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Factors Influencing Financial Access by Phamaceutical Distributors in Kenya (A Case Study of Laborex Kenya Limited)

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Abstract:
Capital is an integral part of any sound business and so is the case in pharmaceutical industry. The purpose of this research was to establish the factors influencing financial access by pharmaceutical distributors in Kenya, a case study of Laborex pharmaceutical limited. Specifically, the research focused on the following four objectives: To determine the influence of banking history on financial access by pharmaceutical distributors, to examine the extent to which the company customers' net worth influences financial access by pharmaceutical distributors in Kenya, to investigate the role of financial controls on financial access by pharmaceutical distributors in Kenya, and finally to establish the extent to which a firm's capital base influences financial access by pharmaceutical distributors in Kenya. The study targeted 233 employees of Laborex Pharmaceutical limited in Coast region. The sample size was 30% of the target population 70. A modified Likert scale questionnaire was developed divided into three parts. A pilot study was carried out to refine the instrument. The quality and consistency of the survey was further assessed using Cronbach's alpha. The overall Cronbach's alpha for the four categories which was 0.752. Data analysis was performed on a computer using Statistical Package for Social Science (SPSS Version 22) for Windows. The response rate of this study was 71.4%. Male respondents were the majority standing at 62% and majority of respondents in the organization were managers at 72%. Most of the respondents were from the operations department represented by 46% and they have worked for between 3 and 5 years with 38%. 40% of the respondents have a bachelor's degree. 80% of respondents admitted that there have a credit policy but 72% of the respondents agreed that there are challenges in implementing the credit policy. According to the findings, it was clear that there was a positive correlation between banking history, company customer net worth, financial controls and firm's capital base shown by a correlation value of 0.966, 0.955, 0.881, and 0.943 respectively. This indicates that independent variable and dependent variable move in the same direction, that is, as one increase the other one also increases. From the finding R2 has a value of 0.947 meaning that the 94.7 % of the dependent variable can be explained or attributed to combination of the four independent factors investigated in this study. According to the regression equation established, taking all factors constant at zero, investment decision making as a result of these independent factors will be 0.251. The study revealed that banking history is important in accessing finance and that without good banking history a pharmaceutical distributor cannot succeed in accessing finance. The study further revealed that nothing can go on effectively and efficiently in pharmaceutical business without good banking history however, the opinion that banking history does not matter so much in accessing finance had a low mean score implying that there are many factors that are at play in order to access finances. A company's customer's net worth is important in accessing finance and pharmaceutical company net worth helps a pharmaceutical distributor to access finances. Having good financial controls in the pharmaceutical distributors assures them access to finances and firm's capital base assures lenders that this company's assets can cover for liabilities as and when they fall due. The study concluded that banking history is important for accessing credit from the banks. The study recommended that a firm's capital base and net worthiness and firm's financial controls are sufficient ingredients' for accessing credit from banks.

1. Introduction

1.1. Background of the Study

Two thirds of global value of pharmaceutical products are produced in 5 countries; USA, Japan, France, Germany and UK. Japan and USA jointly contributed to 47% of global production value in 2009. In 2008, more than 97 % of research and development activities occurred in developed countries (WHO 2014). Africa's capacity for pharmaceutical R&D and local drug production is among the lowest globally. Overall, 37 countries have some pharmaceutical production, and only South Africa has limited primary production of active pharmaceutical ingredient (API) and intermediates. Local production in Africa therefore relies on imported active ingredients. As a result, the sustainability of African pharmaceutical supply remains highly contingent on foreign funding and manufacturing. While national capacity for local production has increased with, for example, Egypt and Tunisia producing between 60% and 95% of their national requirements for essential medicines, it is still dramatically low in many countries of the continent, and Africa will remain dependent on imports for at least the medium-term.

The health sector in Kenya is one of the sectors that have experienced remarkable development in the recent years. Kenya spends about 8% of its GDP on health. Per capita expenditure per person stood at about US$ 11 per person in 2003. Out of this, US$ 6 came from budgetary resources, which also included donor contributions and the balance of about US $5 came mainly from out-of-pocket expenditure. This expenditure fell far below the WHO's recommended US$34 per capita. Out-of-pocket expenditure thus accounted for 53% of the total cost of healthcare, with the remainder being Government contributions from general taxation (25%), Social Health Insurance (15%), private prepaid health plans (5%) and non-profit institutions expenditure at 2%. The above scenario means the current healthcare financing system depends mainly on out-of-pocket expenditure and therefore 75% privately financed. (GoK, 2014).

The pharmaceutical industry consists of three segments namely the manufacturers, distributors and retailers. All these play a major role in supporting the country's health sector, which is estimated to have about 4,557 health facilities countrywide.

Kenya is currently the largest producer of pharmaceutical products in the Common Market for Eastern and Southern Africa (COMESA) region, supplying about 50% of the regions' market. Out of the region's estimated of 50 recognized pharmaceutical manufacturers; approximately 30 are based in Kenya. It is approximated that about 9,000 pharmaceutical products have been registered for sale in Kenya. These are categorized according to particular levels of outlet as free sales or Over The Counter (OTC), pharmacy technologist dispensable, or pharmacist dispensable/ prescription only.(Export Processing Zones Authority – Kenya, 2013).

1.1.1. Corporate Financing in Kenya

Long term capital is deemed crucial for economic development as evidenced by the positive relationship between long term capital and economic growth (Demirguc and Levine, 2006).

Development Financial Institutions (DFIs) set up at independence to close the resource gap for long term capital faced various problems that constrained their performance (Ngugi and Njenga, 2009). As a result investors have relied on banks for short to medium terms loans. Further, savers have had to contend with a thin financial basket. Kenya's long term development agenda spelt out in the Vision 2030, targets an annual growth rate of 10% in the medium term with an investment rate of 30% of which a significant proportion will be financed through mobilizing domestic savings. While Kenya's financial sector is viewed as substantially diversified, it is dominated by banking institutions which have not evolved to provide long term capital adequately. The equity and debt market are struggling to gain momentum.

The development financial institutions have also not been performing. If the anticipated investment level is to be achieved, it means that the financial sector must mobilize adequate and appropriate finance to meet the financing needs. The fact that the debt and equity market are not thriving has seen the credit market play a significant role in financing investment while deposits form a significant proportion of the financial assets basket. The recent experience with Ken-Gen and Safaricom IPOs which saw huge oversubscriptions is an indication that there is pursuit for a diversified financial asset basket among savers. The liquidity shifts witnessed in the banking institutions saw some banks increase their deposit rates to compete for the deposits; a sure demonstration that access to alternative financial asset heightens competition in the sector.

Capital market has also proved a sure source of financing in the corporate world. In Kenya, the market is made up of stock market, bonds, development financial institutions, and pension funds. Specifically, capital markets assists in price discovery, liquidity provision, reduction in transactions costs, and risk transfer. They reduce information cost through generation and dissemination of information on firms leading to efficient markets in which prices incorporate all available information [Yartey and Adjasi (2007), Garcia and Liu (2009)]. A study by IFC and Central Bank of Kenya in 2014 study recommended the need to develop capital markets in order to facilitate mobilization of long term capital. In Sessional Paper No. 1 2006 the government indicated its commitment in facilitating growth of the capital market and this saw the kick-off of the capital market reform in late 1980s which saw institutional and policy reforms.

1.1.2. Pharmaceutical Industry Financing in Kenya

The value of the Kenyan pharmaceutical market was estimated at US$ 417 million in 2010 and it is expected to grow at a Compound Annual Growth Rate (CAGR) of 15.9% between 2009 and 2019 in US dollar terms (Business Monitor International, 2011). In the case of medicines for the pandemic diseases (HIV/AIDS, malaria and TB), Kenya is highly dependent on donor funding. However, local pharmaceutical firms do not participate in this type of procurement which has stringent requirements including WHO prequalification of products. Since only one locally produced product in Kenya is prequalified by WHO, the domestic industry is effectively locked out. Figures on actual donor funds spent on medicines annually are difficult to ascertain but some indicative numbers are available. These illustrate the large-scale spending on the pandemic medicines. According to the Kenya National AIDS Strategic Plan (KNASP), of the expected contributions to the total budget of US$ 629.3 million for HIV/AIDS control in 2009/10, the Government of Kenya provided only 5.4%. The rest came from donors. The largest contributor, the US Government's PEPFAR (President's Emergency Plan for AIDS Relief) alone spent US$ 60 million on antiretroviral (ARVs) during that year. An additional amount was spent on medicines for opportunistic infections (OI) in HIV/AIDS patients. According to the World Malaria Report 2009, of total malaria funding of US$ 61.7 million for Kenya in 2008, the Government provided only 0.5%.(WHO, 2011).

A significant portion of the Kenyan Government's public procurement of medicines is also sourced outside Kenya. The Kenya Medical Supplies Agency (KEMSA)'s 2010/2011 government budget for the procurement of essential medicines was US$ 49.5 million. Of this, about 60% was for Rural Health Facilities (RHF). There is some indication that local pharmaceutical companies supply KEMSA with some of the medicines for RHF but it is not possible to know their share exactly since the agency does not distinguish between local pharmaceutical producers and local distributors of imported products in its information gathering and reporting. It is clear, however, that a significant proportion of KEMSA's purchases are also imported. This situation means that, overall; the domestic pharmaceutical market is dominated by imports. Excluding donor-funded spending on the pandemic medicines, local manufacturers supply less than 30% of the domestic market. Clearly, if donor-funded procurement were tobe taken into account, the market share of local manufacturers would be substantially lower.

