0.959	19.188	74.400			
3	0.535	10.697	85.097			
4	0.412	8.247	93.344			
5	0.333	6.656	100.000			

Extraction Method: Principal Component Analysis.

The results showed that there were two factors that passed the bar without extraction explaining the credit worthiness procedure practice which accumulated to 100% of the total variance in this set. Factor one was the highest accumulative variance with 55.212% while factor two and three had no values extracted. The fast factor had a positive Eigen value which was crucial in explaining the credit worthiness procedure practice which was held constant by good practices that were growth targeting in the respective firms. After extracting the variance sets for the constructs of credit worthiness procedure practice, no constructs had negative loadings. The remaining Statements had a factor loading of values higher than 0.05 as shown in the table below hence this showed that the variables had highly interrelated and collated sets with each other.

Table 4.24: Credit Worthiness Practice Component Matrix

Statement	Component
	1
Evaluation of debtor's capacity for credit approval	0.674
Evaluation of debtor's capital for credit offer	0.770
Condition and terms of debtors evaluation	0.781
Evaluation of debtor's collateral for credit offer	0.782
Evaluation of debtor's capability for credit offer	0.701

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

4.8.4 Credit Worthiness Procedure Practice Normality Test Results

Normality test was used to ascertain the normality of the variables and for the significance and construction of confidence interval estimates of the parameters. The assumption was that; the variables were normally distributed. To check for formality of normal data and the concept of normalization, the study adopted the One-Sample Kolmogorov-Smirnov test, Skewness and Kurtosis together with Auto correlation tests.

4.8.5 Skewness and Kurtosis Result

The respective measures of Skewness and Kurtosis were used. The measure of Skewness was based mean and median while kurtosis measures the peaked values of a curve of the frequency distribution and the results presented in the table below nullify the whole idea.

Table 4.25: Skewness and Kurtosis Results.

Statement	N Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Evaluation of debtor's capacity for credit approval	276	-0.748	0.147	-0.603	0.292
Evaluation of debtor's capital for credit offer	276	-0.536	0.147	-1.059	0.292
condition and terms of debtors evaluation	276	-0.409	0.147	-1.303	0.292
Evaluation of debtor's collateral for credit offer	276	-0.564	0.147	-1.137	0.292
Evaluation of debtor's capability for credit offer	276	-0.762	0.147	-.839	0.292
Valid N (listwise)	276				

The table showed that a negative Skewness coefficient was registered on evaluation of debtor's capacity for credit approval, evaluation of debtor's capital for credit offer and evaluation of debtor's capability for credit offer values. The other sets registered a positive Skewness coefficient. Based on these meaningful results, it was concluded that the tested data was evenly distributed for all Statement values of credit worthiness practices since their statistic values were between -1 and +1.

4.9 Effect of Credit Administration Practices on Growth

The sourcing of this data was to study the extent by which the business emphasizes on the following Statements in relation to the debtors' credits worthiness at the expense of growth on the following set of variables over credit approval procedures that lead to growth of hire purchase sector for 00SMEs in Kenya. The main goal was to assess the Credit administration practices.

4.9.1 Descriptive Results on Credit Administration Procedure Practices.

Tabulation was used to analyze the general trends of the data from the credit administration procedure practices trends based on the four variable statements listed. Under the descriptive statistics, the mean, standard deviation and total respondents of each of the key variables were obtained and compared across the hire purchase s.

Table 4.26: Descriptive Results for Credit Administration Procedure Practices

Variable	N	Mean	Std. Deviation	Cronbach's Alpha
Timing	309	4.3042	.59901	.836
Engagement	309	4.4962	.47187	.888
Initial Timing	309	4.4296	.55327	.838

The descriptive data on the table above showed responses on statements regarding the credit administration practices in the respective hire purchase sector for SMEs. In the findings above the researcher intended to find out the credit approval practices and how they affected growth. The Statement had a set of questions that concurred about a mean of 4.53 for the timing of different types of reminders and the timing of the engagement

of a professional collection agency. This was so because the timing of reminders was so beneficial in obtaining credit from clients at the time when they mostly had the funds.

4.9.2 KMO and Bartlett's Test on Credit Worthiness Practices

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was also the most preferred in this model. According to Ali et al, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

Table 4.27: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.733
Bartlett's Test of Sphericity	Approx. Chi-Square	368.581
	Df	6
	Sig.	0.000

From the table above, the KMO measurement of sampling adequacy results is .733. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.000, which was recommendable.

4.9.4 Collection Policy Practices Normality Test Results

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally distributed. To check for normality, the study adopted the Skewness and Kurtosis test and Auto correlation test.

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4.9.5 Skewness and Kurtosis Test Results

Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution as indicated by (Kothari and Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values imply a leptokurtic distribution. The results presented in Table 4.32 show that a Skewness coefficient of - 0.05 and kurtosis coefficient of - 0.47. Based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1.

Table 4.28: Skewness and Kurtosis

Variable	N	Skewness		Kurtosis	
			Std.		Std.
	Statistic	Statistic	Error	Statistic	Error
Timing of the initial reminder done	276	-0.443	0.147	-1.590	0.292
Timing of different types of reminders done	276	-0.417	0.147	-1.840	0.292
Timing of professional engagement by collection agency	276	-0.265	0.147	-1.944	0.292
Timing of credit refusal	276	-0.295	0.147	-1.927	0.292
Valid N (listwise)	276				

4.10 Effect of Collection Policy Procedure Practices on Growth

The sourcing of this data was to study the collection policy activities and practices and activities hence examine the extent by which the policies effect on the following variables in relation to the credit collection procedures available, the main goal was to assess if the collection policies in place had any effect on growth of the respective financial SMEs of hire purchase.

4.10.1 Descriptive results on collection policy procedure practices

Collection policy procedure practices was assessed by two measures namely policy in place on defaulters, the number of calls made in a month and recovered amount in a month data sub-variables shown on Table 4.33. The results were presentations from the relevant results on a scale of 1 to 5 (where 5 = Strongly Agree and 1 = Strongly Disagree).

Table 4.29: Descriptive Results for Collection Policy Procedure Practices

Variable	Mean	Std. Deviation	Cronbach's Alpha
Access to Credit	4.1675	.39639	.799
Financial planning & Leverage	4.2306	.42833	.826
Valid N (listwise)			

The descriptive data on the table above showed responses on statements regarding the credit approval practices in the respective hire purchase sector for SMEs. In the findings above the researcher intended to find out the descriptive values of the collection policy procedure practices and the results showed that policies in place on defaulters had a

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mean of 4.58, Number of calls made in a month had a mean of 4.49, Recovered amount in a month sub variable had a mean of 4.56 and collection agency by credit department scored a close 4.54. The mean showed that the respondents agreed with these set of questions on collection practices.

4.10.2 Sample Adequacy Results on Collection Policy Procedure Practices

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to (Ali et al, 2015) the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

Table 4.30: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.570
Bartlett's Test of Sphericity	Approx. Chi-Square	88.725
	Df	6
	Sig.	0.000

From the table 4.30 above, the KMO measurement of sampling adequacy results was .570, this indicated that factor analysis could be carried out as the KMO index was between 0 and 1.

4.10.4 Collection Policy Practices Normality Test Results

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally

distributed. To check for normality, the study adopted the Skewness and Kurtosis test and Auto correlation test.

4.10.5 Skewness and Kurtosis Test Results

Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution as stated by (Kothari & Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values imply a leptokurtic distribution. The results presented in Table 4.31 showed a Skewness coefficient of -.176 to -.934 based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1.

Table 4.31: Skewness and Kurtosis

Statement	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
policy in place on defaulters	276	-0.647	0.147	-0.914	0.292
Number of calls made in a month	276	-0.934	0.147	0.983	0.292
Recovered amount in a month	276	-0.250	0.147	-0.052	0.292
Collection agency by credit department	276	-0.176	0.147	-0.984	0.292
Valid N (listwise)	276				

4.11 Relationship between Debtors' Management Practices and Growth.

The sourcing of this data was to study the debtor-SME relationship and whether it leads to material growth then henceforth determine if there was indeed any adhesion within the Hire Purchase industry with the debtors' management programs in place. Whether the relationship exist was not primarily the issue but whether they lead to fundamental material growth in profit and asset was. The main goal was to assess the Credit administration practices.

4.11.1 Descriptive Analysis on the Relationship between Debtors' Management Practices and SMEs.

The descriptive data on the table 4.32 below showed responses on statements regarding the credit approval practices in the respective hire purchase sector SMEs.

Table 4.32: Relationship between Debtors' Management Practices and Hire Purchase Sector for SMEs

Variable	Mean	Std. Deviation	Cronbach's Alpha
Relationship and Growth	4.1675	.39639	.799
Relationship Value	4.2306	.42833	.826
Valid N (listwise)			

In the findings above the researcher intended to find out the credit approval practices and the Statement had a set of questions that concurred about a mean of 4.57 and this mean score for a set of every question gave us an average mean of 4.53, which showed a strong agreement with every policy asked.

The respondents were sure that the credit period length and bank with trade references were highly used before credit approval. The respondents all agreed that there was thorough information obtained before credit approval and that there was approval for ranking of debtors as indicated by a reposeful mean above 4.0.

4.11.2 Sample adequacy results on Relationship between Debtors' Management Practices and growth.

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. Reading from the table 4.33 below, the KMO measurement of sampling adequacy results was 0.757. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1.

Table 4.33: KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.757
Bartlett's Test of Sphericity	Approx. Chi-Square	274.140
	Df	28
	Sig.	0.000

According to Ali et al. (2015), the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis hence by using Bartlett's test of Sphericity the data should be significant at p < 0.05 for factor analysis to be suitable and this research data was stiff at 0.00. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy stood at .757 and hence proving reliability of the variable.

4.11.4 Relationship between Debtors' Management Practices and Growth Normality Test Results

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally distributed. To check for normality, the study adopted the Skewness and Kurtosis test and Auto correlation test.

Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution (Kothari & Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values imply a leptokurtic distribution. Based on the results below on Table 4.34, it was concluded that data was normally distributed since their statistic values were between -1 and +1. Measures of Skewness is based on mean and median while kurtosis measures the peaked-ness of the curve at a constant relationship section at the x - intercept.

Table 4.34: Skewness and Kurtosis

Statement	N Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Credit approval procedures in place	276	-0.495	0.147	-1.768	0.292
Credit worthiness analysis in place	276	-0.479	0.147	-1.783	0.292
Increase of 20% by use of debtors' evaluation administration	276	-0.511	0.147	-1.751	0.292
Use of credit collection policies has improved debtors collection	276	-0.609	0.147	-1.641	0.292
Business growth depends on sales, price customers and collection policy	276	-0.432	0.147	-1.826	0.292
Business growth depends on proper application of profit increase	276	-0.511	0.147	-1.751	0.292
Business growth depends on proper application of management competences	276	-0.355	0.147	-1.888	0.292
Business growth depends on proper application of business environment	276	-0.235	0.147	-1.959	0.292
Valid N (listwise)	276				

The results presented in Table 4.34 above showed that an average Skewness coefficient of -0.506 and kurtosis coefficient of -1.365 were obtained from all the variable sets. Based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1. All the Statements of collection policy activity practices component matrix had a factor loading of higher than 0.4. Therefore, the component values indicate that they were highly interrelated with each other.

4.11.6 Relationship between Debtors' Management Practices and Growth Correlations Results

The study carried out a correlation analysis among the variables used in the study. Correlation test was used to determine the level of the relationship between the study variables. Pearson Product Moment Correlation suitable for research data in the form of a ratio. Pearson Product Moment correlation test can produce a correlation coefficient that showed: the relationship, the degree of relationship, and the direction of the relationship (positive or negative).

If the Sig. < 0.05, it meant that there was a significant relationship between the variables. If the value of Sig. > 0.05, it implies that there was no significant relationship between the variables. The degree of relationship between variables could be based on the value of Pearson Correlation and interpreted as follows: If the value of Pearson Correlation ranges from 0.00 to 0.20, it meant that there was almost no correlation. If the value of Pearson Correlation 0.21 to 0.40, it implies that there was a low correlation. If the value of Pearson Correlation was in the rage of 0.41 to 0.60, it signifies that there was moderate correlation being. If the value of Pearson Correlation was from 0.61 to 0.80, it meant that there was high correlation. If the value of value Pearson Correlation ranges from 0.81 to 1.00, it signifies perfect correlation.

