International Journal of Business Management and Processes (IJBMP)
Vol 4. Issue No.1. September, 2018. PP 34-46. ISSN 2616-3209

INFLUENCE OF ACCESS TO CREDIT AND LOAN FACILITIES ON THE BUILDING CONTRACTORS' PERFORMANCE IN INFRASTRUCTURAL DEVELOPMENT IN NAKURU COUNTY, KENYA

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Abstract

The Construction industry has been the bedrock of social and economic development in our country for the past 15 years. Construction has spurred as well as facilitated economic growth through the development of infrastructure projects countrywide. According to National Construction Authority, the Construction Industry is one of the main engines of performance in any economy and Building contractor's performance in infrastructural projects is one of the important economic activities that contribute towards the economic growth of the nation. The objective of the study to establish how access to credit and loan facilities influence on the performance of building contractors in infrastructural development in Nakuru County. A sample of 219 participants was selected from a population of 511 registered building contractors in Nakuru County. From the 219 questionnaires administered to building contractors, 157 were properly filled and returned. A questionnaire was used to collect data. Data was analyzed by using the Statistical Package for Social Sciences (SPSS). From the study, it was concluded that building contractors, face a lot of challenges in accessing finances for their business both as running capital and for expansion of the businesses. This is because of many factors which make their businesses less attractive and risky in terms of lending. It is expected that improved access to loan and credit facilities to building contractors can lead to higher performance in infrastructural development. Delayed payments from clients on construction projects are considered to be a factor of significant concern which can cause financial problems to building contractors. It is expected that improved relationship between building contractors and client plus the technical team will lead to higher performance of building contractors in infrastructural development.

Keywords: Access, Credit and Loan Facilities, Building Contractors, Performance, Infrastructural Development

I.Introduction

The Construction industry has been the bedrock of social and economic development in our country for the past 15 years. Construction has spurred as well as facilitated economic growth through the development of infrastructure projects countrywide (The NCA Quarterly, 2017). According to the Kenya National Bureau of Statistics, the construction sector expanding by 8.4% in the first quarter of January to April 2017 and by 10.2% in 2016 during the same period. The Kenya 2017/2018 National Budget Statement announced that the government would invest KSh 640.8 billion in infrastructure development, up from KSh 415.7 billion in the 2016/2017 fiscal year. According to National Construction Authority, the Construction Industry is one of the main engines of performance in any economy. Project performance is a critical issue for the good governance of many nations globally. Project deliverables such as timely completion, management and public satisfaction are often used as yardsticks to determine success. In Kenya performance of building contractors in infrastructural development is one of the important economic activities that contribute towards the economic growth of the nation. According to reports from the Kenya National Bureau of Statistics (KNBS), the value of approved buildings between January and May was KSh126.3 billion in 2016 and KSh 105.7 billion in 2017. Residential building approvals was valued at KSh74.2 billion in 2016 and valued at KSh58.1 billion in 2017 with commercial office building approvals valued at 52 billion in 2016 and KSh47.6 billion in 2017.

Nakuru is a rapidly growing centre with a diverse economic base of agricultural processing, regional services and tourism. (United Nations Habitat, 2013). Nakuru is the fourth largest city in Kenya after Nairobi, Mombasa and Kisumu. It is the headquarters of Nakuru County and former headquarters of the Rift Valley Province. According to Euromonitor International report on economies in top 10 African Cities for Growth (2017), Nakuru was ranked among the fastest growing cities in East Africa. Last September, the Cabinet approved elevation of Nakuru to city status, bringing the number of Kenyan cities to five. Through amendment of the Urban Areas and Cities Act of 2011 by parliament, Nakuru and Eldoret will acquire city status. In 2013, the United Nations Habitat listed Nakuru as one of the fastest growing towns in East and Central Africa. Economic experts say this growth has been brought about by many factors, which include diverse economic base of agricultural processing, regional services and tourism. But it is Nakuru's location next to the Northern Corridor and the Kenya-Uganda Railway that is its aorta, pumping in people and goods. And with the second phase of the Standard Gauge Railway (SGR) already underway and the construction of the dry port in Naivasha, Nakuru is bound to expand further. County Government of Nakuru reported that major infrastructural facelift had started as the county waits for its headquarters to attain the elusive city status. The Lanet airstrip is being upgraded into an international airport with the help of the Kenya Airports Authority (KAA), Kenya Civil Aviation Authority (KCAA), Kenya Defence Forces (KDF), the National government and the County government. The airstrip will be upgraded to accommodate large commercial planes. Under this arrangement, the military facility will also accommodate public utility and will be available for use by civilian aircraft. Once Kenya's cleanest town, Nakuru is keen to regain its lost glory. County Trade, Cooperatives and Tourism Executive Committee member reported that the county government will work hard to attract new investors and create thousands of employment opportunities. According to the Urban Areas and Cities Act 2011, for an urban area to be classified as a city, it must have a population of at least 250,000 residents based on the last population census data. Nakuru's population stands at 800,000, according to the 2009 census. The town must have an integrated urban area or city development plan and should demonstrate the capacity to generate sufficient revenue to sustain its entire operation. In the 2015/16 financial year, Nairobi collected Sh11.7 billion, followed by Mombasa (Sh2.9 billion), Kiambu (Sh2.5 billion) and Nakuru at Sh2.3 billion. The governor has roped in the county assembly to help prepare the town for its new status by participating in approval of the county Geo-spatial plan (County Government of Nakuru Report, 2018).