Kenya's exports of all pharmaceutical products, including medicines, almost doubled from US $ 30.3 million in 2004 to US$ 59.4 million in 2008 in spite of the global economic slow-down in that year. About half of these exports were to its immediate neighbors, Tanzania and Uganda, and the strong growth in the sector represented an impressive Compound Annual Growth Rate (CAGR) of 18.3%. There is potential for Kenya to establish itself as a major source of pharmaceutical products in the region. For example, South Sudan and the Democratic Republic of Congo (DRC) are emerging as important markets and there may be considerable scope in the future for sales to Somalia. A study7 of the African suppliers of 30 main pharmaceutical products to the Common Market for East and Southern Africa (COMESA) also indicated the potential in that broader market. While Kenya's exports to COMESA of the selected principal pharmaceutical products have been on an upward trend, in 2008 they still amounted to only 56% of the value of exports from South Africa to COMESA of these same products. This clearly shows that there is considerable room for Kenyan exports to grow.

As of mid-2010, there were 13,000 medicines from 1,250 manufacturers registered with the regulatory authority, the Pharmacy and Poisons Board. About 30 new applications for new drug registrations were being received per week, more than two-thirds of which were from foreign suppliers.

1.2. Statement of the Problem

The pharmaceutical industry, like any other sector of the Kenyan economy cannot exist without challenges. The configuration of competitive forces such as intensity of competition, new entrants, substitute products and supplier and buyer power have transformed the environment a great deal creating the need for firms to change their competitive position (Ndiho, 2011).

According to Vinayak (2001), the pharmaceutical industry on Kenya comprises manufacturing companies that import raw materials and manufacturer finished products for sale in Kenya and East Africa, multinational companies that import raw materials and manufacturer finished products for sale in Kenya and East Africa, multinational companies that import finished research products into the country, and undertake to market these either directly or through agents, Kenyan agents who are local firms operating on franchise agreement with foreign manufacturers, and local pharmaceutical trading firms engaged only in distribution. The pharmaceutical industry has undergone tremendous changes over the last decade globally, the real growth and prominence of the industry started after the Second World War (Vinayak, 2011). Majunder (2006) further argues that, increased competition, information technology success of free market economies and an increasing voice of the developing countries have all led to substantial changes.

In 2005, a survey by the Pharmacy and Poisons Board (PPB) and the National Quality Control Laboratories (NCQL) showed that 30% of medicines sold in Kenya were counterfeit. The Kenya Association of the Pharmaceutical Industry (KAPI) estimates spending on counterfeits to be as high as US$ 130 million per year. In its bid to remain competitive in the Kenyan market, Laborex Kenya Limited operates by distributing pharmaceutical products to its clientele companies on credit payable in 30 days, 60 days and 90 days. Although this has proved to be a viable penetration strategy to the Kenyan market, it poses myriads of challenges based on the fact that Laborex depends on borrowed loan from its financiers to provide its services to its customers (Companies). Therefore ageing debt, currency fluctuations, time slug between supply and payment, poor regulation in the industry, coupled with unfair competition all makes Laborex Kenya Limited vulnerable to delays in breaking even.

As with many developing countries, there is limited research and scholarly studies about the pharmaceutical industry particularly in Kenya. Given the importance of this industry to the Kenyan economy, there was need to conduct this study to investigate the factors influencing access to finance by pharmaceutical distributors in Kenya; with a view to recommending viable strategies to enable Laborex Kenya Limited remain competitive in this vibrant industry.

1.3. Objectives of the Study

This study was guided by both general and specific objectives

1.3.1. General Objectives

The main objective of the study was to identify factors influencing access to finance by pharmaceutical distributors in Kenya.

1.3.2. Specific Objectives

The specific objectives of the study were:

1. To determine the influence of banking history on access to finance by pharmaceutical distributors in Kenya.
2. To examine the extent to which the company customers' net worth influences access to finance by pharmaceutical distributors in Kenya.
3. To investigate the role of financial controls on access to finance by pharmaceutical distributors in Kenya.
4. To establish the extent to which a firm's capital base influences access to finance by pharmaceutical distributors in Kenya.

1.4. Research Questions

1. To what extent does banking history influence access to finance by pharmaceutical distributors in Kenya?
2. What is the influence of the company customers' net worth on the access to finance by pharmaceutical distributors in Kenya?

3. What is the role of financial controls on access to finance by pharmaceutical distributors in Kenya?
4. To what extent does a firm's capital base influence access to finance by pharmaceutical distributors in Kenya?

1.5. Justification of the study

This study was of great use to the following:

- Laborex Kenya Limited: the research will enable the management and staffs of Laborex to appreciate their contribution in the pharmaceutical industry and gain more strategies to enable them get the value of their investment.
- Government: information from this research will enable the government through the Ministry of Medical Services (MoH) and the Ministry of Public Health and Sanitation (MoPHS), to enact policies and guidelines through the Pharmacy and Poisons Board (PPB), that will promote compliance to the quality standards expected in the industry.
- Financiers: will get useful information from this study to enable them develop viable financial approaches to promote growth of the pharmaceutical industry.
- The researcher: By undertaking the study, the researcher will appreciate the role played by the pharmaceutical distributors in the industry; and will further make major contribution to the body of knowledge.
- Other researchers: the research will become a benchmark for further studies to be conducted on the pharmaceutical industry.

1.6. Scope of the Study

This research was carried out at Laborex Kenya Limited in Mombasa County, between July 2015 and October 2015 targeting all staff working at Laborex, Mombasa Branch. The researcher will study the banking history, customer net worthy, firm's capital base and quality control in relation to financial access.

1.7. Limitations

The researcher encountered major challenges especially to do with time and resources. It's also worth noting that the research was localized, negligence by some respondents in filling the questionnaire also arose with some giving little value to the questionnaire while others not returning it totally.

2. Literature Review

2.1. Introduction

Reviewing the existing literature around the topic of research interest is vitally important because it helps in understanding not only the body of knowledge that relates to the research topic but also in developing an argument about the relevance of the research (Bryman, 2012). This chapter will systematically review the related literature to guide the reader in understanding what has already been done by other researchers in as far as factors influencing financial access by pharmaceuticals is concerned; what concepts and theories are relevant in this area of research.

2.2. Theoretical Review

Theories are formulated to explain, predict, and understand phenomena and, in many cases to challenge and extend existing knowledge within the limits of the critical bounding assumptions. The theoretical framework introduces and describes the theory which explains why the research problem under study exists. A theoretical framework consists of concepts, together with their definitions, and existing theory/theories that are used for the particular study (Sekaran, 2005).

2.2.1. Financing Theory

According this theory, suppliers have several advantages over financing institutions in offering trade credit to buyers. One such advantage is that the suppliers being in close contact with the buyer is in a superior position not only to evaluate credit worthiness of their customers but also to monitor them almost on a day-to-day basis. Such an advantage is not available with a financial institution. The second advantage is that supplies have more effective and quicker ways of liquidating assets of defaulting buyer-firms than institutional financiers. If the goods supplied are durables in nature, it is easier for the supplier to repossess them through their network and sell the repossessed goods quickly with or without additional processing. It has been observed that if the goods have more value as collateral to sellers than the financial institution, the seller considers this as reduction of credit risk and therefore, can offer better credit terms than the financial institutions (Ngugi. *et al*, 2009). Suppliers can also threaten the buyers to stop supplies if the payment is delayed. Ngugi *et al*. (2009) reveals that to minimize the risks of giving credit; organizations should give new customers a modest credit limit to begin with; one can raise the limit when the strength of your relationship justifies it. Consider using a monitoring service, offered by most credit reference agencies, to keep track of the financial status of the customers and they should also consider the cash flow and credit control advantages of factoring. The financing theory does explain why the sellers would offer trade credit but it does not explain why the buyers will accept the trade credit vis-a-vis institutional finance. Several empirical investigations are made to answer this question. The theoretical foundation of such investigations is that trade credit exists because of inefficiency of financial market.

All firms do not have equal access to institutional finance because perceived risks of some firms (may be, due to asymmetry of information) might be greater than the risk tolerance limit of the financial institutions. Hence, these firms (which are mostly small businesses) would resort to trade credit. For this reason they are also prepared to bear high cost of trade credit. Wilner (2010) found that firms with greater probability of default prefer trade credit to a loan from financial institution and consequently, trade credit interest rates exceed the credit market rate. Earlier, Petersen and Rajarr' found that a creditor reduces the rates it charges more rapidly as a customer's likelihood of default decreases.

