DETERMINANTS OF ACCESSIBILITY TO VENTURE CAPITAL FUNDS: STUDY OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY, KENYA

BY

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DECLARATION

Declaration by the Candidate

I declare that this thesis is my original work and has not been presented to any other institution. No part of this thesis may be reproduced without prior or express permission of the author and/or Moi University.

Sign______________________ Date ________________________

Barno, John Kipkorir
SBE/PGM/03/11

Declaration by the Supervisors

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DEDICATION

This thesis is dedicated to my beloved Uncles, Aunts, Brothers, my friends and my family members whose wishes was for me to take this course, for moral and inspirational support they provided to me during my studies. Special Dedication goes to my family and kids, my Grand Mother who has been a great champion of education since we were young to date and many more I cannot mention here I only say thank you.

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ABSTRACT

Accessibility to finances by the Small and Medium Enterprise (SMEs) in Kenya has been a major challenge. Venture Capital is one of the most convenient and secure source of finance to SMEs yet its accessibility is the greatest challenge to most SMEs in Kenya, therefore there is need to research on the determinants of accessibility to venture capital by SMEs. The main objective of the study was to determine the factors affecting accessibility to venture capital by SMEs in Kenya while the Specific objectives of the study was to determine the effect of Information disclosure, SME Owners awareness level, Quality of financial statements and Owners managerial competence on accessibility to Venture Capital funds by SMEs. This study adopted an explanatory design and the population of study comprised 11,753 SMEs registered and operating in Nairobi CBD, which is located in Nairobi County. The study used stratified random sampling technique to select 387 SMEs for the study and 387 five point Likert scale structured questionnaires were distributed to the respondents out of which 279 of them were collected which represented 72% response rate. Qualitative method of data analysis was used in analyzing the questionnaires in order to establish the relationship between the Independent variables and the Dependent Variable. Data was analyzed using descriptive statistics which include means and standard deviation. Inferential statistics which include Pearson correlation and multiple regressions were also used to test hypotheses. The findings indicated information disclosure (β_1 = 0.563, ρ=0.000<0.05), owners' awareness level (β_2 = 0.131, ρ=0.014<0.05), owners' managerial competence (β_3=0.129, ρ=0.005<0.05 and quality financial records (β_4= 0.159, ρ<0.05) positively significantly affects access to venture capital. The study thus, concluded that information disclosure, owners' awareness level, owners' managerial competence and quality financial records play a key role in enhancing access to venture capital. There is need for SMEs to keep a record of financial statements for future reference so that they can easily disclose them when required to. Invoices and receipts also need to be filed. They need to have an understanding of the risks and benefits of venture capital, attend trainings on business management and finally to have a good record keeping so that they can easily make decisions with the aid of the financial statements. This study has also provided the elements or qualities that attract SMEs Venture Capitalists. Future research should attempt to gather information from SMEs in other regions in Kenya to establish if the results of the study hold.

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Accessibility - This refers to ease, length, time and size of getting capital by SMEs.

Information Disclosure – This refers to the ease of availing debtors, creditors and any other standards of financial statements availed to investors.

Owners Awareness Level –This refers to the available information relating to access to finance and benefits of such finance to the firm by the owners of SMEs**.**

Owners Managerial Competence – This refers to the academics qualifications and job experiences acquired in relevant field of study by the SME managers.

Quality of SME's Financial Statement – This refers to the level of reliability and transparency by SMEs during reporting and publishing of their financial statements.

Small and Medium Size Enterprises. – This refers to those firms in Kenya with between 6-250 employees, some level of owners' managerial involvement and with total assets or annual turnover of less than 500 million shillings.

Venture Capital – This refers to taking an ownership interest in a company by buying shares or other forms of participation in the company capital, which is invested to new, attractive, and innovative businesses by venture capitalist firms.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the background of the study, statement of the problem, objective of the study, research hypothesis, Scope of the study and Significance of the study.

1.1 Background of the Study

The entrepreneurial activity is important element of the growth in a transition economy, since the new domestic businesses are crucial for new industries development and revitalization of the stagnant once. Moreover, sales and employment grow faster in entrepreneurial ventures than in state or privatized firms. This view emerges from the observation that post-socialist economies with quite robust model of entrepreneurial development have relatively high rates of economic growth (Berkowitz &De Jong, 2004). Successful small and medium size enterprises (SMEs) are often facing with difficulties in providing financial resources from the banking institutions, mainly because of their low credit rating.

According to European Central Bank (2011), out of the SMEs who applied for bank loans over the last six months, 11% were rejected, 4% were refused because of high costs, and 17% received less than they applied for. This means that one out of three businesses did not get the finance they had planned for. In addition, according to Bank Lending Survey of Europe (European Central Bank,2011) the overall net tightening of credit standards by euro area banks increased significantly in the third quarter of 2011. In particular, the net tightening of credit standards on loans to SMEs rose from 3% in the second quarter of 2011 to 14% in the third quarter. This further tightening has been ongoing since the second half of 2010. As loans are not always easy to access, venture capital offers an alternative source of finance, which allows SMEs to invest and grow. Venture capital provides fresh capital to generally small and young companies. Often innovative start-ups, they have a strong growth potential, but at the same time have a business model with a high level of uncertainty (Brussels, 2011).

In Kenya, Venture Capital Companies are operated under the Capital Market Act (CAP 485A Regulation 2007). Being the equity provider, venture capital accepts more risk than, for example, banks offering loans: creditors are expected to be paid before owners in case of company's failure. Since the success of a venture capital fund's investments is directly linked to the success of the underlying companies, venture capital firms (unlike traditional debt providers) usually provide important non-financial support to these companies including consultancy services, financial advice, marketing strategy, training, etc. (Brussels, 2011). They are currently in conjunction with other financial providers geared towards an Industrialized Kenya by the year 2030 under Kenya's Vision 2030 economic pillar.

Venture capital can be supplied in a number of ways including public or regional organizations, banks, corporations and their affiliates. However, in Europe, the majority of venture capital investments come from independent venture capital investors and usually structured as funds, they pool capital from a number of investors in pursuit of a defined strategy. As such, they strive to diversify the individual investor's risks by investing into carefully selected portfolio companies. These funds are usually structured as limited partnerships with a limited lifespan, usually 10 years.

The Venture Capital (VC) application is among the activities targeting and gearing towards finding solutions for the financial problems of the sector. Venture Capital proved to be an important financing instrument for new, attractive, and innovative businesses, particularly SMEs, whereas, its unique ability of combining both financial and business services in one model reflects direct response to the SMEs needs.

Venture Capital is viewed as one of the possible good tools that could serve this sector and participate in solving both financial and non-financial problems of the SMEs. However, there is the problem of conveying the role of Venture Capital to SMEs and explaining to the SMEs the potential effective role that the Venture Capital can play, and how the SME businesses can be developed by VCs (Scheela, 2001).Venture Capitalists need to have more information in relation to this sector. They need to have information relevant to the type of business, asset size, investment size, management structure, qualifications of top management, marketing strategies and plan, cash-flow analysis, break-even analysis, forecasting analysis, and others. Accordingly, it is important to create a database for the SMEs sector; especially that it would be difficult for the VC to assess the status of the SMEs, due to the fact that most of the SMEs do not have audited financial statements and lack the financial transparency According to (Hellmann, 2000)

In Kenya private Venture Capital firms include: Kenya Equity and Term Financing, Acacia Fund Limited, Kenya Management Company Limited, Nairobi garage, Monsanto Fund, Growthub, LeapFrog, Westpac and Auros East Africa while Donor backed public Debt Corporation that offer Venture Capital includes:, Industrial Credit and Development Corporation (ICDC) and Commonwealth Development Corporation ,Other firms in Kenya includes; Enablis Seed Capital Investment, Venture Worthy, Fanisi Venture Capital Fund, Africa Media Venture Fund, Eva Fund, Open Capital Fund, Savannah Fund Grofin among others.

The presence of both private and government venture capital in Kenya is evidence that firms have a wide range of different sources of finance. But are the funds used? Are they known that they exist? This paper is concerned with enlightening the Kenyan investment community of the impact of Venture Capital on firms' growth through SMEs and that the same finance is available in Kenya although little known. With the presence of Venture Capital firms in Kenya, entrepreneurs have an assured alternative source of finance.

Ambrose (2012) conducted a study on the level of awareness, appreciation, and acknowledgement among the Kenyan investment community about the role Venture Capital financing play in boosting industrial development through MSMEs semi structured questionnaire and found out that all entrepreneurship development stakeholders were largely ignorant of the potentials for VCs to bridge the MSME financing gap. Those venture capitalists were not willing to finance SMEs in Kenya due to their volatility, inability to meet the requirements of venture capitalist and their inexperience in business financial management. The SMEs in Kenya are found to be scarcely in partnerships, which denied them reasonable capital base requisite to attract VCs. Despite the fact that VC is the most relevant and important sources of finance for innovative entrepreneurship growth, this study found lack of enterprising culture to drive the promotion, competition, innovation, sector development and industrialization in Kenya.

1.2 Statement of the Problem

The Small and Medium Enterprise (SME) sector constitutes in excess of 40% of the economy of the country (European Economic Review, 2011). The need to provide secured source of financing for this sector cannot be over emphasized. SMEs, if properly structured and capitalized have the potential to grow and spearhead accelerated growth of this economy into a middle-income status. Unfortunately since there is a dearth of long term investment funds for SMEs due to consequence of the banks and securities markets shying away from the high risk investments in these sectors, therefore the real problem with SME's in Kenya today is raising capital to either start, grow or go global and it has become imperative for the Government and Private investors/Financiers to set up a venture capital fund that will provide long term funding for the high risk investment needs of the SME sector.