Lack of access to finance and credit facilities is one of the major challenges facing building contractors in Kenya. This is because of many factors which make construction works less attractive and risky in terms of lending, lack of sufficient collateral or guarantees to secure loans or lines of credit, fluctuations and price escalations, delayed payments from clients and the absence of a substantive credit history. Delayed payments from clients on construction projects causes major cash-flow challenges to building contractors which can have a devastating effect down the contractual payment chain. Efficient and timely payment in construction projects is a major factor and a good practice that can contribute to the success of a project. Employers' poor financial management, conflict among parties involved in the contract, and delay in certification are some of the potential causes of delayed payment. Withholding or delaying payment creates financial hardship for the construction companies and its impacts are sometimes so harsh that some companies have to close down. Our local contractors struggle when it comes to working capital due to delayed payment by clients. In an ideal setting, contractors should be able to run projects by paying for goods and services

for which they will be paid in scheduled installments. The demand for cash on delivery by suppliers and unpredictable cash flow makes it very difficult for building contractors to manage construction projects.

II.Research Objective

To establish how access to credit and loan facilities influence on building contractors' performance in infrastructural development in Nakuru County

III.Research Question

How does access to credit and loan facilities influence on the building contractors' performance in infrastructural development in Nakuru County?

IV.Literature Review

Influence of building contractors' performance in infrastructural development globally

According to International Federation of Consulting Engineers (FIDIC, 2004), low quality works in the construction industry is becoming a global challenge. Many countries in the developed world have created strategies to improve the performance on building projects. These include Australia's Building for Growth, Building and Construction Industries Actions Agenda of 1999: Finland's Reengineering the Construction Process Using Information Technology from 1997 – 2002: Japan's Future Directions of the Construction Industry programme of 1998 and Singapore's Construction 21. Others examples include South Africa's Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry campaign of 1997: the National Construction Goals in the United States of America (USA) and in Northern Ireland, Building our future together of 1997 and Achieving Excellence in Construction 1999 (FIDIC, 2004). According to Office for National Statistics Annual Business Survey data (2011), the building sector is one of the main drivers of the United Kingdom economy. The sector has created more than 280,000 businesses that have employed over 10% of UK population in 2.93 million jobs. The sector contributes over £90 billion to the UK economy or 6.7% in value added. The construction industry also supports manufacturing sector and metal structures and parts contributed over £4 billion in value added in the same year. The building construction industry is important for social economic growth of United Kingdom. It facilitates built structures that accommodates spaces for business operations, creates factories for manufacturing, schools, hospitals, hotels and residential homes for social services. The construction industry in United Kingdom is faced with numerous challenges and the government has created new policies so as to achieve a competitive and efficient building sector that will enhance the growth of UK's economy. The construction sector is turbulent and easily affected by the external business environment. It decreased to 6.7% of the UK's economy inn 2011 from 8.9% in 2007 due to the effects of economic recession of 2008. According to Bank for International Settlements report (2012), building contractor in United Kingdom face challenges of management, earning good profits, growth, research and development. However, the stakeholders in building sector in United Kingdom have some advantages compared to those operating in developing countries. The building contractors have easy access to finances, and property development loans and clients are supported with mortgages for buying houses. According to Bank for International Settlements report (2012), the support from banks has led to the growth and development of the construction industry.

