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Abstract

Purpose: The purpose of this study was to investigate the influence of Board of management governance practices on students' performance in Kenya Certificate of Secondary Education in Athi River Sub-county, Kenya.

Methodology: The research used descriptive survey design. The study targeted 13 public secondary schools in Athi-River Sub-county. The target population was 208 Board of Management members, 13 Board of management chairpersons, 13 principals and 260 teachers in Athi-River Sub-county secondary schools. Stratified random sampling technique was used to select 13 schools to ensure that all the schools were well represented according to the various regions. Census technique was used to select all the 13 principals and 13 Board of management chairpersons. Simple random sampling was used to select 97 other Board of management members and 132 teachers. The sample size of this study was therefore 255 respondents. The main instrument for the study was questionnaires. The Statistical Package for Social Sciences (SPSS) software version 20.0 was used to carry data analysis.

Results: The findings revealed that provision of incentives to teachers, provision of rewards to students, involving teachers in target setting and provision of learning resources were found to be satisfactory variables in explaining students' performance. This was supported by coefficient of determination also known as the R square of 48%. Regression of coefficients results showed that provision of enough learning resources and students performance was highly correlated, positively and significantly related ($r=0.340$, $p=0.000$). Provision of incentives and students' performance was also positively and significantly related ($r=0.291$, $p=0.000$). Further, results indicated that provision of rewards and student's performance were positively and significantly related ($r=0.262$, $p=0.000$). It was further established that target setting and students' performance were positively and significantly related ($r=0.228$, $p=0.000$).

Unique contribution to theory, practice and policy: The study recommended that the training institutes like KEMI should organize tailor made courses for BOM members to equip them with the right knowledge on best governance practices in schools.

Keywords: *governance practices, students' performance, incentives, rewards, target setting, learning resources*

1.0 INTRODUCTION

The development of the housing sector is widely recognized as an integral part of economic development. In addition to the large share that the housing sector occupies in the economy, its importance also arises from the positive externalities and spillover effects, and its impact on the social and political climate, issues of particular importance in developing countries. In most countries, and increasingly so in emerging economies, housing represents a large proportion of a household's expenditure and takes up a substantial part of lifetime income. Usually, it is the largest asset owned by households. The backward and forward linkages to land markets, durable goods manufacturing and development of labor markets with depth and mobility further underscore the significance of this sector, particularly in the process of economic transition (Bardhan& Edelstein, 2007).

According to Zhu (2006) it is also widely understood that the provision of housing services depends upon a well-functioning housing finance system. Indeed, without a properly functioning housing finance system that operates in an allocation ally and operationally efficient manner, the "real" housing market would be sub-optimal. Moreover, similarly to the housing markets, the housing finance system has beneficial spillover effects on the entire financial system with far-reaching consequences for economic development. Increasing emphasis is therefore being placed in developing and transitioning countries on the reform of real estate finance and mortgage markets.

Mortgage is a loan secured by real property through the use of a mortgage note which evidences the existence of the loan and the encumbrance of that realty through the granting of a mortgage which secures the loan. A mortgage market is important for the process of capital accumulation in a developing economy, and is critical to enhancing the depth and reach of the financial markets. Since housing is the primary tangible asset of a developing or transitioning economy, it can then also be used as collateral to borrow funds in order to carry out productive capital investment. Mortgage debt accounts for a large proportion of household debt and, through secondary markets and securitization, supports the efficient functioning of financial markets. Housing finance, as well as other real estate finance, are vital elements both in the development of a dynamic housing sector as well as a growing and deepening financial sector. In addition to creation of more lending channels, more investment channels are opened up as well for both institutional and individual investors, leading to more complete and efficient markets (Goodhart, 2003).

Sources of financing corporate real estate and the utilization, techniques and motivations involved in leasing real estate by manufacturing and service corporations have been investigated by Redman and Tanner. These researchers found out that significant sources of funds to acquire real assets for production and distribution were operating cash flows rather than external sources. Leasing was a common technique to finance and acquire assets, allowing for managerial flexibility and tax-sheltering benefits and creating off-balance sheet financing (Redman and Tanner, 1989).