In Kenya, venture capital funds invested in 1182 businesses in the year 2009, of which only 409 (35%) were seed, startup or early stage (Business daily, 2010).there is a substantial pool of informal venture capital available for investment in Kenya. The challenge for policy-makers is therefore to understand the barriers that prevent this capital from being invested, and to design appropriate interventions for their alleviation or removal. Nevertheless, studies on accessibility of venture capital have not been adequately studied creating a dearth gap in the existing literature. Therefore, the current study attempts to fill the aforementioned gap and investigate the factors (Information disclosure, SME owner's awareness level, Quality of financial statements and Managerial Competency) that affect accessibility of venture capital.

1.3 General Objective

To assess the determinants of accessibility to venture capital by SMEs in Nairobi County, Kenya

1.4 Specific Objectives of the Study

1. To determine the effect of information disclosure on accessibility to venture capital funds by SMEs in Nairobi County.
2. To determine the effect of Owners awareness level on accessibility to venture capital funds by SMEs in Nairobi County's
3. To determine the effect of quality of SMEs financial statement on accessibility venture capital funds by SMEs in Nairobi County.
4. To find out the effect of Owners managerial competence on accessibility to venture capital funds by SMEs in Nairobi County.

1.5 Research Hypothesis

H_{o1}: Information disclosure has no significant effect on accessibility to venture capital funds by SMEs in Nairobi County.

H_{o2}: SMEs Owners Awareness level has no significant effect on accessibility to venture capital funds by SMEs in Nairobi County.

H_{o3}: Quality of financial statement has no significant effect on accessibility to venture capital funds by SMEs in Nairobi County.

H_{o4}: SMEs Owners Managerial competence has no significant effect on accessibility to venture capital funds by SMEs in Nairobi County.

1.6 Significance of the Study

This study brought together aspects of theory and practice. For theory, this study is an expansion of previous studies on accessibility of venture capital of small and mediums enterprises by focusing on examining the simultaneous impacts of factors affecting accessibility of venture capital funds among micro and small enterprises. In addition, utilizing data from Nairobi County the capital city of Kenya, contributes to the literature of accessibility of capital funds, which traditionally concentrates on developed economies rather than developing economies.

In practice, this study is significant for practices of financing SMEs in Kenya. The study will provides descriptive findings of accessibility of venture capital funds and demonstrates the simultaneous impact of factors affecting accessibility of venture capital funds. In addition, the research study will provides a model of accessibility of venture capital funds, in which accessibility of venture capital funds is related to information disclosure, awareness level, quality of financial statement, firms and liquidity. This research study provides many implications for strategic management practice and contributes to the knowledge of organizational performance.

Therefore, this research work is of immense benefit not only to the Government but it will equips both policy makers and industrialists with the strengths and weaknesses of various strategies/incentives and practices in the management of SMEs. This makes it easier for both Government and industries to combine the best ways to enhance accessibility of venture capital funds among SMEs. This study is significant since it is hoped its findings and recommendations will assist policy makers in the Ministry of Trade and Industry in making appropriate decisions. This research provides insightful reference that policy makers, researchers and scholars in Kenya, and particularly in

Nairobi County, can rely on in regard to factors affecting the accessibility of venture capital funds in SMEs.

1.7 Scope of the Study

This focused on the factors affecting venture capital accessibility by small and medium enterprises (SMEs) located within the Central Business District in Nairobi County Thus, the geographical scope of this study only involved SMEs which are located within Nairobi C.B.D, while the data from the SMEs was collected from owners of SME. Data was collected in December 2015 through the use of questionnaires and analyzed quantitatively.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature included the concept of venture capital, factors affecting accessibility of venture capital and theoretical perspectives

2.1 The Concept of Venture Capital Funds

Venture capital mainly comprises equity finance for example, taking an ownership interest in a company by buying shares or other forms of participation in the company capital, which is invested at the early stages of innovative start-up companies. Economic studies show that young start-ups that benefit from equity investors fare better than those who have to rely on debt (Robb and Seaman’s, 2011). Venture capital provides fresh capital to generally small and young companies. Often innovative start-ups, they have a strong growth potential, but at the same time have a business model with a high level of uncertainty. Being the equity provider, venture capital accepts more risk than, for example, banks offering loans: creditors are expected to be paid before owners in case of company's failure (ECB, 2011). Since the success of a venture capital fund's investments is directly linked to the success of the underlying companies, venture capital firms (unlike traditional debt providers) usually provide important non-financial support to these companies including consultancy services, financial advice, marketing strategy, training among others (European Private Equity and Venture Capital Association, 2010).

Venture capital can be supplied in a number of ways including public or regional organizations, banks, corporations and their affiliates. However, in Europe, the majority of venture capital investments come from independent venture capital investors (VICO, 2011). Usually structured as funds, they pool capital from a number of investors in pursuit of a defined strategy. As such, they strive to diversify the individual investor's risks by investing into carefully selected portfolio companies. These funds are usually structured as limited partnerships with a limited lifespan, usually 10 years

2.1.1 Signaling Theory

According to the signaling theory, venture capital can signal the quality of the firm to the market (Spence, 1973). And these signals affect the investor's perception of firm quality. By firm quality, we refer to unobservable firm quality, which can be signaled by equity investment from specific type of venture capitals whether it is PVC or GVC. Signaling effect should be distinguished from value-adding activities. While signaling effect is based on reaction of the investors on reputation, prestige, or perception of the venture capital, value-adding effect is based on venture capitals' activities such as provision of specialized knowledge, managerial advices, and external networks. Reputable VC's signaling effect has been identified by the positive reactions of the market in terms of raising the IPO price of the firms (Pollock *et al*., 2010).

Signal is the backing of a venture capitalist (Cyr, Johnson and Welbourne, 2000). For an entrepreneurial firm to obtain VC financing, it must successfully make it through multiple screens. As practitioners and academics know alike, obtaining VC financing is very difficult. The Presence of VC backing thus can serve as another separating equilibrium according to signaling theory. Firms that possess VC backing send a positive signal to the market (Cyr, Johnson, and Welbourne, 2000; Brau and Johnson, 2009). Several studies and much of the extant literature examine and present venture capitalists as value-added investors who assume an active role in their entrepreneurial enterprises (Bygrave and Timmons, 1992). They are highly incentivized to add value to the companies they back because their compensation is tied to that firm's performance. They are motivated to provide the necessary resources, including their knowledge of raising capital, suppliers, and customers to assure the success of the venture.

2.1.2 Factors Determining Access to Venture Capital Funds

There are many factors that influence access to venture capital funds in Kenya ranging from small firms to large firms according to various available literature reviews but for the purpose of this research we will consider four major factors which affect many small and medium size enterprises in Kenya firms namely; Information disclosure (Inderst and Muller 2003 and Matsusaka and Nanda, 2002), Owner's awareness level (Guiso and Jappelli, 2005 and Kotler*et.al.* (2004), Quality of SMEs financial statement (European Commission, (2010:8) and EAAFRSC, 2008:37) and Effect of Owners managerial competence (Hellriegel *et al.,* (2008); Lenssen *et al.,* (2006).

The above factors are the main factors which affect the accessibility to venture capital funds by SMEs across all industries and also the venture capitalist considered them to be crucial factors for making investment decisions in SMEs firms.

2.1.3 Information Disclosure and Accessibility of Venture Capital Funds

One major challenge for venture capital firms (and for research in this field) is how to handle the information disclosure that an investment in a young entrepreneurial firm gets in order to adopt an optimal contracting approach to study the conditions under which a financially constrained firm would prefer to borrow against one or multiple projects (Amit *et al.*, 1998). Inderst and Muller (2003) in their model, there is asymmetric information between headquarters and outside investors but not between headquarters and division managers as in this model.

The decision of the firm to finance one or multiple projects depends on the ability of the firm to credibly repay the debt; thus, the boundaries of the firm are determined by the degree of information disclosure between the firm and the external capital markets. However, in this model, since firms are assumed to have access to unlimited capital, the decision to finance projects depends on its ability to incentivize the division managers and to match the Venture capital offers hence, the boundaries of the firm are determined jointly by the structure of the product market competition and the relative efficiency between internal capital markets and VC markets. Matsusaka and Nanda (2002) assume a deadweight loss to external financing. In their model, firms trade off the cost of external financing against the over-investment problem in internal capital markets

Honohan (2010) expresses some reservations about the extent to which the adverse information problem or the lack of collateral provides a sufficient justification for intervention. While loan guarantee schemes help SMEs avoid the adverse information problem that leads to credit rationing in Stiglitz-Weiss type of model because of the lower (subsidized) interest rate implied with the guarantee, there is no reason why any guarantor would have an information advantage relative to the bank. Some researchers suggested solutions engineered by the venture capital industry to overcome problems arising from the disclosure of information include the use of convertible preferred stock (Bary, 2004), Trester (2008) control rights (Hellmann,

2008) which may include representation on the boards of start-ups and syndication, Brander, Amit and Antweiler (2005).

The syndication may be a mechanism through which venture capitalists determine informational uncertainties about potential investments. Admati and Pfleiderer (2004) develop a rationale for syndication in later venture rounds that is based on informational asymmetries between the initial venture investor and other potential investors. A venture capitalist who is involved in the firm's operations may utilize this informational advantage, overstating the appropriate price for the securities in the next financing round. The only way to avoid this opportunistic behavior is when the lead venture capitalist maintains a constant share of the firm's equity. Syndication may also be a mechanism through which venture capitalists exploit informational asymmetries and collude to overstate their performance to potential investors.