2.2.2. Liquidity Theory

This theory holds that credit constrained firms are likely to use more trade credit than those having access to institutional finance. Therefore liquid firms are more likely to be providers of trade credit - a situation more pronounced during a period of monetary restrictions when institutional credit is rationed. Nielson, 2012 using a sample of small firms found that such credit-rationed firms typically demand more trade credit from large companies. According to Balduino (2010), there is need to have a credit appraisal- the process of selecting the customers who will be granted credit and determining their individual credit limits; this is the initial stage in the operation of an effective credit management system. Usually, a set of criteria or checklists will be available to perform the initial credit screening. The process of credit selection and analysis is essentially an exercise in risk assessment that is, in assessing the probability of customer non-payment. Sound credit selection procedures help to reduce customer default risk by eliminating unsuitable applicants at the outset, thus avoiding the costly process of chasing slow payments and incurring bad debts later.

Detweiler (2005) also revealed that collection policy is a critical part of the overall credit management process. An effective collection policy is essential to control investment in debtors and also to reduce the risk of financial loss and illiquidity through slow payment. Yet if the collection policy is too stringent, it may antagonize customers and they may seek alternative suppliers Detweiler (2005). It is a business reality that there will be late payers in every customer base. When a payment is regarded as late, a range of procedures and tactics can be adopted to obtain payment.

2.2.3. Quality Guarantee Theory

This theory is based on asymmetry of information between buyer and seller; in this study, the theory it explains the importance of business information sharing in credit control. The buyer does not know the quality of the product he is buying. If he pays cash on delivery and the product turns out to be of poor quality, he ceases to have effective control over an errant supplier he loses the cash and the product as well. In other words, if the buyer cannot insure himself against malfunctioning of the product, he will discount the value he expects to gain from the purchase with his estimation of the risk factor. Hence the more risky the product, the lower is the expected value of the purchase (Horen, 2007).

Firms do offer warranties or even money-back guarantees. But enforcement of such warranties or even money-back guarantees often takes a long time during which period the buyer is deprived of the service of the product while his money is blocked. The seller may also be out of business by the time the defect in the product gets ascertained. If the buyer is a reseller, he may not get payment against such sale; most likely goods will be returned to him. Guarantee theory is valid for some types of manufacturers, for some category of products and for some time only.

2.3. Conceptual Framework

Mugenda (2008) defines conceptual framework as a concise description of phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. A conceptual framework shows the relationship between independent and dependent variable. In this study, the dependent variable is factors influencing financial access by pharmaceuticals distributors in Kenya while the independent are banking history, company customer net worth, financial control and firm's capital base. (See Fig. 1)

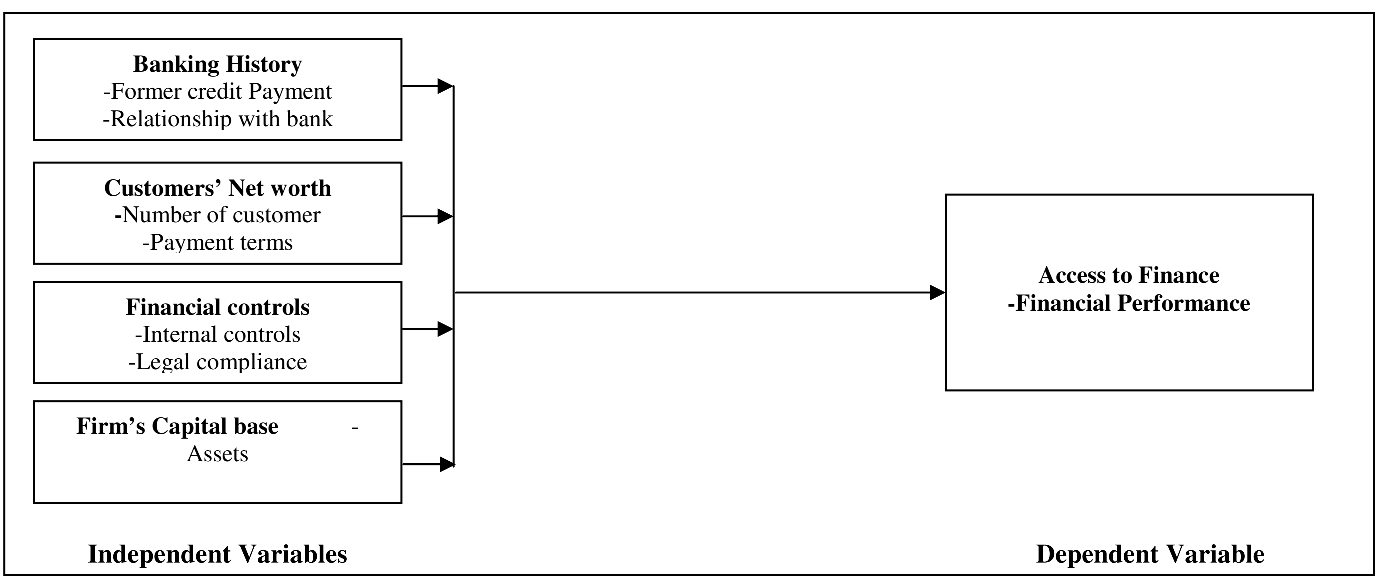

Figure 1

2.3.1. Financial Controls

Research suggests that the structure of mega-banks and money centers is such that have difficult in assessing risk in small business lending. Small business borrowers tend to be more "informational opaque" than their larger brethren and thus pose greater challenges for lenders. For example, they lack as much publicly available, transparent information for lenders to review. Moreover, for many small businesses, gathering information about the firm's owner is just as important as gathering information about the firm itself. (Harvard Business School, 2014).

The Harvard Business Review further argues that generally, large banks use standardized quantitative criteria to assess loan applications from small firms, where small banks favor qualitative criteria based on their loan officers' personal interactions with loan applicants. The differing approaches of large and community banks are confirmed by experience and in the economic literature. Williamson's theory of hierarchical control partly explains the operational differences between small and large banks with respect to lending. As the size of an organization increases, it loses control between successive hierarchies and distortions may arise.

Similarly, large banks typically have more branches that are more geographically dispersed than do smaller banks and, because of this, large banks need very explicit rules and underwriting guidelines to avoid distortions and to keep loan officers rowing in the same direction. As a result, large banks, especially those with greater than $10 billion in assets, employ standard criteria, often an individual borrower's FICO score and data obtained from financial statements in the loan decision process—a"cookie-cutter approach". By contrast, small banks rely to a greater extent on information and relationship capital about the character of the borrower, a "character approach", which they use to put any numbers-based assessment of a borrowers' credit-worthiness within a broader social context.

2.3.2. Banking History

According to a World Bank (2014), two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

Studies by Petersen and Rajan (1994) and Berger and Udell (1995), as quoted by the Harvard Business Review (2014) have underscored that the informational opacity of small businesses has often given community banks an edge in small business lending, as local banks invest the time and personnel to build dense relationships with borrowers, which then makes it easier for them to assess a borrower's creditworthiness. This is one reason, for example, that community banks may have lower margins, but approval rates for small business lending are more than double that of large banks.

Although the above studies imply that relationship between the bank and the borrower helps in gauging the creditworthiness, the studies were conducted in America and may not expressly be applicable in our Kenyan context.

2.3.3. Customers' Networth

According to the Kentucky Real Estate Commission, in order to determine a borrower's creditworthiness, the credit history, or the official record of the way a person uses credit and repays debt is critical. This information is found in a credit report—the official record of how bills have been paid; how much money is owed and to whom; financial stability; current and past residential addresses, employment status, and payment history. It does not include income, bank balances, or personal details such as ethnicity, religion, gender, political preferences, medical history, or other information that does not relate to credit. The creditor will also look at your income and expenses. How much do you earn and how much are your regular expenses such as rent, utilities, food and other ongoing debts. Also, the creditor will examine your assets that can serve as collateral. They will look for bank accounts and other items of value such as investments or property that you may own.

According to the Harvard Business Review, any loan is a contract between two parties: a bank that is willing and able to lend, and a business that is creditworthy and in need of a loan. Generally, banks require small businesses to show revenues that have increased quarter after quarter before they are willing to extend credit. Even a business owner with perfect credit may have a weak income statement showing sales that are at best flat.

And, the Wells Fargo/Gallup Small Business Index shows that while from 2004 until 2007 about half of all small business owners surveyed reported revenue for the last 12 months as either "very good" or "good", that number fell to as low as 21 percent in 2009 and 2010, and has only modestly recovered over the past few years, hovering at around 35 percent for most of the past few quarters. So, despite recent progress, many small businesses, even those that have weathered the recession, have nonetheless been battered by it and many may look less creditworthy to banks today than prior to the crisis.

The Harvard Review further argues that Bankers say they are lending to small businesses, but have trouble finding creditworthy borrowers. Banks today say that they are increasing their lending to small businesses but that the recession has had a lingering effect on the demand from small business borrowers. In addition, bankers note the dampening effect of increased regulatory oversight on the availability of small business credit. Not only is there more regulation and higher compliance costs, there is uncertainty about how regulators view the credit characteristics of loans in their portfolios, making them less likely to make a loan based on "softer" underwriting criteria such as knowledge of the borrower from a long term relationship. Jamie Dimon, CEO and Chairman of JP Morgan Chase, noted in 2013 that, "Very few (small businesses) say, 'I can't get a loan.' Sometimes they say that, and it is true. I would say that happens more in smaller towns, where smaller banks are having a hard time making loans because the examiners are all over them".(Harvard Business Review, 2014). Bearing in mind that the review was done for firms in the US, it may not reflect our

Kenyan state of affairs, hence the need to conduct this study on the Factors influencing access to finance in the pharmaceutical industry in Kenya.