Funds for real estate development in Ghana are acquired through diverse sources. Some are obtained through the debt finance with some relatively few banks in the country giving financial support to real estate developers provided all requirements are fulfilled. Surveys throughout the country also indicate the persistence of informal financing methods such as the use of homeowners' own sweat equity, barter arrangements and remittances from abroad , (Debrah*et al*, 2002 and Erguden, 2002). The loans acquired are given on short, medium and long terms repayment period with interest rates charged on them. There are various forms of funding that can be considered by real estate firms in Ghana. Some of these are bonds, mortgage facilities stocks investment trusts, merchant and commercial banks and mortgage companies. Moreover, there are other forms of financial relieve that are being enjoyed by real estate developers. Trade crediting involves the delay of payment of creditors beyond the normal period, high purchasing system enables a company to enjoy a full use of goods or equipment but avoids initial full sum payment.

In some countries the purchase of an entry-level home, often subsidized in some form, has served as a stepping stone for upward social and economic mobility. As observed by Bardhan, Datta, Edelstein and Kim (2003), the Singapore housing market, for example, is characterized by the coexistence of a dominant public sector and a small, growing private sector with relatively higher quality housing. While accounting for the impact of the former on the latter, they find that an increase in the rate of change of public housing resale prices has an important and significant positive impact on the sales of private residential units. The underlying mechanism for this effect is that occupants of the subsidized public sector flats are allowed to sell their flats after a certain period, subject to some restrictions, and capital gains from the sale proceeds provide a substantial portion of the down payment in the purchase of new, more expensive, private apartments. This tandem of private-public activity lends a helping hand to upwardly mobile households, and the larger social and economic value created far outweighs the resources expended in the public sector housing subsidies (Bardhan, Datta, Edelstein and Kim, 2003).

According to KIM journal (Nov-Dec 2007) vision 2030, it is estimated that over 80% of Kenyan population will have migrated from rural areas, meaning that that shelter is one of their basic needs. Presently, slum dwellers are1/3 of the urban dwellers population whereby Kenya's Kibera slum is one of the largest dwelling in Africa yet only approximately three million people are urban dwellers. Hence as more rural urban migration occurs more houses, well constructed must be built to combat slum uprising problem.

1.2 Research Problem

In recent years the population of Kenya has steadily increased, resulting to the urban population in Nairobi to a record of 3 million, whereby all these people need shelter, hence the real estate industry is doing well and contributing to the economy (Nuri, Erbas& Frank Nothaft, 2002). Despite recent indication that the real estate business in Kenya is performing well, there is evidence that certain challenges still persist. These include amongst others, social, economic, cultural, legal and personal factors. This has led to stalled projects and unoccupied complete properties. This being an important industry that makes enormous contribution to the Kenyan economy, there are some gaps in the literature that ought to be filled, these includes: the available literature has not indicated ways in which real estate enterprises can be empowered to compete on equal levels with established businesses and also where the booming housing development is the city has been sourcing its financing (Mwangi, 2002)

A studies conducted by**Lusti and** Nieuwerburgh (2005) and Kamau (2011) indicate that there is growing competition for funding of real estate development due to competing needs for using the same funds to finance other productive sectors of the economy. The studies indicate the existence of shortage of long term funds which are mainly required to finance housing projects due to banks preferring short term financing. The Central Bank Supervision report of 2012 indicates long term funding mismatch which further complicates the funding mechanisms of long term projects in the real estate sector (CBK, 2012).

Michuki (2010) did a study on the existence of Real Estate Investment Trusts (REITS) needs by institutional investors at the Nairobi Securities Exchange and concluded that investors would invest in REITs if they were to be introduced at the exchange and therefore confirming that REITs needs do exist among institutional investors at the NSE. Wahome (2010) conducted a study to establish the effects of mortgage financing on performance of the firms and concluded that mortgage financing is influenced by market and financial factors which includes increase investment and improve profitability of the firm, improvement of risk management, attraction' of more customers ,promotion of innovations, market penetration, diversification of investment and encountering competitions in the market lowering of interest on Treasury bond, Kenya financial laws require bank to have less cash in reserve and high interest from mortgage, creating of wealth and Improving savings. The objective of the study was to establish the relationship between factor influencing mortgage financing and performance of mortgage institutions in Kenya. This has left limited finance for long term projects and hence the need to investigate the financing source of the current growth of real estate in Kenya. Based on this well informed research gap, this study, therefore, examines the sources of real estate financing in Kenya.