The construction industry in Denmark faces challenges of low quality workmanship which is not commensurate with the high specifications that are usually quoted during tendering,

delayed progress of work with some projects running behind works programme and not adhering to appropriate health and safety measures which sometimes leads to site injuries and accidents. (Danish Ministry of Housing and Urban Affairs and the Danish Agency for Trade and Industry, 2001). The Benchmark Centre for the Danish Construction Sector (BEC) was established by stakeholders in building sector to deal with the numerous challenges affecting the sector. These stakeholders include the professionals in the technical teams, building contractors, clients, developers, building materials suppliers and manufacturers, and the government.

Denmark's Statutory Order No. 1135 of 2003 made benchmarking of Danish State construction projects in excess of 5 million Danish Kroner mandatory. All building contractors are judged through Key Performance Indicators from former building projects. The Key Performance Indicators are based on satisfaction of the user, level of defects in the works, completion within contract period and health and safety of the place of work. In 2007 and 2008, the requirements were extended to developers of social housing and technical team of architect, quantity surveyors and engineers. In January 2010 benchmarking system was revised to also include state and social housing clients in grading the Key Performance Indicators on satisfaction of the user, level of defects in the works, completion within contract period and health and safety of the place of work. According to the Benchmark Centre for the Danish Construction Sector (2010), building contractors in Denmark bidding for projects are expected to provide a Grade Book which is generated using a set of contractor Key Performance Indicators checked and regulated by the Benchmark Centre for the Danish Construction Sector (BEC) through a grading system. The contractor's Grade in each Key Performance Indicators shows a mean score grade in performance of the building contractor over a three-year maximum period. The performance indicators shows the time adjustments in the revised contract period as compared to original contract period, the list of defects at the period of practical completion which is compared with any defects noted at the end of defects liability period. Quality of workmanship and level of user client's satisfaction with the facility. It also includes the level of health and safety measures observed during the construction process.

Influence of building contractors' performance in infrastructural development in Kenya

According to Kenya Bureau of statistics, the construction sector is a key driver of economic growth in Kenya. It contributes at least 7% of GDP. Compared to other GDP economic contributors, it is important to note that the construction sector recorded the biggest increase in contribution to GDP, gaining 0.4% of the share. According to Kenya Bureau of statistics, the construction sector grew by 8.4% in year 2017 and by 10.2% over the same period in 2016. The ministry of Planning through the Kenya 2017/2018 national budget statement reported that the government would invest ksh 640.8 billion in infrastructure development, up from ksh415.7 billion in the 2016/2017 fiscal year. The Construction industry has been the bedrock of social and economic development in our country. Construction has spurred as well as facilitated economic growth through the development of infrastructure projects countrywide. According to National Construction Authority, the construction of housing and commercial space has increased in all the major towns to accommodate a population of 47million where more than 60% are less than 25 years of age and 25% live in urban areas. The rapid growth has brought some challenges of lack of proper planning and associated zoning laws coherent with the needs of the growing population, cases of collapsed buildings countrywide with loss of lives. In some residential communities lack of planning has resulted

to buildings that lack some basic facilities such as reliable piped water and sewer systems. Other challenges include lack of skilled labor, and high cost of materials.

Our local building contractors struggle when it comes to working capital due to delayed payment by clients. In an ideal setting, contractors should be able to run projects by paying for goods and services for which they will be paid in scheduled installments. The demand for cash on delivery by suppliers and unpredictable cash flow, which is typical of our business culture, makes it very difficult for building contractors. National Construction Authority has been providing training to contractors and workers, in addition to its primary role of registration and accreditation so as to improve the quality of workmanship, and safety standards at construction sites. The requirement to be certified forces the contractors to be very conscious of quality and performance in their service provision. There are notable areas where contractor performance and workmanship can be improved such as contractors redirecting resources to other projects, use of non-conforming materials to cut costs, or hiring of unqualified cheap labour that lead to poor workmanship. The consequences of shoddy construction can be dire. To curb such practices and significantly improve the public's safety value for money, National Construction Authority has an internet portal where information on a contractor's or registered worker's track record with regards to any citations and any verified complaints leveled against them is put. The collapse and damage of building structures at construction sites is attributed in most cases to poor construction methods. As buildings get larger, the qualification of contractors to perform a specific project becomes critical. Contractors are increasingly taking up construction projects that stretch their capabilities. The role of inspection by the engineers during construction and diligence in the approvals by the regulatory bodies is magnified. It is imperative that site inspections include independent verification of construction conformance with design drawings and specifications. Drawings, specifications and approvals should be posted at job sites for easy verification. It would be very beneficial for National Construction Authority and the County Governments to liaise on ways to assure strict adherence to construction drawings and specifications during construction.