All explanatory variables were uncorrelated with the error term. Observations of the error term were uncorrelated with each other (i.e. no autocorrelation). The error term had a constant variance (i.e. no heteroscedasticity). No explanatory variable was a perfect linear function of any other explanatory variables, meaning that there was no perfect multicollinearity and the error term was normally distributed (Studenmud, 2012). Heteroscedasticity was not just a matter as to existence, but rather degree. To measure heteroscedasticity, the researcher followed through the algorithm for the Iterated Reweighted Least Squares (IRLS) method where a good explanation in (Carroll & Rupert 1988) was found.

Table 4.35: Correlations Results

		A	B	C	D	E	F	g	h
A	Pearson Correlation	1	.348**	0.068	.214**	.268**	0.007	.267**	0.144*
	Sig. (2-tailed)		0.000	0.258	0.000	.000	0.912	0.000	0.017
	N	276	276	276	276	276	276	276	276
B	Pearson Correlation	0.348**	1	0.078	.208**	.276**	0.093	.215**	0.107
	Sig. (2-tailed)	.000		0.198	0.001	.000	0.123	0.000	0.075
	N	276	276	276	276	276	276	276	276
C	Pearson Correlation	0.068	0.078	1	.157**	0.137*	-0.003	.259**	0.091
	Sig. (2-tailed)	0.258	0.198		.009	0.023	0.962	.000	0.133
	N	276	276	276	276	276	276	276	276
D	Pearson Correlation	0.214**	0.208**	0.157**	1	.454**	0.048	.362**	.193**
	Sig. (2-tailed)	0.000	0.001	0.009		0.000	0.427	0.000	0.001
	N	276	276	276	276	276	276	276	276
E	Pearson Correlation	.268**	.276**	0.137*	.454**	1	0.045	.421**	.311**
	Sig. (2-tailed)	0.000	0.000	0.023	0.000		0.459	0.000	0.000
	N	276	276	276	276	276	276	276	276
F	Pearson Correlation	0.007	0.093	-0.003	0.048	0.045	1	-0.060	0.015
	Sig. (2-tailed)	0.912	0.123	0.962	0.427	0.459		0.320	0.798
	N	276	276	276	276	276	276	276	276
G	Pearson Correlation	.267**	.215**	.259**	.362**	.421**	-0.060	1	.320**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.320		0.000
	N	276	276	276	276	276	276	276	276
H	Pearson Correlation	0.144*	0.107	0.091	.193**	.311**	0.015	.320**	1
	Sig. (2-tailed)	0.017	0.075	0.133	0.001	0.000	0.798	0.000	
	N	276	276	276	276	276	276	276	276

**. Correlation is significant at the 0.01 level (2-tailed).

*correlation is significant at the 0.05 level (2-tailed).

A	Credit approval procedures in place
B	Credit worthiness analysis in place
C	Increase of 20% by use of debtors' evaluation administration
D	Use of credit collection policies has improved debtors collection
E	Business growth depends on sales, price customers and collection policy
F	Business growth depends on proper application of profit increase
G	Business growth depends on proper application of sales turnover
H	Business growth depends on proper application of business environment

Correlation was often used to explore the relationship among a group of variables (Pallant, 2013), in turn helping in testing for multicollinearity. Multicollinearity was a situation where two or more predictor variables in a Multiple Linear Regression Model were highly correlated. The first step in testing for multicollinearity was to calculate the Pearson correlations among variable in order to check the linear relationships among the variables. Multicollinearity was likely to exist if the absolute value of Pearson correlation was greater than 0.8. These values were significant ($p= 0.000$) at 5% level of significance. Since none of the Pearson coefficients between the variables was above 0.8 then it meant that there was absence of multicollinearity.

4.12 Growth of Hire Purchase Sector for SMEs in Kenya

Mary et al.., (2016), stated that collection practices on hire purchase sector for SMEs growth should be carried out well by those concerned in the businesses. The sourcing of this data was to study the effect of debtors' management practices on growth of small and medium sized enterprises in Kenya and primarily extent by which the business emphasizes on the various debtor practices. The main goal was to assess the Credit administration practices.

4.12.1 Descriptive Statistics on growth of Hire Purchase for SMEs.

This was the independent variable and it commanded a detailed analysis. This was the fifth objective with the aim of finding out.

Table 4.36: Descriptive Analysis Hire Purchase Sector for SMEs Growth.

Variable	Mean	Std. Deviation	Cronbach's Alpha
Sales Turnover	4.0201	.44435	.887
Profit Increase	4.3942	.39529	.865
Managerial competences	4.1675	.39639	.737
Business environment	3.9306	.42833	.715

Valid N (listwise)

The descriptive data on the table above showed responses on statements regarding the credit approval practices in the respective hire purchase sector for SMEs. In the findings' results above the researcher intended to find out the credit approval practices and the variable had a set of questions that concurred about an accumulative mean of 4.3

as well and this mean score for a set of every question gave us an average mean of 4.43, which showed a strong agreement with every policy asked.

The low mean on Business environment was seen from the respondents who failed to agree with the statements hence either disagreeing strongly or linearly disagreeing on the variables.

4.12.2 Sample Adequacy Results on Hire Purchase Sector for SMEs Growth

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to (Ali *et al*.., 2015) the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

Table 4.37: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.602
Bartlett's Test of Sphericity	Approx. Chi-Square	338.428
	Df	36
	Sig.	0.000

From the table above, the KMO measurement of sampling adequacy results was .602 this indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.000 which was within the acceptable level to test for significance and validity of the data.

4.12.3 Factor Analysis on Growth of Hire Purchase SMEs in Kenya

The broad purpose of factor analysis was to summarize data so that relationships and patterns could be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels (Field, 2009). The factor analysis analyzed the factors that measured business relational capital, social relational capital and business performance. Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance (Yong & Pearce, 2013). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance. The factor loadings are the correlation coefficients between the Statements and factors as stated by (Costello & Osbome 2005). The results showed that there were two factors extracted explaining the growth of hire purchase sector for SMEs which accumulated to 54.148% of the total variance in this construct. Factor one was the highest with 54.148% while factor two had 19.23%.

Table 4.38: Credit Approval Practices Variance Explained

Component	Total	Initial Eigenvalues % of Variance	Cumulativ e %	Total	Extraction Sums of Squared Loadings % of Variance	Cumulativ e %
1	2.115	23.502	23.502	2.115	23.502	23.502
2	1.524	16.928	40.430	1.524	16.928	40.430
3	1.189	13.206	53.636	1.189	13.206	53.636
4	1.087	12.079	65.715	1.087	12.079	65.715
5	0.831	9.234	74.949			
6	0.764	8.487	83.436			
7	0.638	7.087	90.523			
8	0.534	5.934	96.458			
9	0.319	3.542	100.000			

Extraction Method: Principal Component Analysis.

After extracting the variance sets for the constructs of Credit approval practices, no constructs had negative loadings on these findings. 4 components had < 0.5 variable factor loading. The remaining higher 4 components of Credit approval practices variable had a factor loading of values higher than 0.5 as shown in the table below hence this showed that the variables had highly interrelated sets with each other.

Table 4.39: Component Matrix on Growth of Hire Purchase Sector for SMEs

Statement	Component			
	1	**2**	**3**	**4**
Increase in sales turnover in last three months	0.815	-0.182	0.005	0.046
Use of profit increase by business	0.264	0.333	-0.594	0.218
Increase in profits in last three months	0.841	-0.255	-0.024	0.117
Use of sales turnover in last three years	0.258	0.426	0.435	-0.407
Increase in business liquidity in last three years	0.090	0.381	-0.030	0.775
Use of business environment in last three years	0.196	0.655	-0.178	-0.175
Reduction in collection period by use of credit approval procedures	-0.070	0.028	0.742	0.454
Increase in payment period by use of credit approval procedures	0.225	0.714	0.205	-0.106
Increase in net cash flows in last three years	0.710	-0.219	0.147	-0.096

Extraction Method: Principal Component Analysis.

The results revealed that out of nine (9) items, two (2) were found to be less than the threshold value of 0.4 and were therefore dropped. This was in consonance with (Cooper & Schindler 2013) who assert that factor loadings for data with a value of 0.4 or more were considered for further analysis whereas factors for data with weight of less than 0.4 should be dropped. Table 4.39 presents the components concerning strategic corporate governance practice Statement. Two (2) factors were not considered for further analysis and thus subsequently dropped.

4.12.4 Collection Policy Practices Normality Test Results

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally distributed. To check for normality, the study adopted the Skewness and Kurtosis test and Auto correlation test. Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution (Kothari & Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values imply a leptokurtic distribution. The results presented in Table 4.40 show that a Skewness coefficient of - 0.05 and kurtosis coefficient of - 0.47. Based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1.

Table 4.40: Skewness and Kurtosis

Statement	N Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Increase in sales turnover in last three months	276	1.487	0.147	5.790	0.292
Use of prof increase by business	276	-1.702	0.147	2.553	0.292
Increase in profits in last three months	276	0.485	0.147	-1.228	0.292
Use of sales turnover in last three years	276	-1.881	0.147	3.331	0.292
Increase in business liquidity in last three years	276	-0.566	0.147	-0.799	0.292
Use of business environment in last three years	276	-0.704	0.147	-0.471	0.292
Reduction in collection period by use of credit approval procedures	276	0.146	0.147	-1.993	0.292
Increase in payment period by use of credit approval procedures	276	-0.275	0.147	-1.720	0.292
Increase in net cash flows in last three years	276	1.207	0.147	4.670	0.292
Valid N (listwise)	276				

4.12.5 Effect of Debtor Management Practices on Growth

The collected data for each variable and sub – variable was analyzed and interpreted from the information by the researcher. Data was collected using a combination of both quantitative and qualitative methods. Quantitative data was primarily collected from the financial statements of the hire purchase sector for SMEs from the credit department. The questionnaires formed the basis for generating the corresponding secondary data. Qualitative data was collected using questionnaires and interviews which were done purposively by open ended questions and closing interviews at the end after administering questionnaires. Secondary data was collected from annual reports of portfolio size, loan recovery rates, loan performance as well as customer information and the official websites the Hire purchase companies owned (example: kct.co.ke, africanretailtraders.com) among others.

Table 4.41: Component Transformation Matrix

Component	1	2	3	4
1	0.948	0.266	-0.137	0.109
2	-0.308	0.846	-0.169	0.401
3	0.073	0.294	0.938	-0.170
4	0.037	-0.356	0.271	0.893

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The descriptive data on the table above showed responses on statements regarding the growth of hire purchase sector for SMEs in Kenya. All the sub-variables met the threshold.

4.12.6 Keiser-Meyer-Olkin (KMO) Results.

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to Ali et al, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

Table 4.42: Kaiser-Meyer Olkin Test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.877
Bartlett's Test of Sphericity	Approx. Chi-Square	3225.744
	Df	28
	Sig.	0.000

From the table above, the KMO measurement of sampling adequacy results was 0.877. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.000 which was within the acceptable level to test for significance and validity of the data. As indicated by (Rusuli *et al..,* 2013) explained that measure of sampling adequacy should exceed 0.5 and for Bartlett's test of Sphericity the significant level of P at less than 0.05.

Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test.

The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values

(total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered negative/ non-factor loadings. The factor loadings were the total summary of the correlation coefficients between the variables and factors (Manly, 2005). The results showed that there was only one factor extracted explaining the growth of hire purchase sector for SMEs profit wise and returns wise which accumulated to 100% of the total variance in this construct. Factor one was the only highest item with 83.279% of variance.

Table 4.43: Total Variance

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulativ e %
1	6.662	83.279	83.279	6.662	83.279	83.279
2	0.388	4.844	88.124			
3	0.319	3.988	92.111			
4	0.270	3.375	95.486			
5	0.164	2.055	97.542			
6	0.877	1.356	98.897			
7	0.058	0.728	99.626			
8	0.030	0.374	100.000			

Extraction Method: Principal Component Analysis.