1.3 Research Objective

The key objective of this study was to establish the source of financing real estate in Kenya. In specific terms the study reviewed whether financing in the real estate originates from; mortgage financing, savings, venture capital and equity financing.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.2.1 Simulation theory

The theory was developed by Laibson (1998) and examines the extent to which markets enable the provision of housing finance across a wide range of countries. Housing is a major purchase requiring long-term financing, and the factors that are associated with well-functioning housing finance systems are those that enable the provision of long-term finance.

The theory further states that countries with stronger legal rights for borrowers and lenders (through collateral and bankruptcy laws), deeper credit information systems, and a more stable macroeconomic environment have deeper housing finance systems. These same factors also help explain the variation in housing finance across emerging market economies such as Kenya. Across developed countries, which tend to have low macroeconomic volatility and relatively extensive credit information systems, variation in the strength of legal rights helps explain the extent of housing finance.

To a certain extent, a statistical comparison of the loan-to-value and loan-to-income ratios can provide a good indication of the risks that owner-occupiers run in financing their own home. At the same time, this kind of comparison ignores the causes of the risks, namely the volatility or uncertainty of future interest rates, house prices and changes in income. It also disregards the main mortgage characteristics, the cost of taking out a mortgage, and the direct and indirect subsidies, including interest deductibility, factors that have a big influence on the real costs and risks for homeowners.

2.2.2 Structural Form theory

This theory was formulated by Pottow (2007). It documents the evolution of mortgage finance in SSA (Sub- Saharan Africa) to determine what steps need to be taken to extend it to the middle-class, to enable them to address their housing needs to the extent of their affordability. The theory revealed that that there have been a number of problems when it came to the delivery of formal housing finance amongst most, if not all the countries,

These problems are a record of macroeconomic instability, an adverse institutional, legal and regulatory environment which has resulted in inefficient, collateralization of housing assets, a poor record of public sector housing banks, building societies and other specialist housing lenders in that most have been destroyed due to poor management and a lack of funds and limited availability of long-term funding sources to carry out intermediation that would spread the cost of a house over a relatively long period of time.

Arising out of this dismal history is a move to revive and introduce mortgage lending into a number of countries. Moreover, as part of the move to straighten out financial markets, a number of consultants have been sent into SSA countries to begin documenting the specific problems of each country as well as to make recommendations on how to address them. Development agents, in particular, are also putting forth recommendations on what is required to ensure financial market development and capital market investment necessary to entice the private sector into the delivery of housing finance.

2.2 Empirical Review

Chinese commercial real estate financing meet the same problem as that of real estate, but the problem is more complicated. As commercial real estate differentiates real estate in the characteristics that commercial real estate needs long development period, large investment, long payback time, high- stake and high-return, the financing of commercial real estate is much more difficult. Nowadays, the primary options of commercial real estate financing are bank loans and self-financing only takes a small share in contrast. However, based on risk consideration, banks stipulate strict rules of loans both in amount and time to commercial real estate developers. According to some relevant statistics, it shows that 70%-80% capital of Chinese commercial real estate developers comes from bank loans, and in some cities it even reaches 90% (Han,2007). According to an investigation of China business association in 2006, more than 80% of the investment capital of shopping mall of all whole countries comes from banks. Therefore, in development of commercial real estate, the financing channels are limited, which meanwhile results in substantial risk on banks.