2.3.4. Firm's Capital Base

Sapienza (2012) conducted a study on the Effects of Government ownership on Bank lending. He argues that in a standard Cournot model with capacity constraints (increasing returns to scale), one can show that the bank with lower capacity would supply loans equal to capacity at a lower price than the other bank with higher capacity. Further, Sapienza insists that size may also reflect some implicit characteristics of the loan. Loans from large banks may carry an implicit guarantee of not being revoked, if large banks are perceived to be less likely to fail. Empirically, Sapienza (2012) finds that bank's size has a positive and significant effect on loan rates for a sample of privately-owned banks, after controlling for firms' characteristics. In this study, he observed a one-standard-deviation increase in the logarithm of banks' assets leads to an increase of nearly 14 basis points in the interest rate. Since state-owned banks are generally larger than privately owned banks, the size of the coefficient of State (K,T) increases from .23 to .46 after introducing a control for banks' size, suggesting that the mean differences underestimate the impact of state ownership. Although this work leads to a conclusion that the size of a firm determines access to credit, this may be true for Italy but may not reflect the Kenyan scenario.

2.4. Empirical Review

Globally, Kenya stands at 143 in the ranking of 189 economies on the ease of starting a business. A study conducted in Kenya by World Bank in June 2014 provided an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business ranking. The 10 topics included in the ranking in Doing Business 2015: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

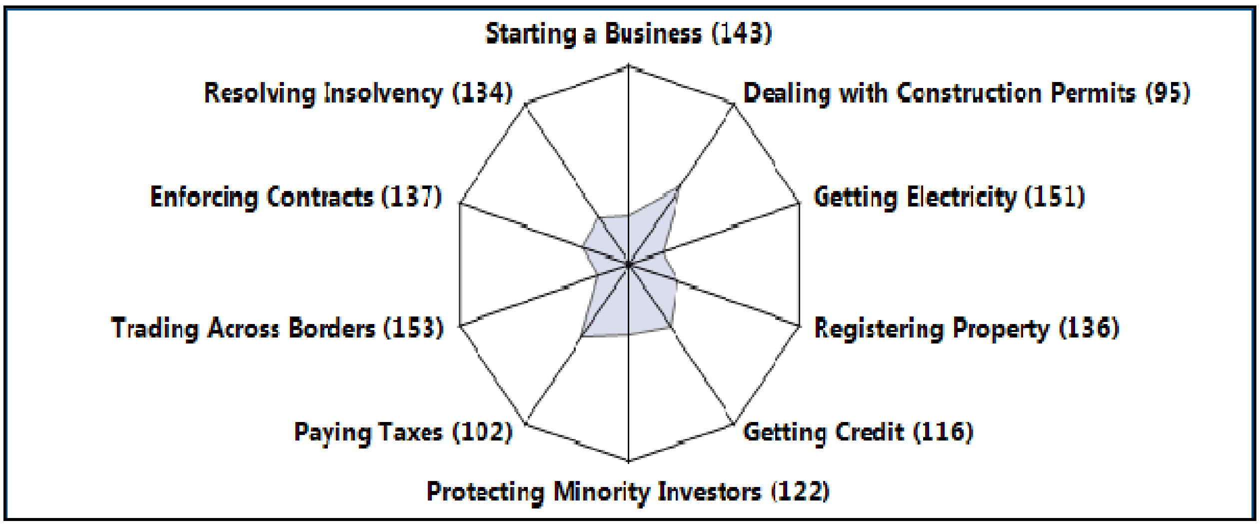

Figure 2: Rankings on Doing Business topics - Kenya
Source: World Bank (2014)

According to the World Bank data, starting a business in Kenya requires 10.0 procedures, takes 30.0 days, costs 42.7% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2). Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

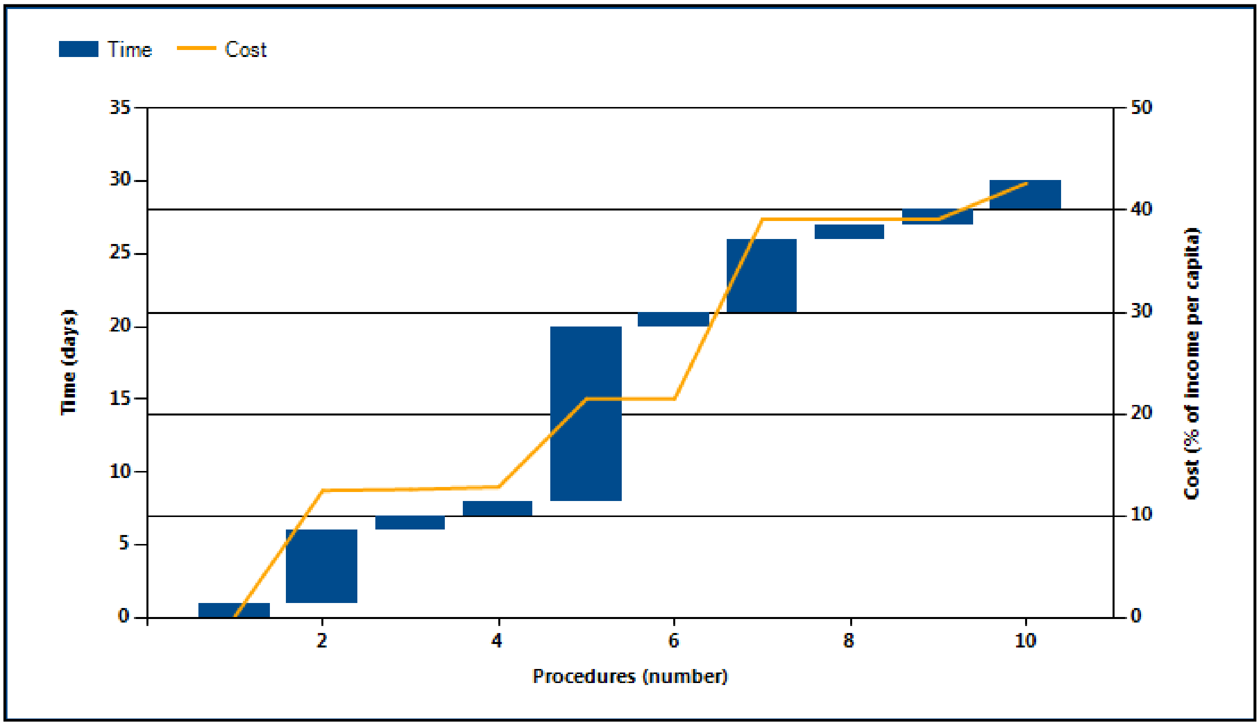

Figure 3: What it takes to start a business in Kenya
Source: World Bank (2014)

Starting a business in other countries is easier. For example, Canada and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 110 other economies have no paid-in minimum capital requirement.

2.5. Financial Access

A recent Financial Access study (Kenya, 2009) undertaken jointly by the Central Bank of Kenya and Financial Sector Deepening, identified that only 22.6% of the total population aged 18 years an above have access to formal financial services i.e. from the banks, Post Bank and insurance products. The study further identified the fact that 32.7% are financially excluded from the formal financial sector, though it was a decrease from 38.4% in 2006.With almost half (47.5%) of all Kenyan adults owning a mobile phone, this presents a great opportunity for financial service providers to partner with mobile phone service providers in the provision of financial services (Kenya, 2009).

A study in Ethiopia by Demirguc-Kunt, (2007) based on household surveys from 1994 to 2000 demonstrated that access to financial services caused a statistically significant reduction in five of seventeen determinants of poverty. A similar multi-country study by Beck & Demirguc-Kunt, (2007) demonstrated how access to financial services encourages social mobility across generations, there by leading to poverty reduction in the long run. Demirguc-Kunt, (2007) carried a study in Ethiopia based on household surveys from 1994 to 2000 demonstrated that access to financial data caused a statistically significant reduction in five of seventeen determinants of poverty.

Daniel (2009) investigated a model of trust from consumers who are in India where he found the antecedents of trust being ‘opportunistic behavior’, ‘communication’ and ‘shared values’, with the last two being quite significant and important as they influence consumers trust and commitment. However, the study was carried out in India thus the results may not be applicable to a developing country like Kenya.

2.6. Critique of the Existing Literature

All previous studies conducted seem to be inclined towards challenges firms face in accessing credit from financial institutions. Much of the available studies have been conducted in the US whose context differs with the Kenyan context. The study undertaken by World Bank in 2014 majorly concentrated on 10 topics and which formed their basis for ranking to show the business environment. These topics used for ranking include; starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

None of the above topics considered access to finance. It will be a false assumption to equate credit with access to finance. This is because firms do not depend entirely on credit as a source of finance.

2.7. Summary and Research Gaps

As highlighted above, most previous studies conducted were on challenges faced by firms in accessing credit. This wrongly assumes that the only source of finance available to forms is credit. Further, none of these studies have focused on the pharmaceutical industry instead on banking, and other SME other than pharmaceutical.