4.12.7 Skewness and Kurtosis Test Results.

Normality test was used to test for significance and construction of confidence interval estimates of the parameters. The assumption was that the variables were normally distributed. A test on normality was done before the factor analysis and normality was confirmed. To further check for normality, the study adopted the Skewness and Kurtosis test and Auto correlation test. Measures of Skewness was based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution (Kothari & Garg, 2014). The Skewness measure was greater than 0 when the distribution was skewed. The kurtosis measure was 0 for a normal distribution. Positive values imply a leptokurtic distribution.

The results presented in Table 4.44 below show that a Skewness coefficient of both Increase in sales turnover during the last three months and Increase in net cash flows in the last three years had a high positive value of 1.487 and 1.012 respectively. The kurtosis coefficient of the same variables was 5.790 and 4.363 as well. Use of liquidity ratios in the last three years is another variable that skewed at -1.8813 with a kurtosis coefficient value of 3.331. Based on these results, it was concluded that data was not normally distributed since their statistic values were not between -1 and +1 for all variables. The normally distributed variables were: the use of profitability ratios by business Increase in profits in last three months Increase in business liquidity in last three years Use of Business environment in last three years Reduction in collection period by use of Business environment that indeed obeyed that rule.

Table 4.44: Skewness and Kurtosis

Statement	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Increase in sales turnover in last three months	276	1.487	0.147	5.790	0.292
Use of profit increase by business	276	-0.542	0.147	-.736	0.292
Increase in profits in last three months	276	0.485	0.147	-1.228	0.292
Use of sales turnover in last three years	276	-1.881	0.147	3.331	0.292
Increase in business liquidity in last three years	276	-0.566	0.147	-0.799	0.292
Use of Business environment in last three years	276	-0.732	0.147	-0.435	0.292
Reduction in collection period by use of credit approval procedures	276	0.058	0.147	-2.011	0.292
Increase in payment period by use of credit approval procedures	276	-0.381	0.147	-1.645	0.292
Increase in net cash flows in last three years	276	1.012	0.147	4.363	0.292
Valid N (listwise)	276				

4.13. Summary Results

This was a summary of the analysis on all research variables and their importance in this study. The study sought to determine the moderating effect of debtor management practices on the growth of hire purchase sector SMEs. Growth of hire purchase sector for SMEs was assessed by four independent variables i.e. credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices to the customers, credit collection policy practices sales turnover. Correlation and regression analyses were used to determine the relationship and strength of the debtor management in relation to growth to draw conclusions on this study.

4.13.1 Factor Analysis
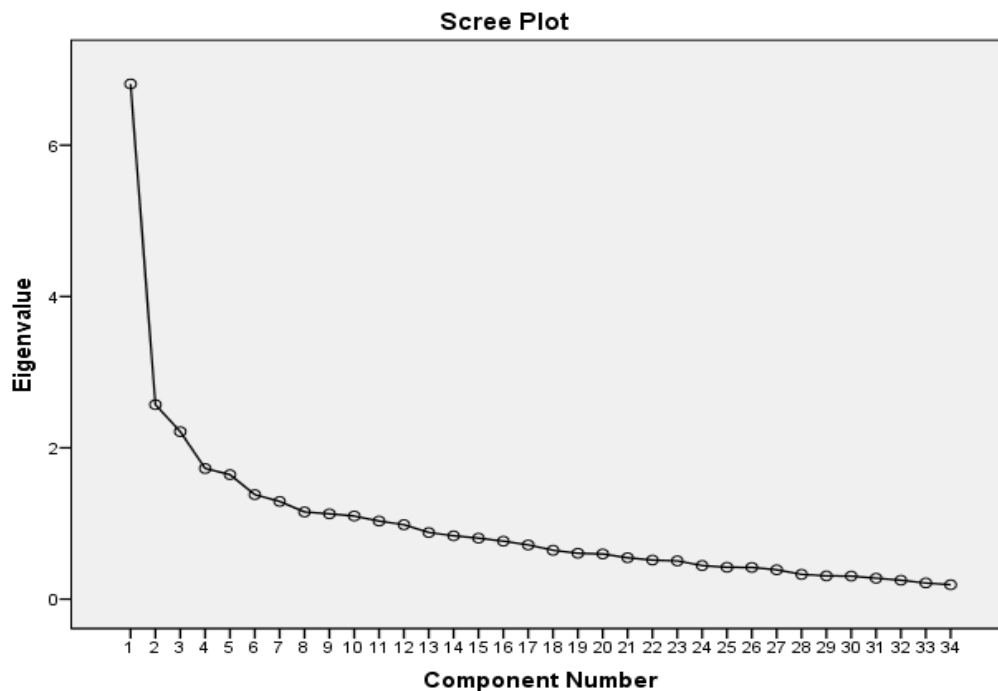
Figure 4.1: Factor Rotation

The first analysis to run was using Varimax with Kaiser Normalization. The figure 4.1 above showed the rotated component matrix (also called the rotated factor matrix in factor analysis) which was a matrix of the factor loadings for each variable onto each factor. This matrix contains the same information as the component matrix as shown above except that it was calculated after rotation. There were several things to consider about the format of this matrix. First, factor loadings eigenvalue < 0.6 had been displayed because these loadings were not suppressed. If this option was selected, or adjusted the criterion value to equal 0.4, then the output would differ. Secondly, the variables were listed in the order of size of their factor loadings because output is sorted by size. If this option was not selected the output would appear totally different.

Table 4.45: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.794
Bartlett's Test of Sphericity	Approx. Chi-Square	3081.837
	Df	561
	Sig.	0.000

This value indicated good partial correlation exhibited in the data for this study. Ali *et al*., (2016), showed that the KMO index ranges from 0 to 1, with 0.5 and above considered suitable for factor analysis. The Bartlett's Test of Sphericity should be significant at $p<.05$ for factor analysis to be suitable. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was .794. The Bartlett's Test of Sphericity was used at significant level of $p <.05$ to confirm sufficient correlation among the financial literacy variables. The Bartlett's Test of Sphericity result is 0.000 which showed high significance. (Rusuli *et al*., 2013), explained that Measure of Sampling Adequacy should exceed 0.5 and for Bartlett's test of Sphericity the significant level of p at less than 0.05.

Table 4.46: Component Transformation Matrix

Component	1	2	3	4	5	6	7	8	9	10	11
1	.565	.433	.396	.050	.321	.358	-.096	.229	.158	.111	.068
2	.413	-.530	-.477	.102	.334	.070	.341	.130	.188	.112	.113
3	.072	-.141	.063	.904	-.167	-.006	-.272	-.046	-.177	.110	.081
4	.393	.140	.185	.032	-.347	-.186	.603	-.378	-.211	-.165	.241
5	-.431	.211	.035	.323	.341	.186	.339	-.369	.487	-.154	.041
6	-.214	-.271	.578	.093	.129	-.359	.351	.513	.036	.055	-.050
7	-.190	.321	-.246	.114	.090	.252	.410	.187	-.523	.373	-.316
8	.014	.353	-.346	.168	.097	-.244	.000	.445	-.084	-.658	.139
9	.076	.250	-.208	.087	-.560	-.145	.111	.253	.587	.291	-.205
10	-.264	-.091	.010	-.074	-.321	.518	.086	.291	-.007	.021	.673
11	-.087	.277	-.137	-.045	.266	-.506	-.105	-.076	-.024	.501	.547

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Finally, for all other parts of the output the variable labels (for reasons of space) were suppressed but for this matrix they were allowed to aid interpretation. Comparing this matrix with the un-rotated solution and there was a slight jump. Before rotation, most variables loaded highly onto the first factor and the remaining factors didn't really get a look in. However, the rotation of the factor structure has clarified things considerably: there were six factors and variables load very highly onto only one factor (with the exception of one question). The suppression of loadings less than 0.4 and ordering variables by loading size also makes interpretation considerably easier.

Table 4.47: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.810	20.029	20.029	6.810	20.029	20.029	3.396	9.988	9.988
2	2.570	7.560	27.589	2.570	7.560	27.589	2.683	7.891	17.879
3	2.215	6.514	34.102	2.215	6.514	34.102	2.469	7.261	25.139
4	1.727	5.080	39.182	1.727	5.080	39.182	2.104	6.189	31.328
5	1.646	4.840	44.022	1.646	4.840	44.022	2.032	5.975	37.303
6	1.381	4.063	48.085	1.381	4.063	48.085	1.915	5.632	42.935
7	1.291	3.798	51.883	1.291	3.798	51.883	1.762	5.184	48.119
8	1.152	3.389	55.272	1.152	3.389	55.272	1.681	4.945	53.064
9	1.128	3.317	58.589	1.128	3.317	58.589	1.550	4.558	57.621
10	1.098	3.230	61.819	1.098	3.230	61.819	1.268	3.730	61.351
11	1.032	3.035	64.854	1.032	3.035	64.854	1.191	3.502	64.854
12	.984	2.893	67.747						
13	.881	2.590	70.337						
14	.837	2.461	72.798						
15	.806	2.370	75.167						
16	.767	2.255	77.422						
17	.717	2.108	79.530						
18	.645	1.898	81.428						
19	.607	1.786	83.214						
20	.598	1.758	84.972						
21	.547	1.610	86.582						
22	.516	1.519	88.101						
23	.505	1.487	89.587						
24	.444	1.305	90.892						
25	.421	1.238	92.130						
26	.419	1.233	93.363						
27	0.388	1.140	94.504						
28	0.327	0.962	95.465						
29	0.307	0.904	96.369						
30	0.305	0.897	97.266						
31	0.277	0.814	98.080						
32	0.249	0.734	98.814						
33	0.213	0.628	99.442						
34	0.190	0.558	100.000						

Extraction Method: Principal Component Analysis.

4.13.2 Analysis of Variance (ANOVA) Results

The ANOVA table decomposes the variance into the following component sum of squares: Total sum of squares; The degrees of freedom for this entry was the number of observations minus one; Sum of squares for the factor and The degrees of freedom for this entry was the number of levels minus one.

The mean square was the sum of squares divided by the number of degrees of freedom. Residual sum of squares. The degrees of freedom were the total degrees of freedom minus the factor degrees of freedom. The mean square was the sum of squares divided by the number of degrees of freedom. The sums of squares summarize how much of the variance in the data (total sum of squares) was accounted for by the factor effect (batch sum of squares) and how much was random error (residual sum of squares). Ideally, it was preferable that most of the variance to be explained by the factor effect.

The ANOVA table provides a formal F test for the factor effect. For our example, we were testing the following hypothesis.

H$_1$: All individual batch meant hire purchase sector for SMEs growth variables were equal.

H$_0$: At least one batch mean was not equal to the others.

Table 4.48 presents the overall analysis of variance. The results reveal that significant relationship exists between debtor management practices and hire purchase sector for SMEs growth (F = 137.531, p = 0.000) as indicated in Model 1.

Table 4. 48: Overall ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	115.247	4	28.812	137.531	0.000[b]
1	Residual	63.686	300	0.209		
	Total	178.932	301			

Dependent Variable: Growth of hire purchase for SMEs.

Predictors: (Constants) credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices

When moderating variables i.e. debtor management practices variables (credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices), were incorporated. Since the F statistic, 137.531, was greater than the critical value, we conclude that there was also a significant batch effect at the 0.00 level of significance. Once a determination that there was a significant batch effect observed, an interest in comparing individual batch means was served. The batch means and the standard errors of the batch means provided some information about the individual batches. In addition to the quantitative ANOVA output, it was recommended that any analysis of variance be complemented with model validation (Morris *et al.*, 2011). Both Data plot code and R code was eligible and hence used to generate the analyses in this section.

A conclusion on the population's parameter as the value of significance (*p-value*) was less than 5% as said above, an indication that client relationship, Credit Management systems, credit control practices and credit collection policies significantly influenced the growth and extensive performance of hire purchase sector for SMEs in Kenya. The significance value was less than 0.05, an indication that the model was statistically significant. The null hypothesis was used to test F – ratio using a two-way Fisher analysis of variance (ANOVA) with the assumption that uniformity exists in the population used as was census that would be normally distributed at 95% confidence level with a sampling error of 5% using two tail tests.

i.   Subjects were chosen via a simple random sample.
ii. Within each group, the response variable was normally distributed.
iii. While the population means were different from one variable group to the next, the population standard deviation was the same for all groups.

Fortunately, ANOVA was somewhat robust (i.e., results remain fairly trustworthy despite mild violations of these assumptions).