Venture capital investments in firms with a short history (lack of historical data) and in new industries give rise to information asymmetries between venture capitalists and entrepreneur of a much higher magnitude and importance then investments in publicly traded corporations. The theory of information disclosure originates from agency theory (separation of management and control) (Eisenhardt, 1998) and suggests that the entrepreneur often has an information advantage over the venture capitalist. Information disclosure creates two major problems that need to be dealt with, the risk for adverse selection and the risk for moral hazard (Amit *et al*., 1998; Cumming, 2006).

The risk for adverse selection is basically the risk that "hidden information" leads to bad investments (in firms with poor performance). The risk for moral hazard is about the risk that the entrepreneur acts opportunistically to the venture capitalists' disadvantage is difficult to emphasize the importance of stated criteria, since many of them are highly inter-correlated. Some academic studies (Groh, Liechtenstein & Lieser, 2011) aggregate and provide the most important information required from institutional investors for international VC and PE allocation decisions.

How information asymmetries are handled, has been a major research issue in venture capital research (Cumming, 2006). Agency theory and information disclosure theory is often used when studying contracting issues in venture capital. Contracts between venture capitalists and entrepreneurs "address the two fundamental problems of information disclosure and moral hazard by allocating cash flow rights, voting control, and decision rights" (Denis, 2004) Contracts can be used as screening devices to avoid adverse selection (Smith and Smith, 2004) and be used to avoid moral hazard problems (Elitzur and Gavious, 2003).

To overcome such information asymmetries, firms seeking capital often use signals that partly substitute for the lack of an established record and can portray the potential of the firm (Busenitz *et al*., 2005; Certo *et al.,* 2001; Zhang and Wiersema, 2009). In fact, whenever information asymmetries are present, VCFs tend to rely on signals of this sort before they make investment decisions (*al.,* 1990; Higgins and Gulati, 2006) because a priori the separation of high-quality start-ups from firms with less potential can become prohibitively difficult (Davila *et al*., 2003). Along these lines, a number of studies demonstrate that, in general, signals can reduce information asymmetries (e.g. Cohen and Dean, 2005; Janney and Folta, 2003).

The combined effort to assess the quality of a venture helps venture capital investors to overcome informational asymmetries, as the entrepreneurs typically know more about the investment opportunity they seek funding for and might overstate the attractiveness of his business proposal (Sorenson and Stuart 2001).

2.1.4 Owners Awareness Level and Accessibility of Venture Capital Funds

Guiso and Jappelli (2005), provide evidence that lack of awareness affect venture capital accessibility. The determinants of awareness, and they reveal the probability that survey respondents are aware of venture capital, mutual funds and investment accounts is positively correlated with education, household resources, long-term bank relations and proxies for social interaction, and concluded that lack of financial awareness has important implications for understanding the stockholding puzzle and for estimating stock market participation costs.

The exploration and understanding of awareness is always critical to ensure that organization can remain successful and competitive in the industry. There are various definitions given for understanding the concept of awareness. Referring to Kotler *et.al.* (2004), the concept of awareness attempts to explore how the SME establish the knowledge of the products or services and to what extent they are lacking of information about it. According to Walter (1998), the term awareness refer to what extent the individual are able to associate the product as an option to satisfying a problem but has little or no information about it. As argued by Sharon (1999), need to raise the awareness of SMEs are offering a wide range of customer products beside various alternatives that are made available by banking institutions in securing their competitiveness. In a plainer and much easier way to understand, awareness may be defined as a knowing about the products offered (Aminudin, 1999).

2.1.5 Quality of Financial Statement and Accessibility to Venture Capital Funds

SMEs lack of access to capital and high interest rates charges are partially the result of incomplete (or no) accounting records, and the inefficient use of accounting information. Poor record keeping and accounting information make it difficult for financial institutions to evaluate potential risks and returns (World Bank 1978),

According to the European Commission, (2010:8) financial statements constitute only one of many factors that are considered in the credit granting process by banking institutions. The European Commission (2010:8) concluded that the adoption of the IFRS for SMEs, if compared to prevailing national accounting practices, will not provide additional benefits to banks. Moreover, banks usually do not depend on published financial statements since they have the right or power to demand the information they require (EAAFRSC, 2008:37). While bankers require financial statements for accuracy and comparability purposes and since investors consider trend lines and year-over-year comparisons to be important, relatively little is known about the actual views and needs of owner-managers (EAAFRSC, 2004:2).

Record keeping is clearly essential to good administrative decision-making, consistency and fairness, impartiality, continuous learning and improvement, and effective risk management (Tacy, 2004). Quality record keeping is critical and important for any kind of enterprise (Premaratne, 2002; Kegie, 2004).

The Blue Ribbon Committee (1999) in Gregory and Jeannot (2002) asserts that financial information should be acceptable and of quality. However, quality notion is relatively ambiguous and is potentially problematic (Krishnamoorthy, *et al.,* 2002). Quality is often a subjective goal and its measurement is not an exact science but a continual process of discovery that emerges as a top competitive priority within the firms (Mangiameli and Reolthlein, 1999; Voehl and Adams, 2003).

The literature suggests that after complying with statutory requirements there is no other use of financial statements by most SME owners/managers. The accounting regulatory framework is considered by most SMEs as something of a haphazard patchwork (Walton 2000). Although, most of small businesses prepare financial reports for statutory purpose, many fail to use these reports (DeThomas and Fredenberger 1985). SMEs owners/managers either lack the technique for using financial statements (Byron &Friedlob 1984; DeThomas & Fredenberger 1985) or simply are unaware that they can use them to support the financial decisions. Poorly prepare accounting information render most SMEs unable to evaluate their own financial situation, or to demonstrate viability, and or to facilitate loan financing. This situation causes improper financial decisions and ends up with low performance and high failure rate.

2.1.6 Owners Managerial Competence and Accessibility of Venture Capital Funds

Hellriegel *et al.,* (2008) stated that Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness. This is supported by Henderson (2000) who defines a competency as a combination of knowledge and skills required to successfully perform an assignment. Its attainment is evidenced by the ability of an individual to gather data, process it into useful information, access it and arrive at an appropriate and useful decision in order to initiate the actions necessary to accomplish the assignment in an acceptable manner.

The Hay Group (2003) puts it that, a competency is an underlying characteristic of a person which enables him/her to deliver superior performance in a given job, role, or situation Lenssen *et al.,* (2006) noted that, defining the competencies required for any particular job role allows managers and those responsible for their development, to grasp what is required to reach improved levels of excellence and performance by providing a common framework which articulates the skills, knowledge and attitudes relevant to successful business practice.

Senge (2002) noted that, although the competencies that are required of the members are known, there is evidence that some of the entrepreneurs that run these SMEs' are usually poorly educated, lack experience, are unimaginative and lack business skills and knowledge to perform their work, which in turn affects business performance. Martin & Staines (2008) examined the importance of management competence in small firm success. They found out that lack of managerial experience, skills and personal qualities as well as other factors such as adverse economic conditions, poorly thought out business plans and resource starvation are found as the main reasons why new firms fail. The distinguishing feature of high growth and low growth small firms is the education, training and experience of managers.

Lyles *et al.* (2004) observed that, managerial competencies as measured by the education of, managerial experience, entrepreneurial experience, start-up experience and functional area experience positively impact on new venture performance. Other empirical studies such as Small bone and Welter (2001), Hisrich, and Drnovsek (2002) found out that, managerial competencies as measured by education, managerial experience, start-up experience and knowledge of the industry positively impact on the performance of new SMEs.

Musoke (2007) argues that competencies are more important than just knowledge and skills for the successful performance of complex tasks with a high level of responsibility. He adds that as far as knowledge and skills are concerned, many people are equal as can be seen from Degrees, Diplomas and certificates and work experience and work results. Therefore, it is the employee’s effort, enthusiasm, motivation and the underlying self-image that distinguishes the successful employee from the unsuccessful one. Brophys M (2002) revealed that, competencies provide benchmarks for comparing actual performance with desired performance. This is supported by Appelbaum (2002) and O’Reilly (2004) who contend that competent employees’ contribute greatly to the achievement of organizational goals. They add that, without competence, employees’ can violate the psychological contract thus hindering one’s ability to be competent and perform well.

2.2 Conceptual Framework of the Study

Figure 2.1 below shows the Link between Information disclosure, SME owner Awareness level, Quality of SME financial statement, Owners Managerial competence with SME accessibility of venture capital funds. The four variables (Information disclosure, SME owner Awareness, Quality of financial statement and Managerial competence) are treated as the independent variables while SME accessibility of venture capital fund is the study independent variable. Information disclosure is assumed to increase the accessibility of Venture capitalist because Venture Capitalist will be able to identify gains, losses and risk associated with the business.