This study therefore aims to fill theses pertinent gaps in literature by studying the selected independent variables on the factors influencing access to finance by pharmaceutical distributors in Kenya. This study adds value to existing literature by providing empirical evidence on the factors influencing access to finance by pharmaceutical distributors and fills the existing contextual and conceptual gaps. This informs programming intervention efforts towards supporting and growing the pharmaceutical industry.

3. Methodology

3.1. Introduction

This chapter discusses the methodology adopted by the study to carry out the research project. The study will be aimed at evaluating factors that influence access to finance in the pharmaceutical distributors in the pharmaceutical industry in Kenya. This chapter sets out the research, methodology that will be used to meet the objective of the study. Included in this section are; the research design, the population, sampling design, data collection instruments, sample procedure validity and reliability of research and data analysis and presentation.

3.2. Research Design

The study adopted a Case study research design. Information was collected by asking a set of pre-formulated questions in a predetermined sequence and in a structured questionnaire to a sample of a defined population.

3.3. Population

Mugenda & Mugenda (1999) defines population as the entire set of individuals, events or objects with common observable characteristics. The target population of this study was the entire 200 staffs working at Laborex Kenya Limited, Mombasa branch who are distributed in various departments such as management, finance, marketing and support.

Department	**Population**
Management	30
Finance	32
Marketing	123
Support	48
TOTAL	**233**

Table 1: Population

Source: Laborex Kenya Limited Mombasa (2015)

3.4. Sample and Sampling Techniques

Since this study was localized to Laborex Kenya Limited Coast region which has 233 staff, a census of all the staffs distributed in the four departments was used. This approach enabled all the 233 staff working at the Coast region especially in management, finance, marketing and support; equal chance to participate.

3.5. Data Collection Instruments and Procedure

Questionnaires were used as the main research instrument for data collection; both open and closed ended questions were used. The questionnaire was used because it assisted the researcher in getting first-hand information on the ground. The open ended questions were used to encourage respondents to freely give their views while closed ended questions were used to supply the researcher with more detailed information. To attain the validity, the survey instruments were approved by the supervisor and verified for appropriateness to be able to provide applicable results. For reliability of the research, a pilot study of the questionnaire was carried out in Laborex with 10% of the respondents. Thus the questionnaire was adopted for the final research, after it was seen to be generating consistent results.

3.6. Data Processing and Analysis

Kothari (2009) argues that data collected has to be processed, analyzed and presented in accordance with the outlines laid down for the purpose at the time of developing the research plan. Data analysis involves the transformation of data into meaningful information for decision making. It involved editing, error correction, rectification of omission and finally putting together or consolidating information gathered. The collected data was analyzed quantitatively and qualitatively. Descriptive and inferential statistics was done using SPSS version 22 and specifically multiple regression model was applied. Set of data was described using percentage, mean standard deviation and coefficient of variation and presented using tables, charts and graphs. Fraenkel and Wallen (2000) argue that regression is the working out of a statistical relationship between one or more variables. The researcher used a multiple regression analysis to show the effect and influence of the independent variables on the dependent variables.

This statistical relationship is of the form:

$$Y_i\,(AF) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

- Y_i Access to Finance (value of dependent variable)
- β_0 Intercept
- β_1- β_4 Slopes coefficient representing the influence of the industry's independent variable over dependent variable
- X_1 Financial Controls
- X_2 Banking History
- X_3 Customers' Net worth
- X_4 Firm's Capital Base
- ε An error term

4. Data Analysis and Presentation of Findings

4.1. Introduction

This chapter presents analysis of the data on the factors influencing financial access by Pharmaceutical distributors in Kenya, a case study of Laborex Kenya limited. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

Respondents	Number of respondents	Percentage (%)
Expected Responses	70	100
Received responses	50	71.4
Un received responses	20	28.6

Table 2: Response Rate
Source: Research Data (2015)

According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.

4.1.1. Data Validity

The researcher asked experts, three academicians, to assess the scales' content validity. Accordingly, the researcher made changes on the first draft in terms of eliminating, adding or rewording some of the items included in that draft.

4.1.2. Reliability Analysis

Prior to the actual study, the researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 3 below.

Scale	Cronbach's Alpha	Number of Items
Banking History	0.764	4
Company customer worth	0.809	4
Financial controls	0.723	4
Firms capital base	0.791	4

Table 3: Reliability Coefficients

The overall Cronbach's alpha for the four categories which is 0.752. The findings of the pilot study shows that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003)

4.2. Background Information

The background information was gathered based on the gender, capacity within the company, department working in, how long one has worked for the organization, highest level of education credit policy in the organization and extent of effectiveness of credit control.

4.2.1. Gender of Respondents

The study sought to know the gender of the respondents. The results showed that majority of respondents were male which was represented by 62% of the total response rate while 38% of the respondents were female with a mean of 1.38 and a standard deviation of 0.490. This showed that more male than females participated in the study shown in the Figure 4 below.

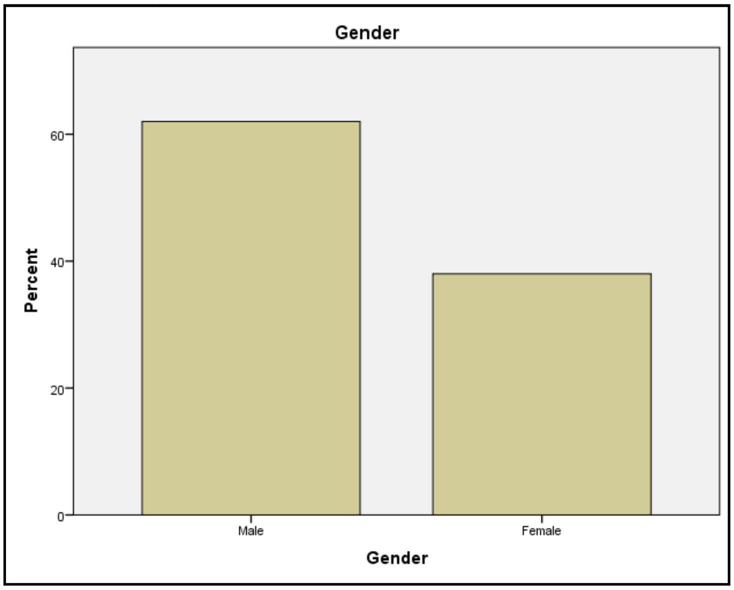

Figure 4: Gender of respondents

4.2.2. Capacity of Respondents within the Company

The study sought to know the capacity of respondents within the company. The majority of the respondents were manager representing 72%, owners 12%, Directors 6% and other were 10% with a mean score of 2.14 and standard deviation of 0.756 as shown in Figure 5 below.

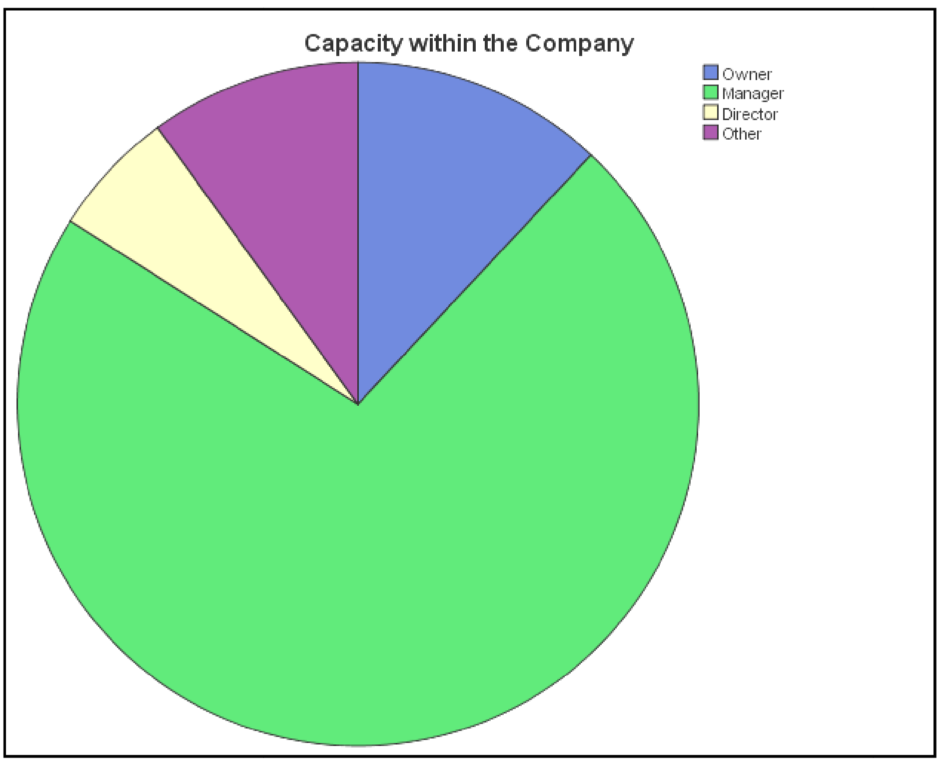

Figure 5: Capacity within the company

4.2.3. Department Working In

The study sought to know departments respondents work in. Respondents working in the finance department were 42% and those working in the operations department were 46% while those that work in other departments were 12% as shown in Figure 6 below. This shows that the majority of respondents were those working in operations department.