4.13.3 Correlations Results

The study carried out a correlation analysis among the variables used in the study. Correlation test was used to determine the level of the relationship between the study variables. Pearson Product Moment Correlation suitable for research data in the form of a ratio. Pearson Product Moment correlation test can produce a correlation coefficient that showed: the relationship, the degree of relationship, and the direction of the relationship (positive or negative).

If the Significant figure was less than 0.05, it meant that there was a significant relationship between the variables. If the value of Significant figure was more than 0.05, it implied that there was no significant relationship between the variables. Table 4.49 displays the overall correlation matrix showing the correlation analysis with varied

degree of interrelationship between all the independent variables, the moderating variable and the dependent variable, growth of the Hire Purchase sector for SMEs. The Pearson correlation coefficient was generated at 0.01 significance level (2-tailed). The output indicated a strong positive relationship between the variables and growth of hire purchase sector for SMEs in Kenya, where was $r > .500$, $p = 0.000$ (p-value < 0.01). The results therefore, implied that practices involved in debt and credit management was significantly influenced the growth of hire purchase sector for SMEs in Kenya. The degree of relationship between variables was be based on the actual value of Pearson Correlation and interpreted as follows: If the value of Pearson Correlation ranges from 0.00 to 0.20, it meant that there was almost no correlation. If the value of Pearson Correlation 0.21 to 0.40, it implies that there was a low correlation. If the value of Pearson Correlation was in the rage of 0.41 to 0.60, it signifies that there was moderate correlation. If the value of Pearson Correlation was from 0.61 to 0.80, it meant that there was high correlation. If the value of value Pearson Correlation ranges from 0.81 to 1.00, it signifies perfect correlation as stated by (Mukaka, 2012). All explanatory variables were correlated with no error term. Observations of the error term were uncorrelated with each other (i.e. no autocorrelation).

Table 4.49: Rotational Correlation Results

Statement		Credit approval procedures	Credit worthiness practices	Credit collection Policy	Growth of HP sector for SMEs
Credit approval procedures	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	276			
Credit worthiness practices	Pearson Correlation	0.693**	1		
	Sig. (2-tailed)	0.000			
	N	276	276		
Credit collection Policy	Pearson Correlation	0.557**	0.473**	1	
	Sig. (2-tailed)	0.000	0.000		
	N	276	276	276	
Growth of SMEs (HP)	Pearson Correlation	0.620**	0.665**	0.736**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	276	276	276	276

**. Correlation is significant at the 0.01 level (2-tailed).

There is a strong relationship between Growth of hire purchase sector for SMEs and credit collection policy (r = 0.736). Therefore, credit collection policies were very important factors in the growth of hire purchase sector SMEs. This is supported by

(Bunyasi *et al..*, 2014) where they showed that access to credit privilege and good credit practices in hire purchase sector for SMEs cultivate a good growing environment. Multicollinearity was a situation where two or more predictor variables in a Multiple Linear Regression Model were highly correlated. The first step in testing for multicollinearity was to calculate the Pearson correlations among variable in order to check the linear relationships among the variables. Credit collection Policy did not correlate Credit worthiness practices by the small Pearson Correlation showcased by a lower r = 0.473. Multicollinearity was likely to exist if the absolute value of Pearson correlation was greater than 0.8. These values were significant (p= 0.000) at 5% level of significance. Since none of the Pearson coefficients between the variables was above 0.8 then it meant that there was absence of multicollinearity.

4.13.4 Chi-Square Goodness-of-Fit Model Results

The chi-square goodness-of-fit test was a single-sample nonparametric test, also referred to as the one- sample goodness-of-fit test or Pearson's chi-square goodness-of- fit test. It was used to determine whether the distribution of cases (participants) in a single categorical variable follows a known or hypothesized distribution. When the researcher carried out a chi-square goodness-of-fit test, hypothesising whether debtors' management practices had any effect on growth of small and medium sized enterprises in Kenya. The main cause of autocorrelation is omitted variables from the model. When an important independent variable is omitted from a model, its effect on the dependent variable becomes part of the error term. Hence, if the omitted variable has a positive or negative correlation with the dependent variable, it is likely to cause error terms that are positively or negative correlated (Babatunde *et al.,* 2014). One of the assumptions of regression is that the observations were independent. If observations were made over time, it is likely that successive observations were related. If there is no autocorrelation (where subsequent observations were related), the Durbin-Watson statistic should be between 1.5 and 2.5. As shown in Table 4.50, the Chi-Square Model value was 1.892

which indicated that the observations under the study were independent and thus no autocorrelation.

Table 4.50: Chi-Square Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
2	0.811[a]	0.658	0.643	.37792	1.905

a. Predictors: (Constant): credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices

b. Dependent Variable: Growth of Hire Purchase Sector for SMEs

With the moderating variables of credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices changing by almost less than 1 per cent when growth of hire purchase sector for SMEs was incorporated into the model (R Square = 0.658). This implies that the moderating variables of debtor management practices had a significant 65.8% influence on growth of hire purchase sector for SMEs in Kenya. This proves interdependence and the level of which they depend on each other.

4.13.5 Regression Results

The study estimated regression models based on the pooled data for all the ten commercial banks in Malawi. The first part of the section presents results from regressions that were estimated between the dependent variable and each of the independent variables separately, for the pooled data. The second part presents results based on the pooled data for the whole debtor management practices on growth. The

regression coefficients indicate change in dependent variable associated with one-unit increase in one independent variable, holding other independent variables constant as indicated by (Studenmud, 2011). There were a number of assumptions for ordinary least squares estimators which were that the regression model was linear, was correctly specified, and had an additive error term. The error term had a zero population mean.

As indicated by (Reilly, 2007) stated that most debtors for hire purchase sector for SMEs were expected to make serious efforts to manage their debtors of hire purchase sector for SMEs pay were as part of working capital assets (e.g., marketable securities, accounts receivable, and inventory) and, most debtors in hire purchase sector for SMEs managements were conscientious about protecting their business's tangible assets that requires to be analyzed from time to time. The data collected would be analyzed using graphs, pie charts, bar charts and histograms. The presentations from diagrams would indicate the hire purchase sector for SMEs on growth that would be used to make conclusions and recommendations. The multiple regressions were used to determine the types of relationship that exists between independent variables and dependent variable in the study of effect of debtor routine practices growth of small medium sized enterprises in Kenya.

Table 4.51: Regression Results b

Model	R	R Square	Adjusted R Square	F	P-Value
1	0.643[a]	0.413	0.410	57.33	0.000

a. Predictors: (Constant), credit approval practices, credit worthiness practices, credit administration activities practices, collection policy activities practices and the relationship between debtors' management practices

b. Growth

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
		0.413		
1	0.764^a	57.33	0.410	0.29888

a. Predictors: (Constant), Shares Held, Tax Exemptions and Subsidies, Marketing Strategy, Government Policy, Commitment, Network and Collaborations, Control, Local Tenders, Foreign Linkages

❖ From the model summary adjusted R^2 was 0.584 this indicated that ownership structure explain 58.4% of financial performance of firms listed in the Nairobi

❖ This is an indication that there is a strong relationship between independent variables and financial performance

The results of the model shown in Table 4.51 indicate that the overall coefficient of determination R2 was .413 which meant that the independent variables explained 41.3 % of the variations in the dependent variable. This was an indication that there was a strong relationship between the dependent variable, hire purchase sector for SMEs growth as measured by return on assets, and independent variables in the hire purchase sector which was a case study chosen for the hire purchase sector for SMEs on this research. The results further show that F=57.33 and P-value = 0.000 which was less than 5%. This indicated that the overall model was statistically significant.

4.13.6 Multiple Linear Regression Results

Multiple regression analysis was performed to assess the relationship between the dependent variable i.e. growth of hire purchase sector for SMEs in Kenya and credit management practices: credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices.

Table 4.52: Overall Regression Coefficients of Growth

Model		Unstandardized Coefficients	Std. Error	Standardize Coefficients Beta	T	Sig.
		B				
1	(Constant)	1.712	0.316		5.416	0.000
	Credit approval procedures	0.131	0.065	0.146	2.022	0.045
	Credit worthiness practices	-0.170	0.084	-0.150	-2.011	0.046
	Credit administration activities practices	-0.253	0.077	-0.254	-3.296	0.001
	Credit collection policy practices.	0.690	0.073	0.878	9.407	0.000

a. Dependent Variable: Growth of Hire Purchase for SMEs.

To establish the moderating effect of debtor characteristics on the growth of hire purchase sector for SMEs in Kenya, the following hypotheses were tested.

Hypothesis Five

H_0:   There existed a statistically significant moderating effect of debtor management practices on growth of hire purchase sector for SMEs in Kenya. (A case study of Hire Purchase Firms)

H_0:   There was no statistically significant moderating effect of debtor management practices on growth of for hire purchase for SMEs in Kenya. (A case study of Hire Purchase Firms)

Model 1 in Table 4.52 showed that credit approval procedures and credit collection policy practices were positively correlated with growth of hire purchase sector for SMEs linked debtor management practices while Credit worthiness practices and Credit administration activities practices were negatively correlated with growth of hire purchase sector for SMEs. Model 1 further reports that a 0.131-point increase in credit approval procedures led to a 1-point increase in growth of hire purchase sector for SMEs, a 0.170-point increase in credit collection policy practices results into a decrease of 1 point of growth of hire purchase sector for SMEs and a 0.253-point increase in Credit worthiness practices led to a 1-point decrease in growth of sector hire purchase sector for SMEs while ceteris paribus. But a 0.689 increase in and Credit administration activities practices led to a 1-point increase in growth of hire purchase sector for SMEs.

For every one-unit increase in the growth of hire purchase sector for SMEs, there was a unit increase in both credit approval procedures and credit collection policy practices, ceteris paribus. In summary, we can claim with 95 percent confidence that for every one-unit increase in growth of hire purchase sector for SMEs, debtor management practices related with an increment of between -0.150 and 0.689. The negative

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significant effect of credit approval procedures and credit collection policy practices on growth of hire purchase sector for SMEs which could be due to management structures not directing the credit department to focus on issues of credit approval and credit collection within the organisations. Policy practices in a financial nature and the general tension that existed between clients and the debt process needed a formal planning and implementation.

However, it should be noted that as shown in Table 4.52, the coefficient (r) or beta for Credit approval procedures, credit worthiness practices, credit administration activities practices and credit collection policy practices were (0.146), (-0.149), (-0.254) and (0.878) respectively. This meant that the independent variables individually explained 14.6 percent, 14.9 percent, 25.4 percent and 87.8 percent changes or variations respectively in the overall growth of hire purchase sector for SMEs in Kenya. In the growth of the credit hire purchase sector for SMEs, approval procedures, credit worthiness practices, credit administration practices and credit collection policy practices were all significant. Therefore, all the four null hypotheses were rejected because the p-values were less than 0.05 and accepted the alternative hypotheses. In coming up with the final model, all the significant variables were retained.

The effect of debtor management practices on growth of hire purchase sector for SMEs followed a multiple linear regression model as follows: Growth of hire purchase sector for SMEs= $\beta_O + \beta_I$ Credit approval procedures + β_3 Credit worthiness practices + β_4 Credit administration practices + β_5 Credit collection policy practices = 1.712 + 0.131 Credit approval procedures - 0.170 Credit worthiness practices - 0.253 Credit administration practices + 0.689 Credit collection policy practices. Therefore, credit worthiness practices and credit administration activities were the most highly significant variables at p - value= 0.000 in both cases.

The Multiple Linear regression model, therefore was presented as below:

4.1………………………………………………Y=β_0 +β_1 x1+β_2x2+β_3x3+β_4x4+ ε

That gives, Y= 1.712 + .131X_1 - 0.170 X_2 - 0.253 X_3 + 0.690X_4

Where,

Y	Equivalent to Growth of hire purchase sector for SMEs .
β_0	Equivalent to 1.712, which was the co-efficient of the constant variable
$\beta_1 - \beta_4$	Equivalent to .131, - 0.170 and - 0.253 were estimates of the expected increase in growth of respective hire purchase sector for SMEs in Kenya
$X_1 - X_4$	Equivalent to credit approval procedures practices, credit worthiness practices to the customers, credit administration activities practices and credit collection policy practices.

This research therefore, results in rejection of the first four null hypotheses and acceptance of the last null hypothesis.