Influence of Access to Credit Facilities on building contractors' performance in infrastructural development

Chigunta (2002) retained that lack of access to finance is one of the major challenges facing small businesses worldwide. Building contractors, face a lot of challenges in accessing finances for their construction projects both as running capital and for growth of the building companies. Most small and medium sized businesses have low credit worthiness. They lack adequate resources to sustain the business, they also lack a good credit history, and most of them lack sufficient collateral or guarantees to secure loans or lines of credit (Schoof, 2006). In addition, the institutions that offer targeted finances for small and medium sized enterprises are also very few (Chigunta, 2002).

According to Tucker and Lean (2003), small businesses are not in a position to prove the quality of investments to the financer. Larger organizations have a competitive advantage over smaller businesses because of availability of resources and access credit. Small businesses are also disadvantaged by the lengthy procedures and information requested by many commercial lenders of credit. They also lack information and knowledge on the different sources of finance. According to Chigunta (2002), sensitization programs to create awareness on different sources of financing to meet the needs of small entrepreneurs should be enhanced

V.Research Methodology

The study adopted a descriptive research design. A sample of 219 participants was selected from a population of 511 registered building contractors in Nakuru County. From the 219 questionnaires administered to building contractors, 157 were properly filled and returned. A questionnaire was used to collect data. Data was analyzed through the use of qualitative and quantitative analysis. Statistical Package for Social Science (SPSS) version 22 was used for analysis of data. Descriptive and Inferential analysis was used to analyze data to find the relationship between variables. Frequency distributions, percentages and measures of central tendency were used in the analysis and presentation of data.

VI.Research Findings and Discussions

Access to Credit and Loan Facilities

The study sought to know how access to credit and loan facilities influence performance of building contractors in infrastructural development. Chigunta (2002) retained that lack of access to finance is one of the major challenges facing small businesses worldwide. Building contractors, face a lot of challenges in accessing finances for their construction projects both as running capital and for growth of the building companies. Most small and medium sized businesses have low credit worthiness. They lack adequate resources to sustain the business, they also lack a good credit history, and most of them lack sufficient collateral or guarantees to secure loans or lines of credit (Schoof, 2006). In addition, the institutions that offer targeted finances for small and medium sized enterprises are also very few (Chigunta, 2002).

Intervals of Payment

The study sought to determine the intervals at which building contractors apply for payment and the findings were as shown in Table 1.

Table 1: Intervals of Payment

	Frequency	Percent
Monthly	26	16.6
Depending on progressive performance	127	80.9
Any other	4	2.5
Total	157	100.0

From the findings, 127 (80.9%) of building contractors reported that they apply for payments depending on progressive performance while 26 (16.6%) reported that they apply for payments on monthly basis.

Source of Capital for Running Projects

The study sought information on building contractors' source of capital for running projects and the findings are as shown in Table 2. From the findings building contractors reported that their main source of capital for running projects was credit from suppliers of building materials with a mean rating of 3.88 which was followed by hiring and leasing of construction equipment with a mean rating of 3.84. The other main source of capital for running projects is loan from banks which was rated at a mean of 3.73. Personal savings and sale of assets had a mean of 3.13 and 2.41 respectively. This agrees with reviewed literature on influence of access to credit facilities on building contractors performance in infrastructural development where according to Schoof (2006), most small businesses rely on credit facilities. Most small and medium sized businesses have low credit worthiness. They lack adequate resources to sustain the business, they also lack a good credit history, and most

of them lack sufficient collateral or guarantees to secure loans or lines of credit (Schoof, 2006). In addition, the institutions that offer targeted finances for small and medium sized enterprises are also very few (Chigunta, 2002). According to Tucker and Lean (2003), small businesses are not in a position to prove the quality of investments to the financer. Larger organizations have a competitive advantage over smaller businesses because of availability of resources and access to credit. Small businesses are also disadvantaged by the lengthy procedures and information requested by many commercial lenders of credit. They also lack information and knowledge on the different sources of finance. According to Chigunta (2002), sensitization programs to create awareness on different sources of financing to meet the needs of small entrepreneurs should be enhanced.