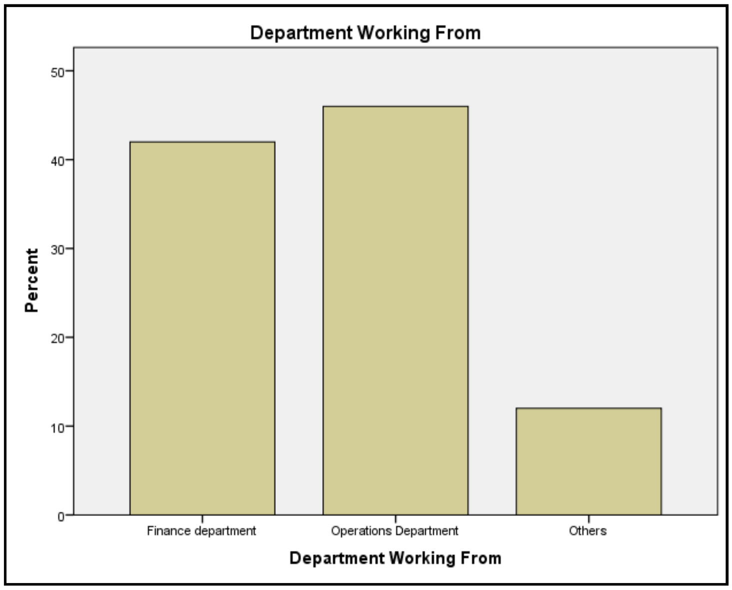

Figure 6: Department working in

4.2.4. How long Respondent have worked

The study sought to know how long the respondents have worked in the organization. Respondents who have worked for between 0 and 2 years were 16%, between 3 and 5 years were 38%, between 6 and 9 years were 34% and those who have worked for over 10 years were 12% with a mean score of 2.42 and a standard deviation of 0.906 as shown in Figure 7 below. This shows that those who have worked for between 3 and 5 years were the majority.

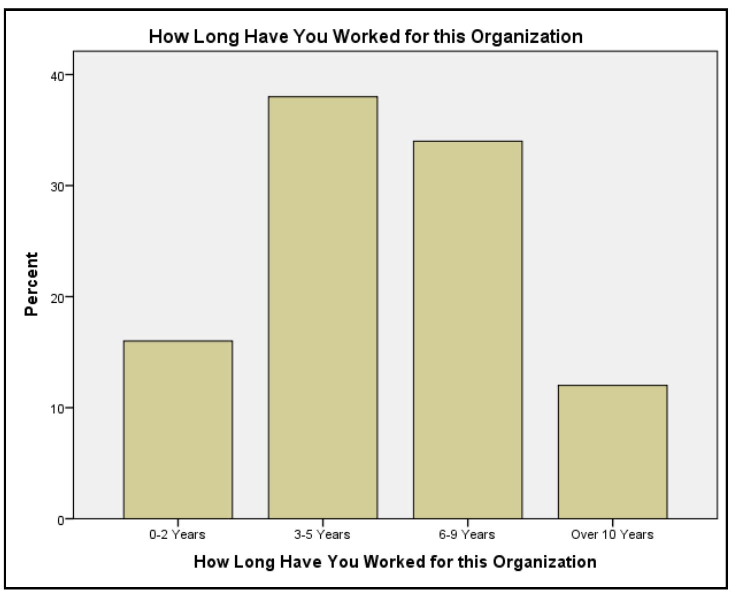

Figure 7: How long have you worked for this organization

4.2.5. Level of Education

The study sought to know the education level of the respondents. Respondents who have not gone to school were 2%, primary school education were 2%, secondary school education were 8%, college certificate were 36%, degree certificate were 40% and those with post graduate studies were 12% as shown in Figure 8. This shows that majority of the respondents were those with degree certificate.

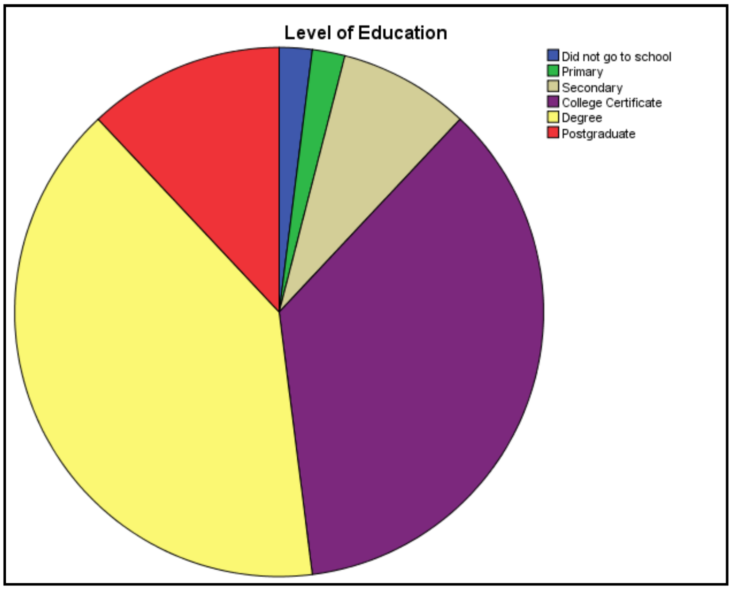

Figure 8: Level of education

4.2.6. Credit Control Policy

The study sought to know the credit control policy in pharmaceutical industry in Kenya. 80% of the respondents answered yes, that there is credit policy and 20% said No with a mean of 1.2 and standard deviation of 0.404 as shown in Figure 9 below. This shows that majority of the respondents were 80% (YES).

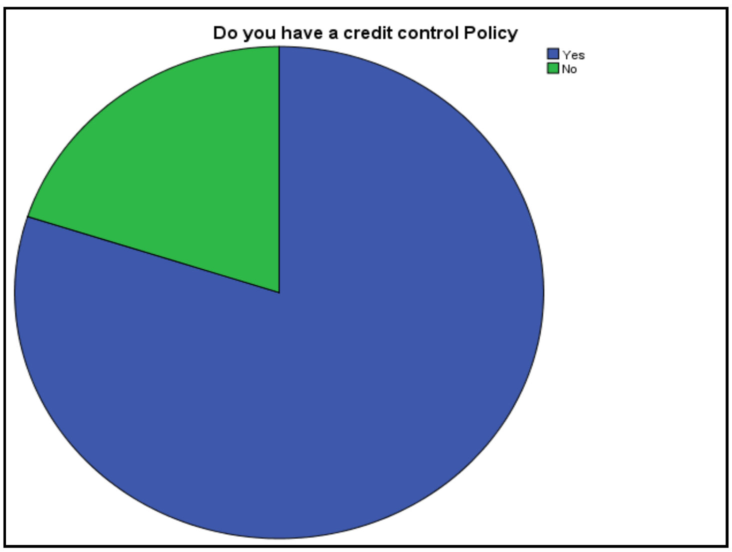

Figure 9: Credit Control Policy

4.2.7. Extent to which policies in organization are effective in credit control

To what extent are the policies in your organization effective in credit control					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	16.0	16.0	16.0
	Disagree	10	20.0	20.0	36.0
	Neutral	9	18.0	18.0	54.0
	Agree	10	20.0	20.0	74.0
	Strongly Agree	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

Table 4: Extent of credit control policies effectiveness

From the study, 26% of the respondents strongly agree that credit control policies are effective whereas 16% strongly disagree as shown in Table 4 above.

4.2.8. Challenges of Implementing credit policies

The study sought to know the challenges of implementing credit policies. The study revealed that 72% of the respondents acknowledged that there are challenges with implementing credit policies for pharmaceuticals companies in Kenya whereas 28% said that there are no challenges in implementing credit policies as shown in Figure 10 below.

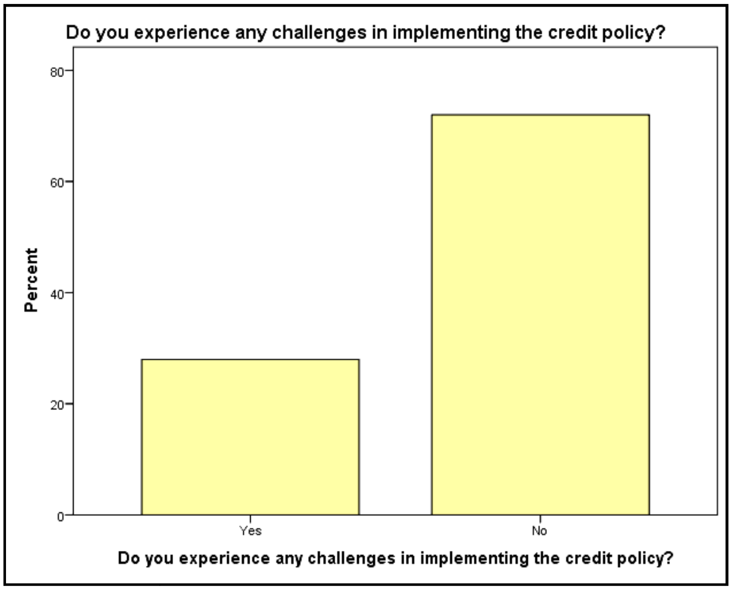

Figure 10: Challenges of implementing credit policy

4.3. Factors Influencing Financial Access by Pharmaceuticals Distributors

In the research analysis the researcher used a tool rating scale of 5 to 1; where 5 were the highest and 1 the lowest. Opinions given by the respondents were rated as follows, 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1= Strongly Disagree. The analysis for mean and standard deviation were based on this rating scale.