4.13.7 Multicollinearity Results.

As explained by (Ruhiu, Ngugi & Waititu 2014) showed that a situation in which there was a high degree of association between independent variables is said to be a problem of multi-collinearity which results into large standard errors of the coefficients associated with the affected variables. Multi-collinearity can occur in Multiple Linear Regression Models in which some of the independent variables were significantly correlated among themselves. In a regression model that best fits the data, independent variables correlate highly with dependent variables but correlate, at most, minimally with each other. Multi-collinearity can also be solved by deleting one of the highly

correlated variables and re-computing the regression equation. Multicollinearity is associated with VIF above 5 and tolerance below 0.2. A commonly given rule of thumb is that VIF's of 10 or higher may be a reason for concern as stated by (Makori & Jagongo, 2013). The regression analyses were tested to see if there is a presence of autocorrelation and multicollinearity in the data Variance Inflation factor (VIF) statistics (Ruhiu *et al.*., 2014). Table 4.65 showed the Tolerances for all the independent variables were all above 0.2. The Variance Inflation Factors (VIFs) were all below 5. The scores of these statistical tests were accepted, implying that there is no presence of autocorrelation and multicollinearity in the data. The independent variables were therefore accepted for further analysis as they did not exhibit multicollinearity.

Table 4.53: Multicollinearity Results for Dependent Variables

Variable	Tolerance	VIF
Credit approval procedure practices	0.633	1.580
Credit worthiness practices	0.601	1.663
Credit administration activities practices	0.556	1.799
Credit collection policy practices.	0.378	2.644

a. Dependent Variable: Growth of Hire Purchase SMEs

b. Credit approval procedures, credit worthiness practices, credit administration activities practices and credit collection policy practices.

4.14 Hypothesis Test

Under the K-S test, the hypotheses were as follows:

H_0: Data came from a normal distribution

H_1: Data did not come from a normal distribution

Table 4.54: Summary of Research Hypotheses

Null Hypothesis	Comments
1. There was no statistically significant influence of credit approval procedures practices on the growth of hire purchase sector for SMEs in Kenya.	Rejected
2. There was no statistically significant influence of credit worthiness practices on the growth of hire purchase sector for SMEs in Kenya.	Rejected
3. There was no statistically significant influence of credit administration activities practices on the growth of hire purchase sector for SMEs in Kenya.	Rejected
4. There was no statistically significant influence of credit collection policy practices on the growth of hire purchase sector for SMEs in Kenya.	Rejected
5. There was hence no statistically significant moderating effect of debtor management and growth of hire purchase sector for SMEs in Kenya.	Accepted

If the K-S test statistic was significant, then reject the null hypothesis; otherwise accept the alternative hypothesis that the data was non normal. The outcome of the tests was as shown below.

Table 4.55: Kolmogorov-Smirnov (K-S) Test

		Test	Sig.	Decision
1	The distribution of credit approval practices was normal with mean 0.433 and standard deviation 0.090.	One-sample Kolmogorov-Smirnov Test	.000	Reject the null hypothesis
2	The distribution of credit administration activities practices was normal with mean 0.483 and standard deviation 0.119.	One-sample Kolmogorov-Smirnov Test	. 000	Reject the null hypothesis
3	The distribution of credit administration activities practices was normal with mean 0.429 and standard deviation 0.305.	One-sample Kolmogorov-Smirnov Test	. 000	Reject the null hypothesis
4	The distribution of relationship between debtors' management practices and SSMEs for hire purchase on growth was normal with mean 0.493 and standard deviation 0.071.	One-sample Kolmogorov-Smirnov Test	. 000	Reject the null hypothesis
5	The distribution of hire purchase sector for SMEs growth was normal with mean 0.465 and standard deviation 0.087.	One-sample Kolmogorov-Smirnov Test	. 000	Reject the null hypothesis

Asymptotic significances were displayed. The significance level was 0.05. The outcome of the test for normality indicated that the data came from a sample which was not normally distributed. A further test on normality was carried out using the Shapiro-Wilk test.

4.14.1 Shapiro-Wilk Test

Under the Shapiro-Wilk Test, the hypotheses were as follows:

H_1: The observed distribution fits normal distribution.

H_0: The observed distribution does not fit normal distribution.

If the Shapiro-Wilk test statistic was significant, then reject the null hypothesis; otherwise accept the alternative hypothesis that the data was non normal. The results of the test were shown in Table 4.56 below.

Table 4.56: Shapiro-Wilk Test Results Variable

Statement	Statistic	Df	Sig.
Credit practices approval	0.762	150	0.000
Credit worthiness practices	0.570	150	0.000
Credit administration activities practices	0.870	150	0.000
Relationship between debtors' management practices and hire purchase sector for SMEs on growth	0.931	150	0.000
hire purchase sector for SMEs growth	0.826	150	0.000

The significant value was recommendable and in line with the segment.

4.15 Discussion of key Findings

The general objective was to ascertain the effect of debtors' management practices on the growth of Small Medium Enterprises in Kenya. The independent variables were: Credit approval procedure practices, Credit worthiness practices, Credit administration activities practices and Credit collection policy practices. The dependent variable was growth. The outcome tried to point out the key areas of findings that answered the research findings.

4.15.1 Hire Purchase Sector for SMEs Growth

As indicated by (Mary, *et al*. 2016), stated that collection practices on hire purchase sector for SMEs growth should be carried out well by those concerned in the businesses. The sourcing of this data was to study the Client's hire purchase sector for SMEs on growth and primarily extent by which the business emphasizes on the following variables in relation to the Client's hire purchase sector for SMEs at the expense of growth. The main goals were to assess the Credit approval procedures practices, Credit worthiness practices, Credit administration activities practices and Credit collection policy practices used by each business.

The study findings indicated that there was average association between financial factors and growth of SMEs. Therefore, checks on the financial factors could lead to growth of hire purchase for SMEs, for example, reduction in interest rates by both commercial banks and micro financial institutions.

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to Ali *et al*, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor. The KMO measurement of sampling adequacy results was .602 this indicated that factor

analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.000 which was within the acceptable level to test for significance and validity of the data.

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to Ali et al, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable.

The broad purpose of factor analysis was to summarize data so that relationships and patterns could be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels as stated by (Field, 2009). The factor analysis analyzed the factors that measured business relational capital, social relational capital and business growth. Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance (Yong and Pearce, 2013). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance. The factor loadings were the correlation coefficients between the variables and factors (Farrar and glibber, 2013). The results showed that there were two factors extracted explaining the growth of hire purchase sector for SMEs which accumulated to 68.344% of the total variance in this construct. Factor one was the highest with 52.34% while factor two had 19.23%.

4.15.2 Credit Approval Practices

The first set of research questions were aimed at finding out the credit approval procedures and practically how the credit approval practices affected the growth of hire purchase sector for SMEs in the hire purchase industry. In particular, the credit approval practices exonerate debt burdens and improves on the general workflow of the credit department. Most of the hire purchase sector for SMEs researched on were hire purchase and most seem to be running the credit department as a full business where every section in the work float activities and duties had a direct role on borrowers and customers. The broad purpose of factor analysis was to summarize data so that relationships and patterns could be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels as indicated by (Bryman, & Cramer, 2011).

The factor analysis analyzed the factors that measured business relational capital, social relational capital and business growth. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance. The factor loadings were the correlation coefficients between the variables and factors (Farrar & glibber, 1967). The results showed that there was one factor extracted explaining the growth and improvement credit approval practices which accumulated to 78.599% of the total variance in this construct. Factor one was the highest with 78.599% while factor two had no accumulated variance. The first factor had its Eigen values greater than 1 and the greatest influence on the credit approval practices and explain about 3.144 of the total extracted component. The results indicated that the significant relationship between the credit department and the general growth of the SME were direct positively correlated occurrences.

4.15.3 Credit Worthiness Practices

The reliability was excellent for this set of variables at .884. This was highly recommendable and that signified the data obtained was very reliable for our set of conclusions. The sourcing of this data was to study the extent by which the business emphasizes on the following set of variables over credit approval procedures that lead to growth of SMEs. The following results were met:

To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to Ali et al, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at p< 0.05 for factor analysis to be suitable.

The KMO measurement of sampling adequacy results was 0.776. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.0001 which was within the acceptable level to test for significance and validity of the data that could be used in Factor Analysis. As stated by (Bartholomew *et al..,* 2011), indicated that measure of factor analysis from sampling adequacy should exceed 0.5 and for Bartlett's test of Sphericity the significant level of P at less than 0.05.

The broad purpose of factor analysis was to summarize data so that relationships and patterns can be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels according to (Field, 2009). The factor analysis analyzed the factors that measured business relational capital, social relational capital and business growth. Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance as stated by (Yong & Pearce 2013). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis

test. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance. The factor loadings were the correlation coefficients between the variables and factors as stated by Farrar and glibber, (1967). The results showed that there were two factors extracted explaining the growth of hire purchase sector for SMEs which accumulated to 68.344% of the total variance in this construct. Factor one was the highest with 52.34% while factor two had 19.23%. These two factors had their Eigen values greater than 1 and the greatest influence on the growth of hire purchase sector for SMEs and explain about 70.22% of the total variance.

Normality test was used to ascertain the normality of the variables and for the significance and construction of confidence interval estimates of the parameters. The assumption was that; the variables were normally distributed. In his study, (Ali *et al..,* (2016) showed that the assumptions and application of statistical tools as well as suitability of the tests were important aspects of statistical analysis. To check for formality of normal data and the concept of normalization, the study adopted the One-Sample Kolmogorov-Smirnov test, Skewness and Kurtosis together with Auto correlation tests. The results, as was shown in table above showed normalization to a disputable extent. Kolmogorov- Smirnov test resampling procedures and data analysis tools for non- parametric tests and resampling values were placed. Based on the co-efficient obtained in the table above, the value obtained was 0.000 and this sets a very minimal significant deviation from the normal distribution segments for all values of the credit worthiness practices. The respective measures of Skewness and Kurtosis were used. The measure of Skewness was based on mean and median while kurtosis measures the peaked values of a curve of the frequency distribution (Kothari & Garg, 2014). The results presented in the table below nullify the results. A high degree of correlation among residuals of the results of the regressions' data sets might produce inefficient

results. As such, the presence of serial correlation among the OLS regressions was checked using Durblin and Watson's test statistic. Durblin-Watson statistics ranges from 0 to 4 with an ideal value of 2 indicating that errors were not correlated.

4.15.4 Credit Administration Activities Practices

The sourcing of this data was to study the extent by which the business emphasizes on the following variables in relation to the customer's debtors' credits worthiness at the expense of growth on the following set of variables over credit approval procedures that lead to growth of SMEs. The main goal was to assess the Credit administration practices. To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was also the most preferred in this model. According to Ali *et al.* (2015), the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should be significant at $p < 0.05$ for factor analysis to be suitable. The KMO measurement of sampling adequacy results was 0.786. This indicated that factor analysis could be carried out as the KMO index was between 0 and 1. The Bartlett's test of Sphericity result was 0.000, which was recommendable.

The broad purpose of factor analysis was to summarize variables so that relationships and patterns could be easily interpreted and understood. Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels (Field, 2009). The factor analysis analyzed the factors that measured business relational capital, social relational capital and business growth. Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance (Yong & Pearce, 2016). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater

than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance.

In the findings above the researcher intended to find out the credit approval practices and the variable had a set of questions that concurred about a mean of 4.53 and this mean score for a set of every question gave us an average mean that was very satisfactory and well deserving for our analysis. From the results obtained on this set of variables, 0 respondents recorded to either strongly disagree, disagree nor were not sure that the timing of the initial reminder was done by credit department in their business. 116 noted they agreed and 227 attest to strongly agreed about the timing of the initial reminder was done by credit department in their business. From the results obtained on this set of variables, 0 respondents recorded to either strongly disagree, disagree nor were not sure of the timing of different types of reminders was done by the credit department in their respective businesses. 156 noted they agreed and 187 attest to strongly agreed about the timing of different types of reminders being done by credit department in their business. From the results obtained on this set of variables, 0 respondents recorded to either strongly disagree, disagree nor were not sure of the timing and engagement of profession collection agency by the credit department in their respective businesses.