The model is summarized as follows;

Independent variable **Dependent variable**

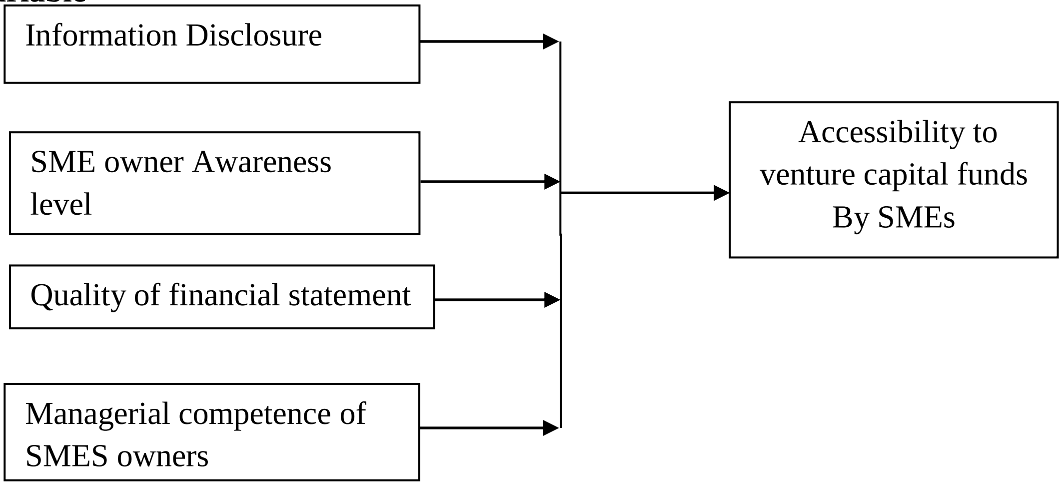

Figure 2.1: Conceptual Frameworks

Source: Researcher, 2014

2.3 Measurements of Variables

The Independent Variables were measured as follows: Information disclosure was measured using the following parameters; debtors and creditors records, invoices and receipts, financial records availed and Electronic database, SMEs Awareness level was measured by; trainings on Venture Capital funds, number of times the firm has used Venture capital funds, Knowledge of its benefits and Frequency of availing information to venture capitalists, Owners Managerial Competence was measured by looking at level of education, trainings on venture capital, years in management, size of firm managed and success records lastly Quality of financial records was measured by looking at Frequency of its preparation, Conformity to international Standards, Reputation of hired to prepare financial records and level of disclosure to investors.

The dependent variable on the other hand which is Accessibility to Venture Capital Funds was measured by; the total funds invested in the firm by investors, total venture capital received, timeline of investment of such funds received and lastly the amounts invested at launching or start up stage of business. In order to achieve the above measurements in the research 5 Likert scale questionnaire was used.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the research design, target population, sampling procedure and sample size, data collection method, data validity and reliability, data analysis and presentation, ethical consideration and finally the expected output.

3.1 Research Design

Polit and Hungler (1999) described research design as a blue print or outline for conducting a study in such a way that maximum control will be exercised over factors that could interfere with the validity of the research results. This study adopts a correlation design because the research is a cause and effect relationship. The basic idea behind survey methodology is to measure variables using data collected from a representative sample and then to examine relationships among the variables. In most instances, surveys attempt to capture attitude or patterns of past behavior (Hagan, 2000). Survey research involves use of questionnaires or interview to collect data from sample that has been selected to represent a population to which the findings of the data can be generalized. This design is best for investigating the factor influencing accessibility of Venture Capital Funds among SME.

3.2 Target Population

The population of study comprised registered SMEs where owners/managers in Nairobi CBD which is located in Nairobi County. According to Nairobi County there are 30252 registered SMEs in Nairobi County, (Company Registrar, 2013). Out of these SMEs, only 11753 SMEs found in Nairobi CBD. The study only targeted SMEs within seven sectors, namely; financial services, Retail, Telecommunication, Agriculture, Hospitality, Professional services and Workshop services. This is because the majority of the targeted SMEs in those sectors keep proper books of accounts as required by law and the seven sectors dominate Nairobi town CBD and they have either sought for or accessed Venture Capital (KPMG, 2012)

Table 3.1: Target Population

Name of SME	Target population
Financial services	1050
Retail	4170
Telecommunication	1789
Agriculture	1095
Hospitality	951
Professional services	547
Workshop services	2151
Total	11753

Source: Company Registrar, 2013

3.3 Sample Size and Sampling Design

From the target population of 11753 SMEs, the following sample size formula was used to select a sample size of 387 SMEs as shown below;

$$n = {}^{N}/_{1} + N_{e^2} = {}^{11753}/_{1} + 11753_{0.05^2}$$

= 38

Where:

n = Sample size

N = Population size

e = the error of Sampling

This study allowed the error of sampling on 0.05. Thus, sample size will be 369 SMEs where owners or managers were picked.

3.3.1 Sampling Procedure

The study used Cluster sampling technique to select the SMEs where owners/managers will be picked from. Therefore, SMEs were divided into four clusters (sectors) where the sample size was distributed. The purpose of the method is to maximize survey precision, given a fixed sample size. The best sample size for stratum h would be:

$$n_h = \left({N_h}/{N} \right) n$$

Where,

nh - The sample size for stratum h,

n - Total sample size,

NH -The population size for stratum h,

N - The total population

Hence, distributions were as follows;

Table 3.2: Determination of Sample Size

Name of SME	Target population (SME owners/managers	$n_h = \left(N_h / N\right) n$	%
Financial services	1050	35	3.33
Retail	4170	137	3.29
Telecommunication	1789	59	3.30
Agriculture	1095	36	3.29
Hospitality	951	31	3.26
Professional services	547	18	3.29
Workshop services	2151	71	3.30
Total	11753	387	3.29

Source: Registrar of Companies (2013)

The researcher assigned random numbers to SMEs in each street then calculates the max-value of the sampling interval (the number of individuals in the population divided by the number of individuals to be chosen for the sample, selected a random number between 1 and the max-value, and repeatedly added the max value to select the rest of the SMEs and chose the sample by selecting the SMEs corresponding to the number sequence obtained.

3.4 Data Collection

3.4.1 Type and Sources of Data

The research utilized both primary and secondary data. The secondary data was obtained from previous reports as well as the internet. The primary data on the other hand was obtained from questionnaires adopted for the study.

3.4.2 Data Collection Procedures

Questionnaires were used to obtain the primary data required for the project which were self-administered by the researcher in the field. Questionnaires are best suited for surveys (Saunder *et al.*, 2007). This research employed a 5 Likert scale questionnaire in rating the various responses. The respondents were required to read, understand and tick an appropriate choice. The respondents comprised of the SME manager/owners in Nairobi town. The questionnaires are were administered by the researcher so as to obtain more information and also obtain clarity of information obtained from the respondents.

3.5 Validity and Reliability of Research Instruments

3.5.1 Validity of the Research Instrument

Validity refers to the degree to which evidence supports any inferences a researcher makes based on the information collected using particular instrument (Fraenkel, Wallen, & Hyun, 2012). In this study, two types of validity will be tested; face validity and content validity. Face validity refers to the likelihood that questions in an instrument will be understood. To improve on the face validity, a pilot study will be conducted after which responses to each item will be scrutinized to identify any misunderstandings and ambiguity. Items found to be unclear or ambiguous will be modified thereby improving face validity. Content validity, refers to whether an instrument provides adequate coverage of the topic. Expert Opinions, literature searches and pre-testing of open-ended questions was used to improve the content validity used. For this study, validity is to be achieved through a pilot test. The research employed the use of questionnaires. The purpose of construct validity is to show that the items measure and are correlated with what they purport to measure, and that the items do not correlate with other constructs.

3.5.2 Reliability of the Research Instruments

Reliability refers to the degree to which the instrument yields the same results on replicated trials (Orodho, 2009). It is therefore the degree of constancy or whether it can be relied upon to produce the same results when used in two or more attempts to measure theoretical concepts. A reliable measuring tool need not be applicable (Kothari, 2008). To ensure reliability of the questionnaires, a pilot study will be carried out in neighbouring Nakuru County. This area will be used for piloting because the two counties have concentration of SMEs. Crobanch Alpha will be used to determine a reliability index, where Cronbach's coefficient, having a value of more than 0.5 is considered adequate for such exploratory work (Nunnally, 1978). The piloting of the questionnaire will be to identify faults hence improve its reliability. The SPSS computer software will aid in working out this Crobanch Alpha value to be achieved.

3.6 Data Analysis and Presentation

3.6.1 Preparation of Data for Analysis

Once the questionnaires were collected by the researcher, they were coded and keyed into the SPSS computer software Version 20 and analysed. Initially screening of data was done using sort functions. Data was based on the objectives and research question of the study.

3.6.2 Descriptive Statistics and Factor Analysis

Descriptive methods were employed in analyzing qualitative data where frequencies and proportions were used in interpreting the respondent's perception of issues that was raised in the questionnaires so as to answer the research questions. Descriptive statistics such as frequency distribution, percentages, means and standard deviations was calculated and data presented in form of tables, graphs and charts.

3.6.3 Regression Analysis

Regression analysis was used to draw implications from the data with regard to the regression model. The study used P values to accept or reject hypothesis (decision rule)

The regression model was expressed in mathematical notation as follows:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon$$

Where Y = SME'S accessibility of venture capital funds

x_1= Information disclosure

x_2= SME'S Owners awareness level

x_3= Quality of financial statements

x_4=Owners Managerial Competence

e= error term

β_0 = Constant

β = the model parameters

Assumption

3.6.4 Assumptions of Multiple Regression Analysis Model

William *et al*. (2013) Variables are normally distributed; Regression assumes that variables have normal distribution; none normally distributed variables can distort relationships and significance tests.

I. Linear Relationship between I.V and D.V; Standard multiple regression can only accurately estimate the relationship between DV and IV if the relationships are linear in nature.

II. Homoscedasticity; Means variance of errors is the same across all levels of the IV, when variance of errors differ at different values of the IV.

III. Mutilcollinearity which was tested using VIF and tolerance, findings indicated both had values less than 4 and more than 0.2 indicating minimal multicollinearity.

IV. Normality-The assumption of normality states that the error terms at every level of the model are normally distributed.

3.7 Limitations and Delimitations of the Study

The study was limited to small and medium enterprises (SMEs) in Nairobi C.B.D. The data was captured from owners of the enterprises. Considering the exponential growth of Nairobi C.B.D, the number of SMEs is growing on a daily basis hence accurately capturing these Enterprises was a challenge. The target population was not freely willing to provide the information relevant for the study because of confidentiality of such information hence the researcher took up the responsibility of informing respondents on relevance of the study and assured them confidentiality of their information.