Table 2: Source of Capital for Running Projects

	To a very great extent	**To a great extent**	**Moderate**	**To a little extent**	**Not at all**	**Mean**	**SD**
Loan from bank	51 (32.5%)	53 (33.8%)	25 (15.9%)	16 (10.2%)	12 (7.6%)	3.73	1.23
Personal saving	21 (13.4%)	45 (28.7%)	38 (24.2%)	40 (25.5%)	13 (8.3%)	3.13	1.18
Credit from building materials suppliers	67 (42.7%)	38 (24.2%)	29 (18.5%)	13 (8.3%)	10 (6.4%)	3.88	1.23
Hiring and leasing of equipment	61 (38.9%)	39 (24.8%)	34 (21.7%)	17 (10.8%)	6 (3.8%)	3.84	1.17
Sale of assets	7 (4.5%)	19 (12.1%)	40 (25.5%)	57 (36.3%)	34 (21.7%)	2.41	1.09

Factors that contribute to cash flow problems

The study sought to establish the factors that contribute to cash flow problems from the respondents as shown in Table 3. The table shows a summary of respondents' ratings on factors that contribute to cash flow problems on a 5-level likert scale. From the findings building contractors reported that challenges of cash flow are mainly caused by delay in payments by the client and also by high interest rates from banks which were both rated at a mean of 3. Other causes of cash flow problems are credit arrangements with suppliers and also hiring of plant and equipment which were rated at mean of 3.15 and 3.06 respectively. This agrees with reviewed literature on influence of input from client and technical project team members on performance of building contractor in infrastructural development. According to Articles of Agreement and Condition of Contract for Building Works (1988), the employer should pay the building contractor within the specified period or else will be deemed to have breached the contract. Delayed payments from clients on construction projects in the construction industry are common phenomena which lead to cash flow challenges to building contractors and poor credit worthiness rating from the suppliers of building materials. Most building contractors end up suspending construction works due to lack of working capital caused by failure of client to pay within the stipulated time.

Table 3: Factors that contribute to cash flow problems

	To a very great extent	To a great extent	Moderate	To a little extent	Not at all	Mean	SD
High interest rates from banks	83 (59.2%)	46 (29.3%)	11 (7.0%)	8 (5.1%)	9 (5.7%)	4.18	1.14
Delay in payments by the client	92 (58.6%)	31 (19.7%)	13 (8.3%)	12 (7.6%)	9 (5.7%)	4.18	1.21
Credit arrangement with suppliers	18 (11.5%)	28 (17.8%)	75 (47.8%)	32 (20.4%)	4 (2.5%)	3.15	0.96
Hiring of plant and equipment	18 (11.5%)	39 (24.8%)	50 (31.8%)	35 (22.3%)	15 (9.6%)	3.06	1.15

According to Ansah (2011), delayed payments have a major effect on building contractors that some companies close down. Most building contractors finance their construction projects by borrowing loans from banks with the expectations of servicing the loans from regular interim payments from the client. Banks charge high interest when a building contractor does not receive interim payments on time according to the agreed terms of repayment. Delayed payment also affects the contractor's performance and he may lose his skilled workers leading to delay of the construction process. A delayed payment by one party may affect the entire supply chain of payment of a construction project which in turn can affect the progress of the works and profitability (Latham, 1994). According to Ansah (2011), delayed payment can cause a delay in completion of projects and it can also lead to bankruptcy or liquidation, it can also lead to abandonment of projects, and it can also create negative social impacts.

Causes of delayed payments

The study examined the causes of delayed payment and the findings are as shown in Table 4. The table shows a summary of respondents' ratings on factors that contribute to cash flow problems on a 5-level likert scale. From the findings building contractors reported delayed payments are mainly caused by client related factors as reported by mean of 4.05 and they are also caused by factors related to contractual matters as reported by a mean of 3.71. Building contractors related factors are less likely to cause delayed payments as reported by a mean of 2.5.