4.15.5 Collection Policy Activities Practices

The sourcing of this data was to study the collection policy activities and practices and activities hence examine the extent by which the policies effect on the following variables in relation to the credit collection procedures available, the main goal was to assess if the collection policies in place had any effect on growth of the respective hire purchase sector for SMEs. To measure the suitability of data for the factor analysis, Keiser-Meyer-Olkin (KMO) measure of sampling data was the most preferred in this model. According to Ali et al, 2015, the KMO index ranges from 0 -1 with 0.5 considered suitable for variable factor analysis. The Bartlett's test of Sphericity should

be significant at p< 0.05 for factor analysis to be suitable. The broad purpose of factor analysis was to summarize data so that relationships and patterns could be easily interpreted and understood.

Factor analysis was performed on this set of data to identify the patterns and to also reduce data to manageable levels as explained by (Field, 2009). The factor analysis analyzed the factors that measured business relational capital, credit relational policies and business credit collection practices/growth. Factor analysis was normally used to regroup variables into a limited set of clusters based on shared variance as stated by (Yong & Pearce, 2013). Factor analysis was done on the variable sets where constructs were subjected to variance tests through the principal component analysis test. The results were generated using the rotational Varimax methods to explore the variables contained in each component for further analysis. Factors with Eigen values (total variance) greater than 0.5 were extracted and coefficients below 0.49 were deleted from the matrix because they were considered to be of no importance.

The results showed that there were two factors extracted explaining the growth of hire purchase sector for SMEs which accumulated to 68.344% of the total variance in this construct. Factor one was the highest with 52.34% while factor two had 19.23%. These two factors had their Eigen values greater than 1 and the greatest influence on the growth of hire purchase sector for SMEs and explain about of the total variance. The remaining components of collection policy activities and practice's variables had a factor loading of values higher than 0.5 as shown in the table below hence this showed that the variables had highly interrelated sets with each other. The descriptive data showed responses on statements regarding the credit approval practices in the respective hire purchase sector for SMEs. In the findings above the researcher intended to find out the credit approval practices and the variable had a set of questions that concurred about a mean of 4.7 and this mean score for a set of every question gave us an average mean

that ranges about 4.7 and this was obtained as valid and trusted, which showed a strong agreement with every question given.

From the results obtained on this set of variables, 0 respondents recorded to either strongly disagree, disagree nor were not sure whether action on defaulters set in place by credit department. 156 respondents noted they agreed and 187 attest to strongly agree about action on defaulters being set in place by credit department. From the data collected on this set of variables, 89 respondents noted they agreed and 245 respondents attest to strongly agree that number of calls made in a month was recorded by credit department in their various businesses. From the results obtained on this set of variables, 0 respondents recorded to either strongly disagree, disagree nor were not sure whether assignment to collection agency was done by credit department. 34 respondents noted they agreed and 276 respondents attest to strongly agree that assignment to collection agency was done by credit department.

From Model 1 of Table 4.53, it is reported that a -0.170-point increase in credit collection policies practices results into a decrease of 1 point of growth of hire purchase sector for SMEs ceteris paribus. The negative variable was obtained from the occurrence that

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented a summary of the study, drew conclusions, recommendations and further offer recommendations that would be used to improve the collection of receivables made on credit through adoption of better credit management practices at the hire purchase businesses of Small and Medium Scale Enterprises in Kenya.

5.2 Summary

The main purpose was to assess the effect of credit approval, credit worthiness, credit administration activities and credit collection policy procedure practices on growth of hire purchase sector for SMEs in Kenya. Literature review on each of the variables on credit procedures was extensively explained, discussed and a number of theoretical framework as well as empirical analyses were outlined. The credit management practices for the various variable components were also discussed. From table 4.2 Co-Efficient Alpha of pilot reliability test results were all accepted from the variables used in the study. This made the researcher to move into data collection from the four companies of hire purchase as questions that were to be used were all clear for the respondents in the field.

Hire purchase sector for SMEs in the Kenya had had many problems in application of the four variable used in the study. The Credit approval procedure practices; Analyzing credit worthiness for each debtor; Credit administration activities practices and Credit collection policy practices for the debtors had not been applied properly by each company in Kenya. The hire purchase sector for SMEs had lacked the capacity in terms of qualified personnel to manage their activities to manage each of the variables in the study. As a result, the hire purchases were unable to publish the same quality of

financial information as those big firms and as such were not able to provide audited financial statement, that were to be used as a requirement in accessing credit from the financial institution. The information on their financial condition, earnings, and earnings prospect might be incomplete or inaccurate. Faced with this type of uncertainty, a lender might deny credit, sometimes as the firms were not credit worthy to be given credit.

A total of three hundred and five (305) responses were received, translating into 79.43% response rate that was a good respond rate for the study. The response rate was considered appropriate because a response rate of more than 75% was considered good according to (Sekaran, 2008). However, twenty-nine (29) questionnaires were poorly done and so they had to be discarded. Hence the correct filled questionnaires were two hundred seventy-six (276) that led to a vivid and subjective analysis that translated to 71.88%.

In determining the sample size, Cochran's formula was used to calculate the sample size at 95% confidence level and P = 0.05) as follows (3.6 Sample Size and Sampling Technique): Formula: 4.1

$$n = \frac{z^2 pq}{e^2}.$$

In study the target proportion was assumed to had the characteristics of interest at 50% that was p=0.5 as indicated by (Kothari, 2004). This proportion was based on personal judgment and this argument was proposed by (Fisher, 2010). It allowed the researcher to trade-off between the cost and benefit of large and small samples in research. The selected margin of error was 10%. Lower proportions of p were led to bigger samples and in effect it might had made the research cumbersome to carry out (Sekaran, 2006; Cooper & Schindler, 2011). This proportion was arrived at after an extensive

consideration of the cost and time to be spent in the research. With higher proportions, a more realistic sample population, which was neither too high nor too low for the study was established and vice versa, (Shenoy *et al*.., 2002; Fisher, 1995; Mugenda & Mugenda, 2008).

As explained by (Saunders, 2011) the sample size was almost a matter of judgment rather than calculation. From the above discussion, a sample size used by the researcher was three hundred and five (305) questionnaires for accuracy purpose and also was to take care of non-respondents that were seventy-nine (79) and the forms that might be fill:

The research methods employed were questionnaire, interview, records of documents that were available and observation of each company. The Hypothesis applied in the study was:

H_0:   There existed a statistically significant moderating effect of debtor management practices on growth of hire purchase in Kenya. (A case study of Hire Purchase Firms)

H_0:   There was no statistically significant moderating effect of debtor management practices on growth of hire purchase for SMEs in Kenya. (A case study of Hire Purchase Firms)

Model 1 in the below table showed the overall regression coefficients of growth:

Table 5.1: overall regression coefficients of growth

Model		Unstandardized Coefficients		Standardize Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.712	0.316		5.416	0.000
	Credit approval procedures	0.131	0.065	0.146	2.022	0.045
	Credit worthiness practices	-0.170	0.084	-0.150	-2.011	0.046
	Credit administration activities practices	-0.253	0.077	-0.254	-3.296	0.001
	Credit collection policy practices.	0.690	0.073	0.878	9.407	0.000

a. Dependent Variable: Growth of Hire Purchase Sector for SMEs

To establish the moderating effect of debtor characteristics on the growth of hire purchase SMEs for in Kenya, the following hypotheses were tested. The results of each variable showed that credit approval procedures and credit collection policy practices were positively correlated with growth of hire purchase sector for SMEs linked debtor management practices while Credit worthiness practices and Credit administration activities practices were negatively correlated with growth of hire purchase sector for SMEs. Model 1 further reports that a 0.131-point increase in credit approval procedures led to a 1-point increase in growth of hire purchase sector for SMEs, a 0.170-point

increase in credit collection policy practices results into a decrease of 1 point of growth of hire purchase sector for SMEs and a 0.253-point increase in Credit worthiness practices led to a 1-point decrease in growth of hire purchase sector for SMEs while ceteris paribus. But a 0.689 increase in and Credit administration activities practices led to a 1-point increase in growth of hire purchase sector for SMEs. For every one-unit increase in the growth of hire purchase sector for SMEs, there was a unit increase in both credit approval procedures and credit collection policy practices, ceteris paribus. In summary, we can claim with 95 percent confidence that for every one-unit increase in growth of hire purchase SME, debtor management practices related with an increment of between -0.150 and 0.689. The negative significant effect of credit approval procedures and credit collection policy practices on growth of hire purchase sector for SMEs which could be due to management structures not directing the credit department to focus on issues of credit approval and credit collection within the organisations. Policy practices in a financial nature and the general tension that existed between clients and the debt process needed a formal planning and implementation.

However, it should be noted that as shown in Table 4.63, the coefficient (r) or beta for Credit approval procedures, credit worthiness practices, credit administration activities practices and credit collection policy practices were (0.146), (-0.149), (-0.254) and (0.878) respectively. This meant that the independent variables individually explained 14.6 percent, 14.9 percent, 25.4 percent and 87.8 percent changes or variations respectively in the overall growth of hire purchase sector for SMEs in Kenya. In the growth of the credit hire purchase sector for SMEs, approval procedures, credit worthiness practices, credit administration practices and credit collection policy practices were all significant. Therefore, all the four null hypotheses were rejected because the p-values were less than 0.05 and accepted the alternative hypotheses. In coming up with the final model, all the significant variables were retained.

The effect of debtor management practices on growth of hire purchase sector for SMEs followed a multiple linear regression model as follows: Growth of hire purchase sector for SMEs= β_O + β_I Credit approval procedures + β_3 Credit worthiness practices + β_4 Credit administration practices + β_5 Credit collection policy practices = 1.712 + 0.131 Credit approval procedures - 0.170 Credit worthiness practices - 0.253 Credit administration practices + 0.689 Credit collection policy practices. Therefore, credit worthiness practices and credit administration activities were the most highly significant variables at p - value= 0.000 in both cases.

The optimal regression model therefore was presented as below:

4.2………….$Y = \beta_O + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon$

$$Y = 1.712 + .131X_1 - 0.170 X_2 - 0.253 X_3 + 0.690X_4$$

5.2.1 The Influence of Credit Approval Practices on Growth of Hire Purchase Sector for SMEs in Kenya

The first objective of this summary was sought to determine the influence of Credit approval practices on the Growth of hire purchase sector for SMEs in Kenya. The indicators of credit approval practices were credit period length, Information of collection and analysis for approval, Approval for ranking debtors, Credit approvals used in banking and trade references. Descriptive statistical methods were used to reach at the results. Most of the respondents agreed that the credit period length, Information of collection and analysis for approval, Approval for ranking debtors, Credit approvals used in banking and trade references greatly influenced growth of hire purchase sector for SMEs in Kenya. Inferential statistical methods also gave findings and deductions. Findings on correlation and regression analyses indicated that there was a significant and strong positive association between used in banking and trade references and approval for ranking of debtors. The credit approval practices indicators were found to be

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statistically significant in explaining the influence of debtor management on the growth of hire purchase sector for SMEs. As such, a unit change in either credit period length, Information of collection analysis for approval, approval for ranking debtors, credit approvals used in banking and trade references resulted in a significant valuable change in the growth of hire purchase sector for SMEs in Kenya.

5.2.2 The Influence of Credit Worthiness Practices on Growth of Hire Purchase Sector for SMEs in Kenya

The influence of credit worthiness practices on the Growth of hire purchase sector for SME in Kenya had the following indicators of financing were: Character; Capital; Conditions and terms; Collateral and Capability evaluation of credit worthiness practices on growth for hire purchase sector for SMEs in Kenya. Descriptive statistical methods were used to reach at the results. Most of the respondents agreed that major instruments of credit worthiness practices like: Character; Capital; Conditions and terms; Collateral and Capability had greatly influenced growth of hire purchase sector for SMEs in Kenya. Inferential statistical methods a Character; Capital; Conditions and terms; Collateral and Capability also gave findings and deductions. Findings on correlation and regression analyses indicated that there was a significant and strong positive association between debtor's capacity for credit approval and condition and terms of debtor's evaluation. These significant statistics indicated as such that, a unit change in any variable financing resulted in a change in the growth of hire purchase sector for SMEs in Kenya. The financing indicators were found to be statistically significant in explaining the influence of financing on the growth of hire purchase sector for SMEs in Kenya

5.2.3 The Influence of Credit Administration Practices on Growth of Hire Purchase Sector for SMEs in Kenya

The third objective sought to evaluate the Influence of credit administration practices on the Growth of hire purchase sector for SMEs in Kenya. The indicators of credit

administration practices allocation on marginal growth and returns within the hire purchase sector for SMEs in Kenya were, the timing of the initial reminder, the timing of different types of reminders, the timing of professional engagement by collection agencies and the timing of credit refusal. Descriptive statistical methods were used to reach at the results. Most of the respondents agreed that the timing of the initial reminder and the timing of different types of reminders led to a marginal increase in growth of hire purchase sector for SMEs. Inferential statistical methods also gave findings and deductions. Findings on debtor administration also clearly showed collection agencies had a credible timing.