3.8 Ethical Consideration

The researcher purely used the information collected for the purpose of this study and did not forward to any other party. The information from any individual was treated with high degree of confidentially without disclosing the respondents identity, and was open minded as possible and express opinions as they were given. The researcher didn’t modify anything and was very appreciative of all the literature that has contributed in any way to this research.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter covers data analysis, presentation and interpretation relating to the research on the determinants of Accessibility to venture capital by SMEs in Nairobi County, Kenya.

4.1 Response Rate

Three hundred and eighty seven questionnaires were distributed to the respondents and out of the 387 questionnaires, 279 of them were collected with a response rate of 72%. This response rate was adequate.

4.2 Firm Characteristics

This section focused on firm characteristics paying close attention on the firm age, number of employees, level of education and ownership type of the institution. The study revealed that 48% (134) of the firms have been in operation for 2-4 years, 37.6% (105) of the firms have been in operation for 5-7 years, 7.9% (22) for less than 2 years and 6.5% (18) for over 7 years. The results clearly indicate that the firms are still young hence they would greatly benefit from venture capital since they lack adequate financial resources.

In reference to the number of employees in their organization,50.5% (141) of the respondents affirmed that there are between 31-40 employees,11.5% (32) of the respondents stated that there are more than 51 employees,7.5% (21) below 21 employees whereas 6.5% (18) of the respondents reported that there are between 21-30 employees in their organization. From the above findings, it is evident that SME’s suffer a shortage of skilled labour. Such shortage can be solved through enhancing access to venture capital.

The level of education of the respondents was also sought by the researcher. From the findings, majority 60.2% (168) have a degree,14.7% (41) Masters,14.3% (40) diploma level of education,6.5% (18) PhD level and 4.3% (12) Certificate level of education. This indicates that the respondents in this study had high level of academic qualification and thus were considered ideal in this study as they would be relied upon to give informed opinion as sought by the study. In relation to the ownership type of the institution, 60.2% (168) are in partnership while 39.8% (111) sole proprietorship.

Table 4.1: Firm Characteristics

		Frequency	Percent
Firm age	Less than 2 years	22	7.9
	Between 2 -4 yrs.	134	48
	Between 5 - 7 years	105	37.6
	Over 7 years	18	6.5
	Total	279	100
Number of employees in your organization	Below 20	21	7.5
	21-30 employees	18	6.5
	31-40	141	50.5
	41-50	67	24
	More than 51	32	11.5
	Total	279	100
Level of education	Certificate	12	4.3
	Diploma	40	14.3
	Degree	168	60.2
	Masters	41	14.7
	PhD	18	6.5
Ownership type of the institution	Sole proprietor	111	39.8
	Partnership	168	60.2
	Total	279	100

Source: Survey Data 2016

4.3 Accessibility of Venture Capital

This section focuses on the accessibility of venture capital. In terms of the money investors have invested in the enterprise, 44.4% (124) of the respondents stated that investors have invested between 50001-100000, 43.7% (122) reported that investors have invested over 100000 while 6.1% (17) of the respondents noted that investors have investors have invested up to 10000 and 5.7% (16) of the respondents echoed that investors have investors have invested between 10001-50000.

In regards to the venture capital received, 63.1% (176) of the respondents stated that they have received over 100000, 25.1% (70) between 50001 and 100000 and 11.8% (33) between 10001and 50000.In relation to the duration the investors have invested in the enterprise,48.4% (135) of the respondents stated that investors have invested in their enterprise for over 7 years,30.5% (85) for 5-7 years,20.8% (58) for 2-4 years and 0.4% (1) of the respondent reported that investors have invested in their enterprise for less than 2 years.

Table 4.2: Accessibility of Capital Structure

		Frequency	Percent
money investors have invested in the enterprise	0-10000	17	6.1
	10001-50000	16	5.7
	50001-100000	124	44.4
	0ver 100000	122	43.7
	Total	279	100
venture capital received	10001-50000	33	11.8
	50001-100000	70	25.1
	0ver 100000	176	63.1
	Total	279	100
How long has investors invested in your enterprise	Less than 2 years	1	0.4
	between 2 -4 yrs.	58	20.8
	between 5 - 7 years	85	30.5
	over 7 years	135	48.4
	Total	279	100

Source: Survey Data 2016

4.4 Descriptive Analysis of the Variables

4.4.1 Venture Capital

In this section, we present the findings on venture capital a case of registered SMEs in Nairobi CBD. (Based on the 1-strongly disagree to 5- strong agree scale rate).The findings of the research are illustrated in table 4.3.The respondents were asked whether they had received venture funds for launching phases of business before the enterprise was established. Out of the 279 respondents, 40.1% (112) of them strongly agreed that they have received venture funds, 29.7% (83) agreed, 17.6% (49) were neutral, and 6.5% (18) disagreed while 6.1% (17) of the respondents strongly disagreed. The item had a mean of 3.98 and a standard deviation of 1.18.

The respondents were also asked whether many investor have offered them capital to fund their business plan, quality management and organizational. The results from the study revealed that, of the total respondents, 20.8% (58) strongly agreed that investors have offered capital for funding the business plan as well as quality management, 42.7% (119) agreed with the statement, 30.5% (85) were neutral.0.7% (2) disagreed while 5.4% (15) strongly disagreed with the statement.

In determining whether investors offered funds because of the respondents lack of access to enough financial sources and ability to develop, thestudyrevealedthat;56.6% (158)of the respondents were agreeable, 11.1% (31) strongly agreed,20.1% (56) were neutral,11.5% (32) disagreed while 0.7% (2) of the respondents strongly disagreed. The results also showed a mean of 3.66 and standard deviation of 0.85.

In a related question of whether venture capital funds to finances new products, penetration to new markets or strengthening the market position through various marketing tools has been received, results from the study revealed that, the question had a mean of 3.63 and standard deviation of 1.08. This was as a result of the 20.8 %(58) of the respondents answering in the affirmative (strongly agreed), 40.9% (114) agreed, 24.7% (69) were neutral, 7.9% (22) disagreed while 5.7% (16) strongly disagreed.

In order to determine whether, capital fund offered was to rescue an enterprise before bankrupt, respondents were asked to state the degree to which they concurred with the above. Of the total respondents, 15.8% (44) strongly agreed, 38% (106) agreed, 34.1% (95) were neutral, 1.1% (3) disagreed while 11.1% (31) strongly disagreed. The results revealed a mean of 3.46 and standard deviation of 1.12. The results on venture capital summed up to a mean of 3.68, standard deviation of 0.61, Skewness -0.2 and kurtosis -0.8.

Table 4.3: Venture Capital

		SD	D	N	A	SA	Mean	Std. Deviation	Skewness	Kurtosis
We had received venture funds for launching phases of business before the enterprise was established	Freq.	17	18	49	83	112	3.91	1.18	-1	0.16
	%	6.1	6.5	17.6	29.7	40.1				
Many investor offered us capital to fund our business plan, quality management and organizational	Freq.	15	2	85	119	58	3.73	0.98	-0.9	1.1
	%	5.4	0.7	30.5	42.7	20.8				
Investors offered us funds since we were able to develop but we were not able to obtain enough financial sources	Freq.	2	32	56	158	31	3.66	0.85	-0.7	0.18
	%	0.7	11.5	20.1	56.6	11.1				
We received venture capital funds to finances new products, penetration to new markets or strengthening the market position through various marketing tools	Freq.	16	22	69	114	58	3.63	1.08	-0.7	0.11
	%	5.7	7.9	24.7	40.9	20.8				
Capital fund offered was to rescue an enterprise before bankrupt	Freq.	31	3	95	106	44	3.46	1.12	-0.8	0.26
	%	11.1	1.1	34.1	38	15.8				
venture capital							3.68	0.61	-0.2	-0.8

Source: Survey Data 2016

4.4.2 Information Disclosure

The researcher also found it necessary to establish the effect of information disclosure on accessibility to venture capital funds. The findings are presented in table 4.4.In regards to whether SME owners disclose all its credits and debtors records since its operation. Of the total respondents, 24% (67) strongly agreed, 54.5% (152) agreed, 3.9% (11) were neutral, 6.1% (17) disagreed while 11.5% (32) strongly disagreed. This position was further confirmed by the3.73 mean and standard deviation of 1.22 showed the non-variation in the responses.

The study further enquired from the respondents whether they file invoices such as receipts and discloses them when necessary. The results revealed that 24% (67) of the respondents strongly agreed, 33.7% (94) agreed, 30.8% (86) were neutral, 5.4% (15) disagreed while 6.1% (17) of the respondents strongly disagreed. The mean was 3.64 and the standard deviation of 1.09.

In relation to whether the SME owners keeps all their financial records for future references, 30.8% (86) of the respondents agreed to this statement, 38% (106) agreed,4.3% (12) were neutral,10.8% (30) disagreed and 16.1% (45) of the respondents strongly disagreed. The item had a mean of 3.57 and standard deviation of 1.43.

Further, respondents were also asked whether they have electronic database that keeps all information and is easy to disclose to venture capitalist on demand. The results showed that 0.4% (1) of the respondent strongly agreed with the statement, 61.3% (171) agreed, 26.9% (75) were neutral, 5.7% (16) disagreed and 5.7% (16) strongly disagreed. The item further had a mean of 3.45 and standard deviation of

0.85.Generally, information disclosure summed up to a mean of 3.6, standard deviation of 0.61, Skewness -1.8 and kurtosis 4.47.