Table 4: Causes of delayed payments

	To a very great extent	To a great extent	Moderate	To a little extent	Not at all	Mean	SD
Contractor-related factors	13 (8.3%)	18 (11.5%)	35 (22.3%)	59 (37.6%)	32 (20.4%)	2.50	1.18
Client-related factors	75 (47.8%)	42 (26.8%)	17 (10.8%)	19 (12.1%)	4 (2.5%)	4.05	1.14
Factors related to contractual matters	46 (29.3%)	54 (34.4%)	31 (19.7%)	18 (11.5%)	8 (5.1%)	3.71	1.15

Client related factors causing delayed payments

The study sought to examine on client related factors that cause delayed payments and the findings are as shown in Table 5. The respondents were asked to state what client related factors cause delayed payments on a 5-level likert scale. The major client related factors causing delayed payments are delay in certification by client technical team and also client's technical team disagreeing with the valuation of work done as reported with mean of 3.98 and 3.92 respectively. Client's poor financial management and client's poor financial condition contributed at a mean rating of 3.76 and 3.71 respectively. Client's employees withholding payment was rated the least factor with a mean of 3.41. This concurs with reviewed literature where according to Latham (1994), the payment chain cascades from the client to the building contractor to the specialized subcontractors down to the suppliers. Challenges of working capital from one party will cause cash flow problems down the payment chain. Delayed payments to contractors are a common cause of disputes in the construction industry.

Table 5: Client related factors causing delayed payments

	To a very great extent	**To a great extent**	**Moderate**	**To a little extent**	**Not at all**	**Mean**	**SD**
Clients 'poor financial management	47 (29.9%)	63 (40.1%)	22 (14.0%)	12 (7.6%)	13 (8.3%)	3.76	1.20
Clients' poor financial condition	47 (29.9%)	61 (38.9%)	20 (12.7%)	15 (9.6%)	14 (8.9%)	3.71	1.24
Delay in certification from clients technical team	84 (53.5%)	22 (14.0%)	26 (16.6%)	14 (8.9%)	11 (7.0%)	3.98	1.30
Clients' technical team disagreeing on the valuation of work done	72 (45.9%)	38 (24.2%)	19 (12.1%)	19 (12.1%)	9 (5.7%)	3.92	1.26
Clients' employees withholding the payment	38 (24.2%)	31 (19.7%)	56 (35.7%)	21 (13.4%)	11 (7.0%)	3.41	1.19

Contractor Related Factors Causing Delayed Payments

Contractors' related factors that cause delayed payments were examined and findings reported as shown in Table 6. The respondents were also asked to state what contractor related factors cause delayed payments on a 5-level likert scale. Building contractors rating on contractor related factors causing delayed payments was at mean of 2.96 for contractor failure to understand contract agreement and at mean of 2.73 for contractor delaying in submitting claims. Building contractor submitting claims without adequate supporting documents was at mean of 2.70 while Contractor submitting claims with errors was rated at 2.66. Building contractors rating on contractor's failure to agree on the valuation of the work was rated at 2.62 and contractor's failure to follow procedure in claims was rated at 2.60. Building contractor's failure in submitting corrected claim was rated low at 2.40.

Table 6: Contractor Related Factors Causing Delayed Payments

	To a very great extent	To a great extent	Moderate	To a little extent	Not at all	Mean	SD
Contractor's delay in submitting claims	20 (12.7%)	18 (11.5%)	42 (26.8%)	54 (34.4%)	23 (14.6%)	2.73	1.22
Contractor submits claims with errors	15 (9.6%)	14 (8.9%)	47 (29.9%)	65 (41.4%)	16 (10.2%)	2.66	1.09
Contractor submits claims without adequate supporting documents	21 (13.4%)	21 (13.4%)	31 (19.7%)	59 (37.6%)	25 (15.9%)	2.70	1.27
Contractor's failure in submitting a new (corrected) claim	14 (8.9%)	12 (7.6%)	38 (24.2%)	51 (32.5%)	42 (26.8%)	2.40	1.21
Contractors' failure to agree to the valuation of work	12 (7.6%)	23 (14.6%)	37 (23.6%)	64 (40.8%)	21 (13.4%)	2.62	1.12
Contractors' failure to follow the certain procedure / guidelines in claims	13 (8.3%)	27 (17.2%)	32 (20.4%)	55 (35.0%)	30 (19.1%)	2.60	1.21
Contractors' failure to understand the contract agreement	19 (12.1%)	34 (21.7%)	42 (26.8%)	46 (29.3%)	16 (10.2%)	2.96	1.19

This agrees with the reviewed literature where more often, clients are blamed by building contractors for delayed payment; however, building contractors are partly to blame. This is common when contractor's application for payment has errors, lacks enough supporting documents and others are submitted without using the right procedures. This causes delay because the contractors have to revise and repeat the whole process of application for payments. According to Artidi and Chotibongs (2005), failure by client and building contractor to agree with the valuation of work can lead to disputes which need to be solved through dispute resolution mechanisms which normally take a lot of time to be concluded.