4.3.1. Influence of Banking History on access to Finance

Statement	Mean	Standard Deviation
Banking history is important in accessing finance	4.54	1.054
Without a good banking history pharmaceutical cannot access	4.26	0.944
Banking history does not matter so much in accessing finance	1.62	1.308
No pharmaceutical business can be effective without good his.	4.16	1.218

Table 5: Banking History

The first objective of the study was to determine the influence of banking history on access to finance by pharmaceuticals distributors in Kenya. Respondents were asked questions related to influence of banking industry and gave their opinion. The opinion in agreement that banking history is important in accessing finance had a mean score of 4.54 and standard deviation of 1.054, the opinion that without a good banking history a pharmaceutical distributor cannot succeed in accessing finance had a mean of 4.26 and a standard deviation of 0.944 signifying a high level of agreement. The opinion that nothing can go on effectively and efficiently in pharmaceutical business without a good banking history had a mean of 4.16 and a standard deviation of 1.218 and the opinion that banking history does not matter so much in accessing finance had a mean score of 1.62 and a standard deviation of 1.308.

4.3.2. Influence of Company customers' net worth on access to Finance

Statement	Mean	Standard Deviation
A company's customers net worth in important in Loans	4.60	0.756
Without good customer net worth pharmaceuticals cannot	4.56	0.644
A company's customer net worth does not matter in loans	1.88	1.547
No pharmaceutical business can be effective without worth	4.26	1.192

Table 6: Company customer net worth

The second objective of the study was to determine the influence of company customers' net worth on access to finance by pharmaceutical distributors in Kenya. Respondents were asked a set of questions relating to company customers' net worth and gave their opinion. The opinion in agreement that company's net worth is important in accessing finance had a mean score of 4.60 and a standard deviation of 0.756 and the opinion that without a good customer net worth a pharmaceutical distributor cannot succeed in accessing finance had a mean score of 4.56 and a standard deviation of 0.644. Nothing can go on effectively and efficiently in pharmaceutical business without a good customers' net worth had a mean score of 4.26 and standard deviation of 1.192 signifying a high level of agreement. The opinion that a company's customer net worth does not matter so much in accessing finance had a low mean score of 1.88 and standard deviation of 1.547 signifying a high level of disagreement.

4.3.3. Influence of Financial Controls on access to Finance

Statement	Mean	Standard Deviation
Financial controls is important in accessing finance	4.58	0.992
Without good financial controls pharmaceuticals cannot	4.20	0.571
Financial controls does not matter in accessing finance	4.12	1.239
No pharmaceutical business can be effective without controls	4.48	0.735

Table 7: Financial Controls

The third objective was to determine the influence of financial control on access to finance by pharmaceutical distributors in Kenya. The opinion in agreement that financial control is important in accessing finance has a mean score of 4.58 and a standard deviation of 0.992 signifying a high level of agreement. The statement that nothing can go on effectively and efficiently in pharmaceutical business without good financial controls had a mean score of 4.48 and standard deviation of 0.735 signifying a high level of agreement. The opinion that without good financial controls a pharmaceutical distributor cannot succeed in accessing finance had a mean score of 4.20 with a standard deviation of 0.571. Lastly, the opinion that financial controls does not matter so much in accessing finance had a mean score of 4.12 and standard deviation of 1.239.

4.3.4. Influence of a Firm's capital base on access to Finance

Statement	Mean	Standard Deviation
A firms capital base is important in accessing finance	4.68	0.653
Without good capital base pharmaceuticals cannot	4.46	0.813
A firm's capital base does not matter so much accessing loans	3.80	0.904
No pharmaceuticals business can be effective without cap. Base	3.98	1.331

Table 8: Firm's capital base

The last objective was to determine the influence of firm's capital base on access to finance by pharmaceutical distributors in Kenya. Respondents were asked a set of questions relating to firm's capital base and gave their opinion. The opinion in agreement that firm's capital base is important in accessing finance had a mean score of 4.68 and a standard deviation of 0.653 and the opinion that without a good capital base a pharmaceutical distributor cannot succeed in accessing finance had a mean score of 4.46 and a standard deviation of 0.813. The opinion that capital base does not matter so much in accessing finance had a mean score of 3.80 and standard deviation of 0.813. The opinion that nothing can go on effectively and efficiently in pharmaceutical business without a good capital base had a mean of 3.98 and standard deviation of 1.331.

4.4. Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.4.1. Coefficient of Correlation

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 9 below. According to the findings, it was clear that there was a positive correlation between banking history and financial access by pharmaceuticals shown by a correlation figure of 0.966; company customer net worth and financial access by pharmaceuticals shown by a correlation figure of 0.955; Financial controls and financial access by pharmaceuticals shown by a correlation figure of 0.881; firm's capital based and financial access by pharmaceuticals; shown by a correlation figure of 0.943. This showed that there was a strong positive correlation highest being noted.

	Financial Access by Pharmaceuticals	Banking History	Company customer net worth	Financial Controls	Firm's Capital Base
Financial Access by Pharmaceuticals	1				
Banking History	.966	1			
Company customer net worth	.955	.965	1		
Financial Controls	.881	.894	.941	1	
Firm's Capital Base	.943	.944	.931	.809	1

Table 9: Pearson's Correlations

4.4.2. Coefficient of determination (R^2)

Table 10 showed that the coefficient of determination was 0.947. 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 (Financial Access) that is explained by all independent variables. From the findings this meant that 94.7% of investment decision making is attributed to combination of the four independent factors investigated in this study**.**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973[a]	.947	.943	.190

Table 10: Coefficient of Determination (R^2)

4.5. ANOVA

The study used ANOVA to establish the significance of the regression model. The significance value is 0.022 which was less than 0.05 thus the model is statistically significance in predicting how banking history, company customer net worth, financial controls used and firm's capital base affect financial access by pharmaceuticals in Kenya. This therefore means that the regression model had a confidence level of above 95% hence high reliability of the results obtained.

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.822	4	9.206	54.109	.000[b]
	Residual	2.065	46	.036		
	Total	38.887	50			

Table 11: ANOVA

4.5.1. Multiple Regressions

The researcher conducted a multiple regression analysis as shown in Table 12 so as to determine the relationship between investment decision making and the four variables investigated in this study.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.251	.214		1.169	.247
	Banking history	.465	.132	.474	3.530	.001
	Company customer net worth	.144	.155	.172	.934	.354
	Financial Control	.062	.097	.070	.645	.522
	Firm's capital base	.344	.139	.279	2.485	.016
a. Dependent Variable: Financial access by pharmaceuticals in Kenya						

Table 12: Multiple Regression Analysis

$$Y_i\ (AF) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$Y = .251 + .465X_1 + .144X_2 + .062X_3 + .344X_4$$

Where $X_1 =$ Banking history

$X_2 =$ Company customer net worth

$X_3 =$ Financial Control

$X_4 =$ Firm's capital base

5. Summary of the Findings, Conclusions and Recommendations

5.1. Introduction
The 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. The chapter finally presents the limitations of the study and suggestions for further studies and research.

5.2. Summary of Findings
The response rate of this study was 71.4%. Male respondents were the majority standing at 62% and majority of respondents in the organization were managers at 72%. Most of the respondents were from the operations department represented by 46% and they have worked for between 3 and 5 years with 38%. 40% of the respondents have a bachelor's degree. 80% of respondents admitted that there have a credit policy but 72% of the respondents agreed that there are challenges in implementing the credit policy. According to the findings, it was clear that there was a positive correlation between banking history, company customer net worth, financial controls and firm's capital base shown by a correlation value of 0.966, 0.955, 0.881, and 0.943 respectively. This indicates that independent variable and dependent variable move in the same direction, that is, as one increase the other one also increases.

From the finding R^2 has a value of 0.947 meaning that the 94.7 % of the dependent variable can be explained or attributed to combination of the four independent factors investigated in this study. According to the regression equation established, taking all factors constant at zero, investment decision making as a result of these independent factors will be 0.251.

The study revealed that banking history is important in accessing finance and that without good banking history a pharmaceutical distributor cannot succeed in accessing finance. The study further revealed that nothing can go on effectively and efficiently in pharmaceutical business without good banking history however, the opinion that banking history does not matter so much in accessing finance had a low mean score implying that there are many factors that are at play in order to access finances. A company's customer's net worth is important in accessing finance and pharmaceutical company net worth helps a pharmaceutical distributor to access finances. Having good financial controls in the pharmaceutical distributors assures them access to finances and firm's capital base assures lenders that this company's assets can cover for liabilities as and when they fall due.