Table 4.4: Information Disclosure

		SD	D	N	A	SA	Mean	Std. Deviation	Skewness	Kurtosis
We disclose all it credits and debtors records since it operation	Freq.	32	17	11	152	67	3.73	1.22	-1.2	0.47
	%	11.5	6.1	3.9	54.5	24				
We keeps all its financial records for future references	Freq.	45	30	12	106	86	3.57	1.43	-0.8	-0.9
	%	16.1	10.8	4.3	38	30.8				
We files it invoices, receipts invoices among other and disclosure them when necessary	Freq.	17	15	86	94	67	3.64	1.09	-0.6	0.05
	%	6.1	5.4	30.8	33.7	24				
We has electronic database that keep all information and which is easy to disclosure to venture capitalist on demand	Freq.	16	16	75	171	1	3.45	0.85	-1.5	1.77
	%	5.7	5.7	26.9	61.3	0.4				
information disclosure							3.6	0.61	-1.8	4.47

Source: Survey Data 2016

4.4.3 Awareness Level

In this section, the findings on the effect of owners' awareness level on accessibility to venture capital funds are presented in table 4.5. (Based on the 1-strongly disagree to 5- strong agree scale rate).The study sought to find out whether the respondents understand the benefits and risk associated with venture capital. From the findings, 40.1% (112) of the respondents strongly agreed that they understand the benefits and risks associated with venture capital, 24.4% (68) agreed, 21.1% (59) were neutral, 6.1% (17) disagreed and 8.2% (23) of the respondents strongly disagreed with the statement. The mean value of 3.82 was confirmation that the respondents were aware of the benefits and risks associated with venture capital while the standard deviation of 1.25 further revealed the degree of variation in the responses.

In a bid to establish if the respondents are aware of the venture capitalist in Kenya, the respondents were asked to respond accordingly.42.7% (119) of the respondents strongly agreed with the statement, 24.4% (68) agreed, 15.4% (43) were neutral, 6.1% (17) disagreed and 11.5% (32) of the respondents strongly disagreed that they are aware of the venture capitalist in Kenya. The mean value for the item was 3.81 and the standard deviation 1.35.

To establish whether the respondents are aware of how to access venture capital, respondentswererequestedfortheiropinionandtheresultsweresuchthat, 29.7% (83) of the respondents strongly agreed with the statement, 42.7% (119) agreed, 7.5% (21) were neutral, 11.1% (31) disagreed and 9% (25) strongly disagreed with the statement. The mean to this item was 3.73 (above scale mean of 3) and minimum variations in the responses at 1.25 standard deviation.

In order to ascertain whether the respondents have used venture capital before, results revealed that, 28% (78) strongly agreed, 40.5% (113) agreed, 6.1% (17) were neutral, 10.8% (30) disagreed and 14.7% (41) strongly disagreed with the statement. The study further revealed that this item had a mean of 3.56 and standard deviation of1.38 which showed variations in the responses.

In order to find out if the respondents are well trained on venture capital, the respondents were asked for their views on this and the results showed that 33.3% (93) strongly agreed that they are well trained on venture capital, 29.4% (82) agreed, 6.5% (18) were neutral, 16.1% (45) disagreed and 14.7% (41) strongly disagreed with the statement. The results from the study also showed that this item reported a mean of 3.51 and the standard deviation of 1.46.

Finally, 22.9% (64) of the respondents strongly agreed that they provide venture capitalist with information at any time, 44.8% (125) of them agreed with the statement, 6.5% (18) were neutral, 9.7% (27) disagreed and 16.1% (45) of the respondents strongly disagreed with the statement. The item had a mean of 3.49 and standard deviation of 1.37. In general, awareness level had a mean of 3.65, standard deviation of 0.58, Skewness 0.08.

Table 4.5: Awareness Level

		SD	D	N	A	SA	Mean	Std. Deviation	Skewness	Kurtosis
Am well trained on venture capital	Freq.	41	45	18	82	93	3.51	1.46	-0.6	-1.2
	%	14.7	16.1	6.5	29.4	33.3				
Am aware on how to access venture capital	Freq.	25	31	21	119	83	3.73	1.25	-0.9	-0.2
	%	9	11.1	7.5	42.7	29.7				
I have used venture capital before	Freq.	41	30	17	113	78	3.56	1.38	-0.8	-0.7
	%	14.7	10.8	6.1	40.5	28				
I am aware of the venture capitalist in Kenya	Freq.	32	17	43	68	119	3.81	1.35	-0.9	-0.4
	%	11.5	6.1	15.4	24.4	42.7				
I understand the benefits and risk associated with venture capital	Freq.	23	17	59	68	112	3.82	1.25	-0.9	-0.2
	%	8.2	6.1	21.1	24.4	40.1				
I provide venture capitalist with information at anytime	Freq.	45	27	18	125	64	3.49	1.37	-0.8	-0.7
	%	16.1	9.7	6.5	44.8	22.9				
Awareness level							3.65	0.58	0.08	-1

Source: Survey Data 2016

4.4.4 Owners Managerial Competence

In this section, the findings on the effect of owners' managerial competence on accessibility to venture capital funds are presented in table 4.6. (Based on the 1- strongly disagree to 5- strong agree scale rate).The study sought to establish if the respondents have managed larger firms. The results from the study indicated that 35.1% (98) of them strongly agreed that they have been in management of larger firms, 41.9% (117) agreed, 12.2% (34) were neutral, 6.1% (17) disagreed and 4.7% (13) strongly disagreed. The item reported a mean of 3.97 which is way higher than the mean value of 3 hence respondents were in agreement though the standard deviation was 1.07, an indication of variation in the responses.

In regards to whether the respondents have attended training on business management, 44.1% (123) of the respondents strongly agreed to the statement, 30.8% (86) agreed, 5.4% (15) were neutral, 13.6% (38) disagreed and 6.1% (17) of them strongly disagreed. The results were evidenced by a mean of 3.93 and standard deviation of 1.26.

In reference to whether the respondents love to win and love to compete at anything. Of the total respondents, 44.1% (123) strongly agreed, 30.1% (84) agreed, 3.2% (9) were neutral, 12.5% (35) disagreed and 10% (28) strongly disagreed. This position was further confirmed by the 3.86 mean and standard deviation of 1.37.

In relation to whether the respondents have a degree on business management, the results were positive with 43% (120) of the respondents strongly agreeing, 22.6% (63) agreed, 9.7% (27) were neutral, 16.1% (45) disagreed and 8.6% (24) strongly disagreed. The results were further confirmed by the 3.75 mean and 1.38 standard deviation which showed variations in the responses.

Further, the study also sought to find out if the respondents are able to commit and recommit quickly. Results indicated that 43.7% (122) of the respondents agreed, 24.7% (69) of the respondents strongly agreed, 5.7% (16) were neutral, 11.8% (33) disagreed and 14% (39) strongly disagreed. Additionally, the results revealed a mean of 3.53 and a standard deviation of 1.35.

The study further enquired from the respondents whether they have been managing their business for many years. The results revealed that 22.9% (64) of the respondents strongly agreed, 11.1% (31) strongly agreed, 24.4% (68) were neutral, 29.4% (82) disagreed and 12.2% (34) strongly disagreed. The mean value was 3.03 and standard deviation 1.35. The findings on owners' managerial competence summed up to a mean of 3.68, standard deviation 0f 0.61, Skewness 0.3 and kurtosis -0.8.

Table 4.6: Owners Managerial Competence

		SD	D	N	A	SA	Mean	Std. Deviation	Skewness	Kurtosis
I have degree on business management	freq.	24	45	27	63	120	3.75	1.38	-0.7	-0.9
	%	8.6	16.1	9.7	22.6	43				
I have attended training on business management	freq.	17	38	15	86	123	3.93	1.26	-1	-0.2
	%	6.1	13.6	5.4	30.8	44.1				
I have been managing my business for many years	freq.	34	82	68	31	64	3.03	1.35	0.21	-1.2
	%	12.2	29.4	24.4	11.1	22.9				
I have been a management for larger firms	freq.	13	17	34	117	98	3.97	1.07	-1.2	0.95
	%	4.7	6.1	12.2	41.9	35.1				
I am able to commit and recommit quickly	freq.	39	33	16	122	69	3.53	1.35	-0.8	-0.7
	%	14	11.8	5.7	43.7	24.7				
I love to win and love to compete at anything	freq.	28	35	9	84	123	3.86	1.37	-1	-0.4
	%	10	12.5	3.2	30.1	44.1				
Owners Managerial Competence							3.68	0.61	0.3	-0.8

Source: Survey Data 2016

4.4.5 Quality Financial Records

In this section, the findings on the effect of quality of SMEs financial statement on accessibility to venture capital funds are presented in table 4.7. (Based on the 1- strongly disagree to 5- strong agree scale rate). In relation to whether the respondents hire firms with good reputation for auditing, the responses indicated that 48% (134) of the respondents strongly agreed with the statement, 29.4% (82) agreed, 13.3% (37) were neutral, 8.6% (24) disagreed and 0.7% (2) strongly disagreed. The question mean was 4.15 which showed that firms with good reputation for auditing are hired. The standard deviation was 1.

The study also wanted to establish whether financial statements are transparent and disclosed to any investor. Results from the study indicate a positive response with35.1% (98) agreeing, 38.4% (107) strongly agreed, 16.1% (45) were neutral, 0.7% (2) disagreed and 9.7% (27) strongly disagreed. The mean was 3.92 indicating that financial statements are transparent and disclosed to any investor. The standard deviation of 1.2 shows that there is variation of the responses.

In determining whether financial statement comply to international financial standards, the study revealed that; 35.5% (99) of the respondents strongly agreed, 34.4% (96) agreed,9% (25) were neutral,5.7% (16) disagreed and 15.4% (43) strongly disagreed. The results also showed a mean of 3.69 and standard deviation of 1.4.