Impact of delayed payments

The study examined the impacts of delayed payments and the findings are as shown in Table 7.

Table 7: Impacts of Delayed Payments

	To a very great extent	**To a great extent**	**Moderate**	**To a little extent**	**Not at all**	**Mean**	**SD**
Delay in project's progress	62 (39.5%)	63 (40.1%)	9 (5.7%)	18 (11.5%)	5 (3.2%)	4.01	1.10
Extension of time for the project	54 (34.4%)	68 (43.3%)	17 (10.8%)	15 (9.6%)	3 (1.9%)	3.99	1.01
Low quality works due to contractor's uncertain financial condition	34 (21.7%)	43 (27.4%)	58 (36.9%)	15 (9.6%)	7 (4.5%)	3.52	1.07
Abandonment of the project	19 (12.1%)	36 (22.9%)	52 (33.1%)	38 (24.2%)	12 (26.8%)	3.08	1.12
Creates negative relationship among parties	20 (12.7%)	42 (26.8%)	53 (33.8%)	36 (22.9%)	6 (3.8%)	3.21	1.06
Creates financial hardship for the company	83 (52.9%)	30 (19.1%)	18 (11.5%)	12 (7.6%)	14 (8.9%)	3.99	1.32
Subcontractors refuse to continue works on the project	60 (38.2%)	39 (24.8%)	26 (16.6%)	15 (9.6%)	17 (10.8%)	3.70	1.35

The respondents were asked to state what contractor related factors cause delayed payments on a 5-level likert scale. Building contractors rating on contractor related factors causing delayed payments was at mean of 2.96 for contractor failure to understand contract agreement and at mean of 2.73 for contractor delaying in submitting claims. Building contractor submitting claims without adequate supporting documents was at mean of 2.70 while Contractor submitting claims with errors was rated at 2.66. Building contractors rating on contractor's failure to agree on the valuation of the work was rated at 2.62 and contractor's failure to follow procedure in claims was rated at 2.60. Building contractor's failure in submitting corrected claim was rated low at 2.40. This concurs with reviewed literature where according to Ansah K. (2011), delayed payment can cause a delay in completion of projects and it can also lead to bankruptcy or liquidation, it can also lead to abandonment of projects, and it can also create negative social impacts.

Inferential Analysis

The section shows the nature of relationships based on inferential analysis of the study variables.

Correlation Analysis

In order to test for the relationship between independent variables, the study performed a co linearity tests between the variables as shown on the results in Table 8.

Table 8: Correlational Analysis of Access to Credit

		Contractor performance
Access to credit	Pearson Correlation	.489**
	Sig. (2-tailed)	.000
	N	157

The Pearson correlation analysis results in Table 8 shows that there was a positive and significant correlation between access to credit and performance of building contractors ($r = 0.489$, $p < 0.05$) in infrastructural development.

VII.Conclusion of the Study

In regard to how access to credit and loan facilities influence on building contractors' performance in infrastructural development in Nakuru County, it can be concluded that there is a positive relationship between availability of credit and performance of building projects. Building projects require a lot of capital to operate and most building contractors rely on getting credit from suppliers of building materials and also by getting loans from financing institutions. Majority of building contractors reported that their main source of capital for running building projects is credit from building materials suppliers. The second source of capital for running building projects was from hiring and leasing of construction equipment.

VIII.Recommendations of the Study

The government should create policies that support easy access to credit and loan facilities for building contractors.

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How To Cite This Article;
Kibaara, I.M., & Nyaegah, J.O. (2018). Influence of Access to Credit and Loan Facilities on the Building Contractors' Performance in Infrastructural Development in Nakuru County, Kenya. *International Journal of Business Management and Processes (IJBMP),* 4(1), 34-46.