IMPACT OF FINANCING DECISIONS AND ITS INFLUENCE ON BUSINESS
EXPANSION: A CASE STUDY OF SMALL ENTERPRISES IN MANDERA
COUNTY

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THIS IS A RESEARCH PROJECT SUBMITTED FOR PARTIAL
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MAY 2013
DECLARATION

DECLARATION BY THE CANDIDATE

This research project is my original work and has not been presented to any other institution.

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DECLARATION BY SUPERVISOR

This research project has been submitted for examination with my approval as University of Nairobi supervisor.

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ABSTRACT

Financing decisions are concerned with the question of raising capital. All firms must, at varying times, raise capital. To do so, a firm must either borrow the money (debt financing), sell a portion of the firm (equity financing), or any other sources of finance. The overall objective of the study was to find out if managers of small and micro enterprises in Mandera make finance decisions and how this affects the expansion of their businesses. The study objectives were to establish how the level of awareness on different finance sources affects business expansion, to find out whether firm characteristics affect financing decisions and business expansion and to determine how the nature of funds used in financing affects the business expansion. Determine how political climate influenced business expansion The study adopted a descriptive method The study was limited to SMEs within Mandera County. The population consisted of 420 SMEs in Mandera town; 20% sample size was used. Systematic, random and purposive sampling procedures were applied. The data was collected through administering questionnaires. Data was be analyzed using a package known as SPSS. The study’s major findings were; the financial decision made by this managers depend on the size of the business like large business require huge initial capital and vice versa. The managers in this county are aware of variety of sources of fund of which one can select best. The firm characteristic to some managers influenced their financial decision usually small business are able to access loan thus this effect their expansion. The political climate influenced the financial decision such that the banks tend to be strict to give out huge loans thus the firms expansion is affected.