Finally, when asked whether they regularly prepare financial statement, 24.7% (69) of the respondents strongly agreed, 47.3% (132) of the respondents agreed, 3.2% (9) were neutral, 13.3% (37) disagreed and 11.5% (32) strongly disagreed. There was a mean of 3.61 and standard deviation was 1.3.Generally, the results on quality financial records summed up to a mean of 3.84, standard deviation 0.59, Skewness -0.3 and kurtosis -0.1.

Table 4.7: Quality Financial Records

		SD	D	N	A	SA	Mean	Std. Deviation	Skewness	Kurtosis
we regularly prepare financial statement	Freq.	32	37	9	132	69	3.61	1.3	-0.9	-0.5
	%	11.5	13.3	3.2	47.3	24.7				
Our financial statement comply to international financial standards	Freq.	43	16	25	96	99	3.69	1.4	-0.9	-0.5
	%	15.4	5.7	9	34.4	35.5				
We hire firms with good reputation for auditing	Freq.	2	24	37	82	134	4.15	1	-1	0.08
	%	0.7	8.6	13.3	29.4	48				
Our financial statements are disclosure and transparency to any investor	Freq.	27	2	45	98	107	3.92	1.2	-1.2	0.79
	%	9.7	0.7	16.1	35.1	38.4				
Quality financial records							3.84	0.59	-0.3	-0.1

Source: Survey Data 2016

4.5 Factor Analysis

Factor analysis was performed to test the validity of the model. Factor analysis attempted to identify underlying variables, or factors, that explained the pattern of correlations within a set of observed variables. Table 4.8 shows the factor loading for each item as sorted by size. Any item that failed to meet the criteria of having a factor loading value greater than 0.5 and loads on one and only one factor is dropped from the study Wei *et al*. (2008). Components matrix in factor analysis showed the components matrix before rotation. The matrix contained the loading of each variable on each factor. The study loading less than 0.5 were suppressed in the output.

Table 4.8: Factor Analysis

	X1	X2	X3	X4	X5
We had received venture funds for launching phases of business before the enterprise was established	0.572				
Many investor offered us capital to fund our business plan, quality management and organizational	0.945				
Investors offered us funds since we were able to develop but we were not able to obtain enough financial sources	0.76				
We received venture capital funds to finances new products, penetration to new markets or strengthening the market position through various marketing tools	0.793				
Capital fund offered was to rescue an enterprise before bankrupt	0.421				
We disclose all it credits and debtors records since it operation		0.900			
We keeps all its financial records for future references		0.886			
We files it invoices, receipts invoices among other and disclosure them when necessary		0.915			
We has electronic database that keep all information and which is easy to disclosure to venture capitalist on demand		0.851			
Am well trained on venture capital			0.826		
Am aware on how to access venture capital			0.884		
I have used venture capital before			0.755		
I am aware of the venture capitalist in Kenya			0.92		
I understand the benefits and risk associated with venture capital			0.734		
I provide venture capitalist with information at anytime			0.855		
I have degree on business management				0.945	
I have attended training on business management				0.848	
I have been managing my business for many years				0.848	
I have been a management for larger firms				0.914	
I am able to commit and recommit quickly				0.874	
I love to win and love to compete at anything				0.827	
we regularly prepare financial statement					0.779
Our financial statement comply to international financial standards					0.715
We hire firms with good reputation for auditing					0.865
Our financial statements are disclosure and transparency to any investor					0.748
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.296	0.545	0.466	0.32	0.485
Bartlett's Test of Sphericity	527.82	152.76	510.35	572.71	91.47
Sig.	0.000	0.000	0.000	0.000	0.000

Source: Survey Data 2016 Extraction Method: Principal Component Analysis.

4.6 Pearson Correlation Analysis

To determine the relationship between the independent variables (quality financial records, information disclosure, owners managerial competence, awareness level) and venture capital. Pearson correlation was computed. Table 4.9 below presents the results of Pearson correlation on the relationship between the independent variables and venture capital.

Correlations results in table 4.7 showed that information disclosure was positively and significantly correlated with venture capital ($r=0.656$, $\rho<0.01$). Therefore, information disclosure explains 65.6% of the variation in venture capital.

Further, awareness level was also positively associated with venture capital($r=0.476$, $\rho<0.01$) hence it contributes about 47.6% of the variation in venture capital. Quality financial records was also positively and significantly correlated with venture capital ($r=0.374$, $\rho<0.01$) an indication of 37.4% positive relationship with venture capital.

Finally, owners managerial competence was positively and significantly correlated with venture capital ($r=0.297$, $\rho<0.01$) an evidence of 29.7% positive relationship with venture capital. From the foregoing, all the factors were significant with information disclosure being the most significant factor followed by awareness level then Quality financial records while owners managerial competence was the least significant.

Table 4.9: Pearson Correlation Analysis

	venture capital	information disclosure	Awareness level	Owners managerial competence	Quality financial records
venture capital	1				
Information disclosure	.656**	1			
Awareness level	.476**	.384**	1		
Owners managerial competence	.297**	.118*	.329**	1	
Quality financial records	.374**	.172**	.538**	.365**	1

Source: Survey Data 2016
** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

4.7 Multiple Regression Analysis

4.7.1 Assumption of Regression Model

Multicollinearity Test**:** Multicollinearity refers to the correlation among the independent variables. Before conducting the multiple regression analysis, the researcher tested for multicollinearity. From table 4.12, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multicollinearity among the independent factors. As a result, the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model further, the Durbin-Watson value is within the thumb rule (1.912) hence there is no serial correlation. Linearity was tested using Pearson correlation which had significant linear correlation IV and DV. Heteroscedacity was tested using scatter plot which formed a funnel shaped dots indicating minimal Homoscedasticity hence did not affect the outcomes of the study, normality was tested using Skewness and kurtosis where the later had values approaching zero while the former had values between 1-0 hence normal distribution of the data.

4.7.2 ANOVA Model

Study findings in ANOVA table 4.10 indicated that the above discussed coefficient of determination was significant as evidence of F ratio of 77.157 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict venture capital using quality financial records, information disclosure, owners' managerial competence and awareness level.

Table 4.10: ANOVA Model

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	55.8	4	13.95	77.157	.000
Residual	49.539	274	0.181		
Total	105.339	278			

a Dependent Variable: venture capital
b Predictors: (Constant), Quality financial records, information disclosure, Owners managerial competence, awareness level
Source Survey Data 2016

4.7.3 Model summary

Table 4.11 illustrates the model summary for the regression model. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (venture capital) that is explained by all the four independent variables (quality financial records, information disclosure, owners managerial competence and awareness level). The four independent variables that were studied, explain 53% of the variation in venture capital as represented by the R^2.

Table 4.11: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.728a	0.53	0.523	0.42521	1.912

a Predictors: (Constant), Quality financial records, information disclosure, Owners managerial competence, awareness level
b Dependent Variable: venture capital
Source Survey Data 2016

4.8 Hypothesis Testing Results

4.8.1 Hypothesis 1 Testing

Hypothesis 1 suggests that information disclosure has no significant effect on accessibility to venture capital funds. Study findings in table 4.12 reveals that information disclosure recorded a beta coefficient (β) of 0.563, $\rho=0.00<0.05$, hence hypothesis 1 does not hold. The study therefore is justified to imply that information disclosure positively and significantly affects access to venture capital. Thus for each unit increase in information disclosure, there is up to 0.563 unit increase in access to venture capital. The effect of information disclosure is shown by the t-test value of 12.537 which implies that the effect of information disclosure surpasses that of the error by over 12 times.

4.8.2 Hypothesis 2 Testing

Hypothesis 2 suggests that owners' awareness level does not significantly affect access to venture capital. Results in table 4.12 indicated that owners' awareness level had beta coefficient of (β) = 0.131, $\rho=0.014<0.05$, hence hypothesis 2 does not hold. The study therefore concluded that for each unit increase in owners' awareness level, there is up to 0.131 units' increase in access to venture capital. The effect of owners' awareness level is shown by the t-test value of 2.472 which implies that the effect of owners' awareness level surpasses that of the error by over 2 times.

4.8.3 Hypothesis 3 Testing

Hypothesis 3 suggests that owners' managerial competence does not significantly affect access to venture capital. Basing on analysis results in table 4.12, hypothesis 3 does not hold since owners' managerial competence recorded a beta coefficient (β) of 0.129, $\rho=0.005<0.05$.Thus for each unit increase in owners' managerial competence, there is 0.129 units increase in access to venture capital. The effect of owners' managerial competence is also shown by the t-test value = 2.853.

4.8.4 Hypothesis 4 Testing

Hypothesis 4 states that quality financial records have no significant effect on access to venture capital. However, hypothesis 4 does not hold basing on findings in table 4.12 as indicated by the beta coefficient (β) = 0.159, $\rho<0.05$. Hence we conclude that quality financial records positively and significantly affects access to venture capital, this suggests for each unit increase in quality financial records, there is up to 0.159 increases in access to venture capital. Moreover, quality financial records are shown by the t-test value of 3.147 which is less than the error associated with it.

Table 4.12: Coefficient of Estimate

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.495	0.203		2.44	0.015		
information disclosure	0.546	0.044	0.563	12.537	0.000	0.851	1.175
Awareness level	0.129	0.052	0.131	2.472	0.014	0.608	1.645
Owners managerial competence	0.132	0.046	0.129	2.853	0.005	0.842	1.187
Quality financial records	0.117	0.037	0.159	3.147	0.002	0.67	1.493

a Dependent Variable: venture capital

4.9 Discussion of the Findings

Based on the findings Information disclosure has a positive and significant effect on access to venture capital funds. This infers that the decision to finance one or multiple projects largely depends on the degree of information disclosure between the firm and external capital markets (Inderst and Muller, 2003). This is also the case when venture capital investment is made in firms which lack historical data. In such a case, there is information asymmetry between venture capitalists and entrepreneurs thereby discouraging future venture capital investments. As such, combined effort by venture capital investors to overcome informational asymmetries and thereon make informed decision on the kind of firm to fund.