5.3. Conclusion
The study concluded the following:

1. That banking history is important in accessing finances
2. That a company's net worth is important in accessing finances
3. That a company that has good financial controls can easily access finances
4. That a pharmaceutical company with a solid capital base can easily access finances

5.4. Recommendations
Based on study findings the researcher recommends the following;

1. There is need to for a pharmaceutical company to have a good banking history for it to be able to access finances from the commercial banks.
2. There is need to build a pharmaceutical company net worthiness over the years and this can be a unique selling point for them to access finances.
3. There is need to put in place sound financial controls to prevent leakages in the system and to ensure all the revenue is documented and banked.
4. Increasing firm's capital base so that lenders can be sure that liability can be covered up by the assets in cases of liquidation.

5.5. Suggestion for Further Studies
This study focused on the factors influencing financial access by pharmaceuticals distributors in Kenya. Since only 94.7% of results was explained by the independent variables in this study, it is recommended that a study be carried out on other factors that affect financial access, specifically, a study on relationship between behavioral factors and financial access from across the country should be carried out in order to pick out other variables not covered in this study. The research should also be done in other organizations and the results compared so as to ascertain whether there is consistency on factors influencing financial access by pharmaceutical distributors among respondents in the various organizations.

6. Acknowledgement
All glory and honor to my grand instructor Jehovah God for according me His divine strength to complete this paper. Special tributes to my supervisor, Mr. Boaz Ingari for his tireless guidance without which this work wouldn't have been a success. Finally, this work would not have been a success without JKUAT – Mombasa CBD. Thank you for accepting and nurturing me this far.

7. List of Acronyms
- API - Active Pharmaceutical Ingredient
- AIDS - Acquired Immune Deficiency Virus
- CAGR - Compound Annual Growth Rate

- COMESA - Common Market for Eastern and Southern Africa
- DFIs - Development Financial Institutions
- GoK Government of Kenya
- GDP - Gross Domestic Product
- MOH Ministry of Health
- OTS - Over the Counter
- REG No - Registration Number
- WHO - World Health Organization
- SPSS Statistical Packages for Social Sciences

8. Definition of Terms

Finance: This is the science that describes the management, creation and study of Money, banking, credit, investment, assets and liabilities (Financial Planning Standards Board, 2011)

Capital: This is the financial wealth used to start and maintain a business (Routledge, 2009)

Customer net worth:Is the aggregate value of the clients of a firm (Researcher, 2015)

Financial controls: These are measures, policies and procedures put into place by an organization to track, manage and report its financial resources and activities aimed at achieving a desired return on investment eg. Financial statements (Spillane, James P., Tim Hallett, and John B, Diamond, 2003)

Financial Access: This is the ability by an individual or an entity to obtain financial services such as credit, deposits, payments, insurance… aimed at promoting growth of such entities (Beck, Levine and Levkov, 2010)

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APPENDICES

Appendix I: Letter of Introduction

Kingóri Peter Mumbiko
P.O BOX 80370-80100
MOMBASA
Dear Respondent

RE: FILLING IN OF QUESTIONAIRE

This is to request you help fill the attached questionnaire. I am a student at Jomo Kenyatta University of Agriculture and Technology pursuing Masters of Business Administration Degree. In partial fulfillment of the course requirement, I am undertaking a research project on Factors influencing financial access by pharmaceutical distributors in Kenya, A case study of Laborex pharmaceutical limited.

You have been chosen as parts of the sample hence request you to help in gathering information in the questionnaire to the best of your ability to present useful contribution which may help to improve access to finance by pharmaceutical distributors in Kenya. Your cooperation will be appreciated and information received will be for the purpose of study and will be treated with confidence.

Yours faithfully,
Kingóri Peter Mumbiko.

Appendix II: Questionnaire

Part 1: Background Information

1. Kindly indicate your gender
   Male ☐ Female ☐

2. Capacity within the company:
   Owner ☐ Manager ☐ Director ☐ Other (specify)

3. Which department do you work from?
   Finance department ☐ Operations department ☐ Other (Specify)

4. How long have worked in this organization
   0-2 years ☐ 3-5 years ☐ 6-9 years ☐ Over 10 years ☐

5. Kindly indicate your highest education qualification attained.
   Didn’t go to school ☐ Primary ☐ Secondary ☐ College Certificate ☐ Degree ☐ Postgraduate ☐

6. Do you a credit control policy in your organization?
   Yes ☐ No ☐

7. To what extent are the policies in your organization effective in credit control?
   Strongly agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree ☐

8. Do you experience any challenges in implementing the credit policies put in place in your organization.
   Yes ☐ No ☐

b). If yes, what are these challenges?

Part 2: 1nfluence of banking history

9. Indicate the influence of banking history on access to finance. Use the scale below to answer the following statements. Please tick [√] appropriately.

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

- Influence of banking history on access to finance

Statement	Rating				
	1	2	3	4	5
Banking history is important in accessing finance					
Without a good banking history a pharmaceutical distributor cannot succeed in accessing finance					
Banking history does not matter so much in accessing finance					
Nothing can go on effectively and efficiently in pharmaceutical business without a good banking history					

- Extent of banking history influence

10. Indicate the extent to which banking history influences your access to finance. Use the scale below;

5=Strongly agree
4=Agree
3= Undecided
2= Disagree
1=Strongly Disagree

- Extent of banking history influence

Statement	Rating				
	1	2	3	4	5
Banking history influences access to finance					
Banking history influences trust with a financier					
Banking history influences the credit worth of a customer					
Banking history influences the relationship with a financier					

Part 3: 1nfluence of the company's customers net worth

11. Indicate the influence of the company's customers net worth on access to finance. Use the scale below to answer the following statements. Please tick [√] appropriately.

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

- Influence of a company's customers net worth on access to finance

Statement	Rating				
	1	2	3	4	5
A company's customers net worth is important in accessing finance					
Without a good customers net worth a pharmaceutical distributor cannot succeed in accessing finance					
A company's customers net worth does not matter so much in accessing finance					
Nothing can go on effectively and efficiently in pharmaceutical business without a good customers' net worth					

- Extent of the company's customers net worth influence

12. Indicate the extent to which the company's customers net worth influences your access to finance. Use the scale below;

5= Strongly agree
4= Agree
3= Undecided
2= Disagree

1= Strongly Disagree

- Extent of the company's customers net worth influence

Statement	Rating				
	1	2	3	4	5
A company's customers net worth influences access to finance					
A company's customers net worth influences trust with a financier					
A company's customers net worth influences the credit worth of a customer					
A company's customers net worth influences the relationship with a financier					

Part 4: 1nfluence of financial controls

13. Indicate the influence of financial controls on access to finance. Use the scale below to answer the following statements. Please tick [√] appropriately.

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

- Influence of financial controls on access to finance

Statement	Rating				
	1	2	3	4	5
Financial controls is important in accessing finance					
Without good financial controls a pharmaceutical distributor cannot succeed in accessing finance					
Financial controls does not matter so much in accessing finance					
Nothing can go on effectively and efficiently in pharmaceutical business without good financial controls					

- Extent of financial controls influence

14. Indicate the extent to which financial controls influences your access to finance. Use the scale below;

5= Strongly agree
4=Agree
3= Undecided
2= Disagree
1=Strongly Disagree

- Extent of financial controls influence

Statement	Rating				
	1	2	3	4	5
Financial controls influences access to finance					
Financial controls influences trust with a financier					
Financial controls influences the credit worth of a customer					
Financial controls influences the relationship with a financier					

Part 5: 1nfluence a firm's capital base

15. Indicate the influence of a firm's capital base on access to finance. Use the scale below to answer the following statements. Please tick [√] appropriately.

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

- Influence of a firm's capital base on access to finance

Statement	Rating				
	1	2	3	4	5
A firm's capital base is important in accessing finance					
Without a good capital base a pharmaceutical distributor cannot succeed in accessing finance					
A firm's capital base does not matter so much in accessing finance					
Nothing can go on effectively and efficiently in pharmaceutical business without a good capital base					

- Extent of a firm's capital base influence

16. Indicate the extent to which a firm's capital base influences your access to finance. Use the scale below;

5= Strongly agree
4=Agree
3= Undecided
2= Disagree
1=Strongly Disagree

- Extent of a firm's capital base influence

Statement	Rating				
	1	2	3	4	5
A firm's capital base influences access to finance					
A firm's capital base influences trust with a financier					
A firm's capital base influences the credit worth of a customer					
A firm's capital base influences the relationship with a financier					

Thank You for Your Participation

Appendix III: Work plan

ACTIVITY	JAN 2015	FEB 2015	MAR 2015	APRIL 2015	MAY 2015	JUNE 2015	JULY 2015
Topic identification							
Topic presentation							
Introduction							
Literature review							
Methodology							
Appendices							
Proposal presentation							

Appendix IV: Budget Estimates

ITEM	KSHS
A) Cost of Proposal Development	
Stationery, Printing, photocopies	18,000
Telephone and travelling expenses	36,000
Sub-Total	**54,000**
B) Cost of Data Collection and Analysis	
Data processing and analysis	10,000
Sub-Total	**10,000**
C) Compilation and Production of Final Document	
Printing Binding 6 copies @ shs.500	28,000
Sub-Total	**28,000**
GRAND TOTAL	**92,000**