

- Establishment of development agents e.g ICDC and KIE
- Policy and institutional framework to promote entrepreneurs.
- Promoting indigenous Kenyan enterprises.

### **1.3.1 How the government planned to promote entrepreneurship**

- ✓ The development plan laid down proposed to
  - i) implement small scale industrial policy
  - ii) Review the central and local government regulations that a hindrance to entrepreneurial development.
  - iii) Provision of direct assistance to the small scale businesses all over Kenya.
  - iv) Establishment of an organization that would give extension services to the small scale enterprises.
  - v) Creating and strengthening institutions and schemes for the assistance of the small enterprise sector
  - vi) Establishment of credit guarantee schemes for loans given by commercial banks
  - vii) Establish procedures to improve small scale training through the ministry of technical training and Applied Technology.
  - viii) Overhaul the education system i.e introduction of the 8.4.4 system.
  - ix) Establish a full fledged small industrial division in the ministry of commerce and industry – which gave rise to the District focus for rural development.
  - x) Introduction of entrepreneurship education is all levels of training.

### **1.3.2 Economic, Social and Political Factors Affecting Entrepreneurial Development**

**High taxation levels.** For business and personal incomes

- ✓ Which in effect reduce profits earned making it un attractive to engage in business
- ✓ Taxation of raw materials and other inputs raise production costs.
- a) Corruption and official harassment**
  - ✓ Occurs where entrepreneurs are forced to bribe officials in various government departments to allow operation or start up.
  - ✓ Raids under one pretext or another which tends to be very harassing.
- b) Unregulated competition from the outside world due.**
  - ✓ Liberalization which opened importation competing locally produced goods.
- c) Declining personal incomes of people due to**
  - ✓ Over-increasing cost of living
  - ✓ Arise in unemployment
- d) The high cost of finance**
  - ✓ The cost of borrowing is high
  - ✓ Business collapses because they lack ability to repay loans.
- e) Lack of necessary skills and knowledge due to**
  - ✓ lack of training opportunities
  - ✓ high education costs
- f) Poor transport and communication network**

## CHAPTER FIVE

### 5.0 RESOURCE NEEDS FOR ENTREPRENEURSHIP

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In this lecture we shall discuss the sources of business finance which include equity finance, debt finance – loan, bills of exchange, factoring, trade debtors, accrued expenses, credit card buying (plastic money), debenture finance, invoice discounting (confidential factoring), factoring, sale and lease –back, sale of an asset, and purchase.

#### General objectives

By the end of the course the learner should be able to identify the appropriate sources of funding for entrepreneurship. At the end of this lecture you should be able to:

1. Explain the Various sources of finance for entrepreneurship
2. Discuss the advantages and disadvantages of the various sources of finance
3. Identify factors that influence the various sources of finance sought

#### 5.1 Sources of Business Finance

- ✓ The entrepreneur may obtain finance from the following main sources.
  - Debt financing
  - Equity financing
  - External and internal sources.
- ✓ Debt financing requires a borrowing system and the entrepreneur is bound to pay back the funds borrowed together with interest payable.
- ✓ Debt financing can be long term or short term. Depending on the lender collateral, may be required.
- ✓ Equity financing does not require collateral and offers the investor some form of ownership position in the business.
- ✓ Internal financing are funds generated from several sources within the company, they include profits sale of Assets, reduction in the working capital accounts receivable, retained profits e.t.c
- ✓ External sources of finance may come from family members, credit suppliers, government programmes, grants e.t.c.

##### 5.1.1 Equity Finance

- ✓ It is the largest source of finance to a business organization and usually forms the base of which other finances are raised.
- ✓ Equity is the total sum of the business ordinary shares plus the retained earnings also known as revenue reserves.

- Packaging of the right products
- Fair promotional method which confirm to good morals.

## 7.2 Aspects of Management Ethics

### 1. Organization ethics e.g code of ethics

- ✓ Organization ethics refer to the moral principals or policies set by the organization with guide behaviour in the organization with guide behaviour in the organization which guide behaviour in the organization referred to as code of ethics
- ✓ The code of ethics should guide the behaviour of all persons in an organization referred to as the code of ethics.
- ✓ The code of ethics should guide the behaviour of all persons in an organization and it's effectiveness include.
  - i) starting the code
  - ii) Appointing ethics committee.
  - iii) Holding regular updates on the codes
- ✓ The entrepreneur should maintain good codes of conduct in order to enable him deal with.
  - i) legal issues
  - ii) government regulations
  - iii) social pressures

### 2. Individual ethics

- ✓ Involve personal attributes such as honesty avoiding criminal Acts, willingness to perform e.t.c
- ✓ The individual ethics in influenced by determined by religious political and family backgrounds.
- ✓ Together with the standards of organization one is working in.

### 3. Social ethics

- ✓ Involve ethical issues which relate to;
  - i) Environmental awareness
  - ii) Public relations
  - iii) Fair competitions

### 4. Government obligations

- ✓ Involves ethical practices to statutory laws and regulation such as
  - i. Payment of taxes
  - ii. Making annual returns e.g NHIF, NSSF
  - iii. Insurance e.t.c