Owners' awareness level has a positive and significant effect on access to venture capital funds. Thus, raising awareness on the wide array of products/services that are offered by an SME makes it possible for them to be competitive in their attempt to secure financing (Sharon 1999). From the foregoing, owner's awareness level has important implications on the access of venture capital funds.

The quality of SMEs financial statement positively and significantly relates with the access to venture capital funds. This implies that incomplete (or no) accounting records and the inefficient use of accounting information reduces the chance of accessing venture capital funds. Therefore, poor record keeping makes it challenging for financial institutions to assess potential risks and returns making them shun from availing funds (World Bank 1978).

The study has established that owner's managerial competence has a positive and significant effect on access to venture funds. This is a clear indication that owners managerial competence such as knowledge, skills, behaviors and attitudes enables managers to grasp important concepts and initiate actions that will result to improved performance of the SME (Lenssen *et al* 2006).The situation however is that the SME managers are poorly educated, lack experience and business skills which affects business performance in terms of lack of access to venture capital funds (Senge, 2002).

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

The main objective of this study was to analyze factors affecting accessibility to venture capital by SMEs in Nairobi County, Kenya. To achieve the objectives of the study primary data was collected by use of a questionnaire. This section presents the findings from the study in comparison to what other scholars have said about information disclosure, owners' awareness level, quality of SMEs financial statement and owners' managerial competence on accessibility to venture capital funds as noted under literature review.

As noted in previous chapter information disclosure has a positive and significant effect on access to venture capital funds as evidenced by (β_1= 0.563, ρ>0.05).Particularly, in the event that there is lack of information disclosure on the part of the entrepreneur, the venture capitalist is most likely to invest in a firm with poor performance (Cumming, 2006).

Also, owners' awareness level has a positive and significant effect on access to venture capital funds (β2= 0.131, ρ>0.05).The findings of the study coincide with that of Guiso and Jappelli (2005) which shows that lack of awareness affect venture capital accessibility. Further, awareness on products or services and the way in which they can satisfy a problem is instrumental when considering accessing venture capital funds (Kotler *et.al*, 2004).

Furthermore, the quality of SMEs financial statement positively and significantly relates with the access to venture capital funds ($\beta3= 0.129$, $\rho>0.05$). However, SME owners lack the technique for using financial statements and are unaware of the fact that financial statements can be of great use especially backing their financial institutions Byron & Friedlob 1984; DeThomas & Fredenberger 1985). In light of this impediment, poorly prepared financial statements make it difficult for SMEs to access venture capital since the financial situation cannot be evaluated.

Finally, the study has established that owners managerial competence has a positive and significant effect on access to venture funds ($\beta4= 0.159$, $\rho>0.05$). In a similar vein, Martin & Staines (2008) found out that of managerial experience, skills and personal qualities are the reason as to why SMEs fail. As well, Lyles *et al.* (2004) opines that managerial competencies positively impact on new venture performance. Similarly, Appelbaum (2002) and O'Reilly (2004) confirm that competencies contribute greatly to the achievement of organizational goals.

5.3 Conclusion of the Study

The study has established that SME owners file invoices such as receipts and disclose them when necessary. Specifically, both debtor and credits records are disclosed to venture capitalist on demand. This has been made possible by keeping financial records for future references. However, the availability of an electronic database that keeps all information was in doubt.

SME owners' awareness level has also played a key role in enhancing access to venture capital. The results of the study have shown that the managers are aware of the benefits and a risk associated with venture capital and means to curtail them. More importantly, the SME owners are aware of the venture capitalists in Kenya and how to access venture capital form them. They are also trained on venture capital hence they are able to provide venture capitalist with information at any given time.

Managerial competence has enabled SMEs to have superior performance compared to other firms that lack competence. As evidenced in the results, the SME owners have also been in management of larger firms and they possess a degree on business management. Additionally, they have attended training on business management and they love to win. As such they are able to commit though they lack experience in managing their business.

Finally, the study established that firms with good reputation are hired to conduct audits. Also, financial statements are transparent and disclosed to any investor. The financial statement is prepared regularly and they are in compliance with international financial standards.

5.4 Recommendations

5.4.1 Implication to the Theory

The study used signaling theory which argues that venture capital can signal the quality of the firm to the market (Spence, 1973). And these signals affect the investor's perception of firm quality. However, the theory did not provide the grounds on what exactly will signal investors for them to invest. This study has provided the elements or qualities can sign venture capitalist

5.4.2 Implication to Policy

The study findings have indicated that information disclosure is a key factor that needs to be realized if access to venture capital is to be enhanced. As a result, there is need for SMEs to keep a record of financial statements for future reference so that they can easily disclose them when required to. Invoices and receipts also need to be filed.

SME owners' awareness level is always critical to ensure that the SME remains successful and competitive in the industry. As such, it is imperative for the SME owners to have adequate information about its products and services and the way in which the SME can benefit from it. As well, SME owners need sufficient training on venture capital and knowledge on how to access venture capital. Also, they need to have an understanding of the risks and benefits of venture capital.

In relation to managerial competence, it is utmost necessary for the SME owners to be in possession of at least a business management degree, have experience, business skills and knowledge to perform their work. They also need to attend training on business management and have passion in what they do.

Finally, the quality of SMEs financial statements needs to be maintained in order to heighten access to venture capital funds. This is attributed to the fact that financial statements are key in the credit granting process. Thus the quality of financial statements has to be maintained. Also, SMEs need to have good record keeping so that they can easily make decisions with the aid of the financial statements.

5.5.3 Implication for Further Research

This study is not without limitations. For instance, the generalizability of this study's findings may be limited to SMEs within Nairobi County. Thus, future research should attempt to gather information from SMEs in the North-rift region to establish if the results of the study hold.

Also, it would be interesting if future study could establish the determinants of access to venture capital by large firms. It is possible that access to financing may be different for large firms than it is for SMEs. Future studies should therefore allow for generalizations regarding this subject and needs to cover firms in different sizes and sectors. Finally, future scholars need to work more in depth, studying the factors that affect access to venture capital by firms of different industries.

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APPENDICES

Appendix I: Questionnaire

Instructions to Respondent

SECTION A: BIO DATA

Please tick or write where applicable

1. Age of the institution?

   Less than 2 years [ ] between 2-4 years [ ]

   Between 5-7 years [ ] Over 7 years [ ]

2. Please indicate the number of employees in your organization;

   Below 20 [ ]

   21 to 30 employees [ ]

   31 to 40 employees [ ]

   41 to 50 employees [ ]

   More than 51 employees [ ]

3. What is your level of education of Proprietor or financial Manager if not the same person:

   Certificate [ ] Diploma [ ]

   Degree [ ] Masters [ ]

   PhD. [ ]

4. Please indicate type of your business…………………..
5. What is the ownership type of the institution?

   Sole proprietor [ ] Partnership [ ]

SECTION B: ACCESSIBILITY OF VENTURE CAPITAL

6. How much money investors have invested in your enterprise ………………………..
7. How much venture capital have you received ……………
8. How long has investors invested in your enterprise………………

3Select one of the numbers below to indicate how well the statement describes how you finance your SME:

5 = Strongly Agree 4 = agree 3= neutral 2 = disagree 1 = Strongly Disagree

	5	**4**	**3**	**2**	**1**
We had received venture funds for launching phases of business before the enterprise was established					
Many investor offered us capital to fund our business plan, quality management and organizational					
Investors offered us funds since we were able to develop but we were not able to obtain enough financial sources					
We received venture capital funds to finances new products, penetration to new markets or strengthening the market position through various marketing tools					
Capital fund offered was to rescue an enterprise before bankrupt					

SECTION B: INFORMATION DISCLOSURE

9. Select one of the numbers below to indicate how well the statement describes how you finance your SME:

Information Disclosure	**5**	**4**	**3**	**2**	**1**
We disclose all it credits and debtors records since it operation					
We keeps all its financial records for future references					
We files it invoices, receipts invoices among other and disclosure them when necessary					
We has electronic database that keep all information and which is easy to disclosure to venture capitalist on demand					

SECTION D: AWARENESS LEVEL

10. Select one of the numbers below to indicate how well the statement describes how you finance your SME:

Awareness Level	**5**	**4**	**3**	**2**	**1**
Am well trained on venture capital					
Am aware on how to access venture capital					
I have used venture capital before					
I am aware of the venture capitalist in Kenya					
I understand the benefits and risk associated with venture capital					
I provide venture capitalist with information at anytime					

SECTION E: OWNERS' MANAGERIAL COMPETENCE

11. Select one of the numbers below to indicate how well the statement describes you:

5 = Strongly Agree 4 = agree 3= neutral 2 = disagree 1 = Strongly Disagree

Owners' managerial competence	**5**	**4**	**3**	**2**	**1**
I have degree on business management					
I have attended training on business management					
I have been managing my business for many years					
I have been a in management of larger firms					
I am able to commit and recommit quickly					
I love to win and love to compete at anything					

SECTION F: QUALITY FINANCIAL RECORDS

11. How would you rate the following your quality financial records in business?

5 = Strongly Agree 4 = Agree 3 = Neutral 2 = Disagree 1=Strongly Disagree

Quality Financial Records	**5**	**4**	**3**	**2**	**1**
We regularly prepare financial statement					
Our financial statement comply to international financial standards					
We hire firms with good reputation for auditing					
Our financial statements are disclosure and transparency to any investor					