5.2.4 The Influence of Collection Policy Practices on Growth of Hire Purchase Sector for SMEs in Kenya

The fourth objective sought to establish the Influence of collection policy practices on the Growth of hire purchase sector for SMEs in Kenya. The indicators of collection policy practices were policy in place on defaulters, the number of calls made in a month, the recovered amount in a month and collection of credit being done by the credit department. The descriptive statistical methods were used to reach at the results. Most of the respondents agreed on poor collection policies being available in their respective firms hence the lower mean on policy in place on defaulters, the recovered amount in a month increasing and the credit department handling collection flawlessly.

The Growth of hire purchase sector for SMEs in Kenya was the five objective sought to establish the general growth of hire purchase sector for SMEs in Kenya. The indicators of growth were: Increase in tock turnover; Profit increase; Employment increase; Managerial competences and Business environment in last three years of business timing of professional engagement by collection agency, the profit increase in the last three years of business the timing. Most of the respondents agreed on poor crediting policies being available in their respective firms hence the lower sense of growth. The Hire Purchase act did not control and clearly defined responsibilities in the management,

prevention and detection of risks and credit treatment of Hire Purchase debts, especially the risk management department. The business act has not issued regulation to clearly define the obligations and responsibilities as well as sanctions for violation of each staff that makes NPL happen or increase.

As for now, most of the responsibility on NPL lied on the customer relations department. Because of the absence of sanctions, the credit officers should not really be responsible for reducing risk and treatment of bad debts in credit activities because they most consciously contribute to a low growth achievement. In addition, there were no separation of functions for credit officers (focused on marketing, customer contact, creation of credit). This limitation reduces the objectivity and accuracy in evaluating the creditors of Hire Purchase bodies to increasing credit risks for the borrowers. The debt handling department was still primitive and was usually tasked with large homework hence delayed credit achievements. This was evidenced by a very surprisingly low mean grade on the increase in sales turnover in last preceding three months. This was sure because of the low returns power.

5.3 Conclusion

The provisions of the effect of credit approval procedure practices on growth impacted on the hire purchase sector for SMEs in Kenya positively. The above observations proved that proper records were kept and control exercised in most of the business enterprises, although there were certain areas that were not satisfactory. This resulted in some hire purchase sector for SMEs incurring losses because they had not kept proper accounting records of their previous customers by updating the old records.

The summary showed that most of hire purchase sector for SMEs approve credit customers before credit allowance and append with proper valid timing practices. This made the hire purchase sector for SMEs more cautious in managing the liquidity. Moreover, the approval procedures were used in all the four companies in depth and

that could mean low credit pending factors from a majority of customers who had a straight record.

Towards evaluation of the effect of creditors' worthiness practices on growth of hire purchase sector for SMEs in Kenya, numerous attempts were made to determine the exact credit value was in vain as defaulters and credit losses were a norm. Bad debts also appended to the clause. Credit administration practices were majorly the central point in this research because administration aims at controlling and coordinating the credit environment for a smooth running and the available practices were not in check.

Debtor's departments also appended to the clause. Credit administration practices were majorly the central point in this research because administration aims at controlling and coordinating the credit environment for a smooth running and the available practices were not in check. Mismanagement and poor credit administration was noted in most challenges they face and that promotes mishandling of records, failed credit follow-ups, poor cash monitoring procedures, lack of zeal, reluctance and other numerous growth curbing perils.

Mismanagement and poor administration was noted in most challenges they face and that promotes mishandling of records, failed credit follow-ups, poor cash monitoring procedures, lack of zeal, reluctance and other numerous growth curbing perils. The credit collection policy was an inevitable endeavor.

The rules of credit collection are standard and the hire purchase sector for SMEs use the policies well. The findings revealed that the majority of hire purchase sector for SMEs take their stocks weekly and uses it in re- ordering. The suggested procedure was to use a mathematical model in re-ordering and not their experience or market demands. Although working capital control practices used by the hire purchase sector for SMEs might provide desired result, proper level of efficiency might not be realized.

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5.4 Recommendation

The following recommendations were made based within the study conducted on Hire Purchase sector for SMEs in Kenya for debtors' management on growth:

5.4.1 Managerial Recommendation

The findings on credit management practices extended the frontiers of knowledge by generating valuable insights for both academic and managerial action. Therefore, the results of this study were of interest to the managers of hire purchase sector for SMEs in Kenya. The study showed that proper growth through appealing credit and debtor

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management practices was key in making better financial decisions which were assessed by managers which profitably cultures growth.

The ability to access good credit management information which could be acquired through formal training. The first implication of this study was that managers should be able to enhance their growth practices through acquisition of financial information that was relevant for them to make informed financial decisions relating to their businesses.

The study recommends that management should put stringent policies on credit management for the credit department. A good credit department runs with proper regulation and goals set by the management. A more pronounced management standards and to work in network form with other departments.

Updating the general management systems of the credit department to a computerized set was an up to speed approach where the management cat observed and made leads on the working and setting of the credit department as a credit department was believed to be the backbone of the hire purchase sector for SMEs in Kenya.

The management in each company should properly apply the four variables and their sub variables used in the study to all debtors buying on credit from the company so that growth could be realized.

5.4.2 Policy Recommendation

Hire purchase sector for SMEs in Kenya had adopted good working environments with good incentives and credit policies but the driving indicators of growth in any hire purchase sector for SMEs in Kenya was the net profit returns hence customer evaluation and upgrade of the credit department to a modern facility with departmental rules and policies would help immeasurably. Every department should work under its policy for a smooth operation within and outside its jurisdiction.

The study should assist policy makers to separate 'norms' from business in terms proper management of the business and adhere to growth practices required for running such businesses.

The belief that a market value was available for a given asset to hadan alternative for each asset so that customers could opt to acquire a competitive product instead. Most of these hire purchase sector for SMEs were still trading on near outdated goods like Singer sewing machines and Cathode Ray Screens that has made sales turnover to be low.

Policies for each company to be put in place in access to loans from financial institutions by having collaterals to be used to obtain loans.

Proper accurate records and controls to be improved and use of computerized systems to be in place at headquarters and branches by each company.

5.4.3 Study's Contribution to Other SMEs in Kenya and World at large

All other SMEs in Kenya should apply the four variables and sub variables used in the study so that faster growth for each SMEs in Kenya could be realized. The findings of the study would contribute to the existing body of knowledge to assist in the business growth. Not much had been done on the four variables on growth. Most of the studies on SMEs especially had been focusing more on working capital and growth. Thus the findings of this study would contributed a lot in filling knowledge gaps by focusing on the debtors' management on growth.

5.5 Suggestions for Further Research

The further researcher in the study for hire purchase sector for SMEs in Kenya should be linked with the limitation that included:

Formulation of research aims and objectives were not arrived at easily by the researcher to be formulated as at first they were too broad. This required the researcher to specify in which ways the formulation of research aims and objectives that could be narrowed to the level of focus for improvement.

Implementation of data collection method, the researcher required to had an extensive experience in primary data collection there could a great chance that the nature of implementation of data collection method to avoid being flawed.

Sample size the researcher that was used required to be assessed that dependent on the nature of the research problem. In case if the sample size was too small, statistical tests would not had been able to identify significant relationships within data set. The researcher then stated basis of using larger sample size that generated more accurate results. The importance of sample size was greater in quantitative studies compared to qualitative studies which the researcher had to make clear in the study.

Lack of previous studies in the research area. This where the researcher had to had literature review that was an important part of any research to any study because it helped to identify the scope of works that would had been done so far in research area. Literature review findings were to be used as the foundation for the researcher to be built upon to achieve her research objectives. However, there was little or if any, prior research on the topic if by the researcher that made the researcher had to focus on the most contemporary and evolving research problem or too narrow research problem.

Scope of discussions. The researcher included this point as a limitation of the research regardless of the choice of the research area. Because in most cases, the researcher did not have many years of experience of conducing researches and producing academic papers of such a large size individually, the scope and depth of discussions in the paper could not be compromised in many levels compared to the work of experience.

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APPENDICES

Appendix i: Introduction Letter

Dear Sir/Madam,

RE: RESEARCH QUESTIONNAIRE

I am Moses Wanjala Wekesa, currently a PhD candidate in business administration (finance option) at Jomo Kenyatta University of Agriculture and Technology. I am conducting a study concerning: *Effects of debtor's management practices for on small and medium entrepreneurships in Kenya.* Since you are the most informed person on your SMEs' performance, I have selected you as my study respondent. Please, take a few minutes to answer the questions in this questionnaire by indicating the extent to which you agree or disagree with a given statement on the space provided. I wish to assure you that your answers will be kept strictly CONFIDENTIAL and will be used for academic purposes only. Your answers will be essential in building an accurate picture of the issues that are vital in identifying the vital effects of debtor's management practices in your small and medium enterprises.

Yours sincerely,

Wekesa N. Namisi.

Student: Reg. No. HRD433-COO5-2436/2010

Jomo Kenyatta University of Agriculture and Technology – Mombasa CBD

wanjalamoses2250@gmail.com

Tel. +2547 2012 3800

Appendix ii: Questionnaires for the hire purchase business hire purchase sector for SMEs in Kenya

Introduction

The following are the general questionnaires designed to be filled by the above owners in Kenya for a study to find out the effects of debtors' management practices on growth for sector for SMEs owners. Once the data will be analyzed the information will be used by businesses in Kenya. The answers given will assist the researcher to find solution to the current problems. Please note that all answers confidential therefore, you are under no obligation to disclose your identity.

Please **DONT** write your name

Section i: Client's profile

1. (a) Name of the Small Medium Enterprise hire purchase sector for SMEs

   ……………………………………………………………………………

(b) Name of your location (Use addition sheets for Information)

   i. …………………………………………………………………………
   ii. …………………………………………………………………………
   iii. …………………………………………………………………………
   iv. …………………………………………………………………………
   v. …………………………………………………………………………
   vi. …………………………………………………………………………..........

2. Is there any relationship between growth and hire purchase sector for SMEs individual or group to contribute the hire purchase for SMEs on growth?

A Yes (   )   B No (   )

2, How long has the business been in the existence? Give range of years.

A. 1-5 (   ) B. 6-10 (   ) C. 11-15 (   ) D. 16-20 (   ) E. Above 21years (   )

4. How many branches is the business operating?

   (A) 1 – 2 (   ) (B) 3 – 4 (   ) (C) 5- 6 (   ) (D) Above 7 (   )

5. Are financial statements prepared for the periodically hire purchase sector for SMEs?

   (A) YES (   )   (B)   NO (   )

6. Are all debtors computerized for easy monitoring of debtors?

   (A) NO (   )   (B) YES (   )

7. Are Business environment prepared by the business and used for decision making?

   (A) YES (   )   (B) NO (   )

In the following sections ii, iii, iv, v, vi, vii and viii respond to each item by ticking the alternative you agree using the below table:

Strongly agree(SA)	Agree (A)	Not sure (N)	Disagree (D)	Strongly disagree (SD)
5	4	3	2	1

Section ii: Credit approval practices

To what extent does the business emphasize on the following over debtors' management practices on growth?	SA	A	N	D	SD
8) The business considers the length of credit period for the customer before approval.					
9) The business considers previous collection and analysis of information of the customers before approval.					
10) The ranking of debtors for customers are used in credit approval by the business.					
11) Bank and trade references are used before credit approval.					

Section iii: Credit worthiness practices

To what extent does the business emphasize on the following over credit approval procedures for growth?	SA	A	N	D	SD
12) Capacity of a debtor is evaluated before credit approval.					
13) Capital of the debtor is evaluated					

before offering credit.					
14) Conditions and terms of the debtor is evaluated before offering credit.					
15) Collateral of the debtor is evaluated before offering credit.					
16) Capability of the debtor is evaluated before offering credit.					

Section iv: Credit administration activities practices.

To what extent does the business emphasize on the following over the customers on debtors' credits worthiness on growth.	SA	A	N	D	SD
17) The timing of the initial reminder is done by credit department					
18) The timing of different types of reminders is done by credit department					
19) The timing of the engagement of profession collection agency is done by credit department.					
20) The timing of credit refusal is done by credit department.					

Section v: Collection policy activities practices

To what extent does your business emphasize on the following credit administration activities on debtors' credits for growth?	SA	A	N	D	SD
21) Action on defaulters was set in place by the credit department.					
22) Number of calls made in a month is recorded by the credit department.					
23). Recovered amount in a period had been increasing according to the credit department					
24) Assignment to collection agency is done by the credit department.					

Section viii: Clients of hire purchase for SMEs on growth

To what extent does your business emphasize on the following measures of growth?	SA	A	N	D	SD
25) Sales turnover of the business in the last three years had been increasing.					
26) Business environment had been sustained by the business for the last three years.					
27) Profit had been increasing for the					

	SA	A	N	D	SD
last three years in the business.					
28) Managerial competence had been used by the business for the last three years.					
29) Liquidity of the business had been increasing in the last three years.					
30) Managerial competences had been used by the business for the last three years.					
31) Sales turnover had been reducing in the last three years.					
32). Number of employees had been increasing in the last three years.					
33) Net cash flows been increasing in the last three years.					

Section x: Relationship between debtors' management practices and hire purchase for SMEs on growth:

Is there a relationship between debtors' management practices and hire purchase for SMEs on growth	SA	A	N	D	SD
34) Credit approval procedures practices that are in place lead to growth.					
35) Analyzing of credit worthiness that takes in place leads to growth.					

36) Evaluation of debtors' administration activities leads to an increase of 20%					
37) There had been an improvement in debtors' collection by using credit collection policies.					
38) The business growth depends on sales returns in terms of price of the product, sales in the period, number of customers in a period and credit collection policy in place.					
39) If increase of employees were applied well, it plaid a positive role on the business growth.					
40) Business environment if applied well, it plaid a positive role on the business growth.					
41) Managerial competences had been applied well, it plaid a positive role on the business growth.					

42) Please list any other ways that can be used in debtors' management practices that had effects on growth hire purchase for sector for SMEs

1.………………………………………………………………………………………

……………………………………………………………………………………

2.………………………………………………………………………………………

……………………………………………………………………………………

Appendix iii: that hire purchase for sector for SMEs participated in the Research.

1. Kukopesha Ltd

Address	(P.O. Box: 55466 – 00200 City Square)
	KTDA Plaza, Gr Floor, Moi Avenue
	Nairobi
Cell	(+254) 706398276 / (+254) 702706003
Email	info@kukopeshaltd.co.ke
Web.	www.kukopeshaltd.co.ke

2. Amedo Centres

Address	P.O. Box: 40350 – 00100
	GPO Utumishi Co-Op Hse, 2nd flr, Mamlaka Rd,
	Nairobi
Cell	(020) 2715844 / (+254) 702704560
Email	info@amedocentres.co.ke
Web.	www.amedocentres.co.ke

3. Kenya Credit Traders

Address	P.O.Box: 28026 – 00200 KCT Bldg, Witu Rd.
Cell	(+254) 733615842 / (020) 202661778
Email	info@kct.co.ke

4. African Retail Traders	
Address	P.O. Box: 32142 – 00600
	Ngara Rd Nea Building, Ground Floor, Government Rd
	Nairobi
Cell	(+254) 786444684
Email	mail@art.co.ke
Web.	www.art.co.ke

Appendix iv: Amedo Centres Approval Letter

amedo *Centre* ...for a great deal more

Amedo Centers Kenya Limited
Utumishi Coop House 2nd Flr
PO BOX 40350 - 00100
Nairobi, Kenya.
Phone: +2547 14618987, +2547
2027158987, 020 202725893, (020)
202725892
Email: info@amedokenya.com
Web: amedokenya.com

Wekesa Namisi Wanjala
Student Reg. Number: HRD433-COO5-2436/2010
Jomo Kenyatta University of Agriculture and Technology
Cell: +2547 2012 3800
Email: wanjalamoses2250@gmail.com

28th April 2016

RESEARCH APPROVAL

Following your recent application to conduct research study on effects of debtor management practices in Small and Medium Scale Enterprises in Kenya, i am hereby pleased to inform you that you have been authorised to perform your research in all the branches within the country for a period starting 1st May 2016 to 1 December 2016.

As a precaution to disturbance on our branch operations, you are advised to inform the station chief operators within the branch shop before you embark to conducting your research. On completion of the research, you are expected to submit a copy of your findings as discussed to our offices in .pdf format via our email and a hard copy to our offices.

These operations are expected to be conducted at space time and due soon. I expect you to inquire our support staff if you encounter any problems in your research and i also wish you luck in your research in our firm.

Yours Faithfully,

Anthony Mathu
Human Resourse-Manager
Amedo Centers Ltd

Copy to:
Chief Operations Officer

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Appendix v: KCT Approval Letter

020-2679767 & 0202661778
+254-722206073, +254-733615842
P. O. Box 28026-00200, Nairobi
www.kenyacredittraders.com
info@kenyacredittraders.com
© 2017 Kenya Credit Traders All Rights
Reserved.
Powered by Conquest Capital

HEAD OFFICE : KCT HOUSE
Witu Road off Lusaka Road
P.O. BOX 28026 - 00200
Nairobi.
Tel: 020-2661778 & 020-2679767
Mobile: 0722206073 & 0733615842
Email: info@kct.co.ke
Website: www.kenyacredittraders.-

Kenya Credit Traders Limited
For easy credit terms

Wekesa Namisi Wanjala
Student Reg. Number:
HRD433-COO5-2436/2010
Jomo Kenyatta University of Agriculture and
Technology
Cell: +2547 2012 3800
Email: wanjalamoses2250@gmail.com

8th March 2016

RE: APPROVAL FOR DATA COLLECTION

To Moses Wanjala Wekesa.

This letter acknowledges that I have received and reviewed a request by Moses Wanjala Wekesa to conduct a research project entitled: Effects of debtor's management practices for on small and medium entrepreneurships in Kenya. within all the branches of our company within the country before 23rd November 2016 and I approve of this research to be conducted within the bounds of the approval form given and filled.

When the researcher receives approval for his/her research endeavor for the research thesis, they must be in compliance of the regulations and pact of the company's review board by laws/KCT-SU IRB attached. I agree to provide access for the approved research thesis in our firm and if you have any concerns or need additional information, we will be happy to help via our contacts at the customer cares desk on (020) 2623 - 5369 or info@kct.edu.

Sincerely,

Susan M. Wanjiku
The Human Resource
Kenya Credit Traders Ltd
Cell: (+254)7 2220 6073
Email: wanjiku@kct.co.ke

Appendix vi: Kukopesha Ltd Approval Letter

Kukopesha Ltd
Address: P.O.Box 55466 – 00200
Premises Next To Standard Group
Centre, Gr Flr, Mombasa Rd.
Mobile : (+254) 723954343
Email Address: info@kukopesha.co.ke
Tel: (020) 9038 2761
12th Feb. 2016

Wekesa Namisi Wanjala
Student Reg. Number: HRD433-COO5-2436/2010
Jomo Kenyatta University of Agriculture and Technology
Cell: +2547 2012 3800
Email: wanjalamoses2250@gmail.com

APPROVAL FOR DATA COLLECTION

Dear Mr Wekesa Moses Wanjala:

It is my understanding that Moses Wanjala Namisi will be conducting a research study at African Retail Traders (2005) on Effects of Debtor management practices for on small and medium entrepreneurships in Kenya. Ms./Mr. Student has informed me of the design of the study as well as the targeted population.

I support this effort and will provide any assistance necessary for the successful implementation of this study. If you have any questions, please do not hesitate to call. I can be reached at +2547 2023 7811.

The researcher is advised to notify us when they complete the research and probably tell on the findings because the thesis topic is very needy. Good luck.

Yours Faithfully,

Maina Maingi
Stock Control Manager
Kukopesha Ltd

Kukopesha Ltd is located in
Kukopesha Ltd Premises Next To
Standard Group Centre, Gr Flr,.
Mombasa Rd. For more information
about Kukopesha Ltd see the contacts
below:
254771253211

Appendix vii: ART Approval Letter

African Retail Traders (2005) Ltd
UMI- Mobile Unit
Hire Purchase
Superloaf premises,
Kangundo Rd, Kenya
P.O.Box: 32142 - 00600 Ngara Rd
Phone: +2547 6875 6334

AFRICAN RETAIL TRADERS LIMITED (2005)

21ˢᵗ / March / 2016

Wekesa Namisi Wanjala
Student Reg. Number: HRD433-COO5-2436/2010
Jomo Kenyatta University of Agriculture and Technology
Cell: +2547 2012 3800 / +2547 35
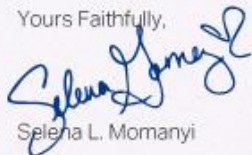Email: wanjalamoses2250@gmail.com

APPROVAL FOR DATA COLLECTION

The managemnt has hereby approved your request for data collection on effects of debtor management practices in Small and Medium Scale Enterprises in Kenya in African Retail Traders company within the country. This follows after a thorough discussion from your request on credit and debt managemnt flaws that hinnder growth in most SMEs in the country, especially Hire Purchase based. We believe yourresearch will come in handy and vital in reviving our credit operations if taken seriously. That is why we hably ask you to undertake your data colection within the bounds of the following restrictions.

1. Conduct your research in the afternoon or leave your questionair papers for filling then kindly pick them up in the afternoon of the next day to avoid affecting daily operations within our branches.
2. Inform your researcher to appear formal to our branches.
3. DO NOT ask or eximine our staff for more answers apart from the ones drafted on the questionaire copies.
4. Do not engage the employees in irrelevant conversations other than the ones relating to the questionaire provided.

IF YOU DISSAGREE WITH THE ABOVE REQUIREMENTS, YOU ARE ADVISED TO NOTIFY U IMMEDIATELY.

The researcher is advised to notify us when they complete the research. Good luck

Yours Faithfully,

Selena L. Momanyi
Human Resourse Manager
African Retail Traders Ltd

Appendix viii: Secondary Data: Data Collection Form

Items	Period	Remarks
Organization records	Last three years	Decline in records
Financial statements	Last three years	Reduction in the results in financial statements
Cash flows	Last three years	Decline in the cash flows
Ledger accounts	Last three years	Were not maintained properly
Trial balance	Last three years	Indicated decline in total amount each year
Books of original entry	Last three years	Not all were maintained at headquarters and branches

Appendix x: The Differences in The PhD Thesis of Mary Nelima and Moses Wekesa

Nelima Mary thesis:

- The title was relationship between accounts receivable management practices and growth of small and medium enterprises in Kakamega county, Kenya
- The variables for Nelima had five independent variables, a moderating variable and two sub variables for dependent variable that were different.
- The theories used were targeting the relationship between growth and management of receivables.
- The study was targeting SMEs in Kakamega County

Moses Wekesa thesis:

- The title was Effects of debtors' Management practices on growth of SMEs in Kenya but on hire purchase companies as a case study.
- The variables for Moses Wekesa were with four different types of variables and at least four sub variables of independent variables, with no moderating variable and one dependent variable but with two different sub variables apart from profitability and sales.
- The theories were targeting the management of debtors using the variables used in the study to assist in the collection of receivables on time to help growth of SMEs for hire purchase in Kenya.
- The study was targeting hire purchase sector for SMEs as a sub-set of SMEs.

In summary

Mary Nelima

- Was targeting on relationship between accounts receivable management practices and growth of small and medium enterprises in Kakamega county, Kenya.
- The benefits were to assist the SMEs in Kakamega County

Moses Wekesa

- Was targeting on debtors' management in terms of collection of all receivables on time and the effects they had on growth for SMEs for hire purchases in Kenya.
- The benefits were to assist the SMEs in Kenya especially hire purchase.