The financing of US commercial property market is different from that of real estate market in aspects of participants, financing structure, securitization ratio or the quality of bank loans. According to Moody, up to 2007, the market value of American commercial real estate was 5.3

trillion US Dollars; the proportion of market value of commercial properties is 36.6% for offices, 24% for apartments, 22.1% for retail, 15.3% for industrial properties, 2% for hotels and so on. According to Deloitte, the financing structure of American commercial real estate is 50% for bank loans, 25% for CMBS issuing, 10% of loans from insurance companies and 15% from other sou Bank loans are the main source of real estate developers. In the whole capital chain, bank loan account for at least 55%, some even more than 90% (Han,2008).Bank loans almost go through every part of the development process, including land reserve, real estate developing, selling and buyIn Ghana, lack of access to long term capital is a major barrier to real estate delivery. Even though the government policies recognises the private sector's dominant role in housing provision, the banks have short term funding and unable to lend on medium or long-term bases, thus crippling the real estate industry (Adjonyoh, 2007).

Kamau (2011) did a study on the factors that influence investment in the real estate industry in Nairobi. The research design employed by the study was descriptive research and targeted all licensed real estate enterprises in located in Nairobi. The researcher used questionnaires to collect data and analyzed data using SPSS .The study findings indicated that all the real estate investment firms are work towards reducing the housing deficit in the city of Nairobi which currently is stands at 410 units a day, the study also concluded that although deregulation of this sector is a necessary condition for revival of a healthy real estate investment sector, deregulation cannot by itself ensure that a full range of real estate investment accommodation is provideding.

Better corporate frameworks benefit firms through greater access to financing; lower cost of capital, better performance and more favorable treatment of all stakeholders Claessens et al. (2002). Firms with well-established corporate governance structures are able to gain easier access to debt financing at lower cost since such firms are able to repay their debt on time (Abor, 2007). This suggests that the ability of the firm to access debt capital at lower cost could be dictated to a large extent by how the market gauges its corporate governance system. Easier access to debt capital at lower cost, ultimately leads to improved company performance.

3.0 RESEARCH METHODOLOGY

This employed descriptive survey design. The real estate developers registered by Kenya Property Developers Association (KPDA) are 69 in number. This means that a census was employed in order to include all 69 real estate firms. The sample was drawn from the offices of the 69 firms in Kenya. Secondary data was utilised in this study. After data was collected, it was prepared in readiness for analysis by editing, handling blank responses, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis. SPSS was used to produce frequencies, descriptive and inferential statistics which helped to derive conclusions and generalizations regarding the population.

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Results

This section presents the descriptive results where the measures of central tendency and trend analysis are presented.

4.1.1 Measures of Central Tendency

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Results in table 4.1 indicate that the lowest number of real estate units developed by the firms was 6 while the maximum was 29. The average number of units developed throughout the years was 16.66. The analysis also shows that the lowest percentage amount of mortgage financing by the real estate firms was 0.30 and the highest percentage amount of mortgage used for financing was at 0.82. On average the percentage mortgage financing used by real estate firms through years; 2008 to 2011 was 0.63.

Savings incorporated for financing of real estate's indicated a minimum percentage of 0.05 and a maximum of 0.42. The average percentage amount of savings used for financing was at 0.186. Results indicate that 0.000 was the minimum percentage amount of venture capital used in financing real estates and 0.20 was the maximum venture capital used. The average presented a 0.036 use of venture capital financing. Financing through equity capital represent a minimum percentage amount of 0.00 equity used and a maximum of 0.53 equity used. The firms used an average percentage amount of 0.12 equity capital financing.

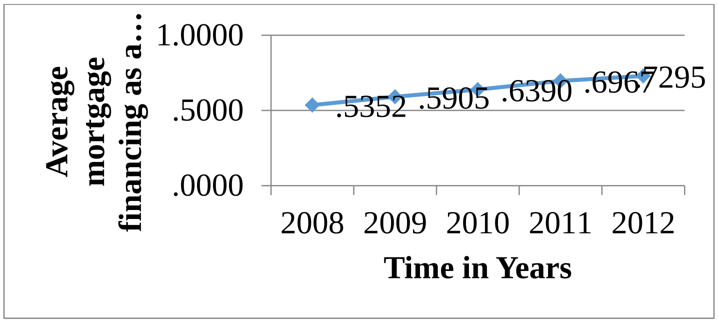
Table 1: Descriptive Statistics For Real Estate Financing

	Minimum	Maximum	Mean	Std. Deviation
Real Estate Development Units	6	29	16.66	5.436
Mortgage Financing	0.3	0.82	0.6382	0.09463
Savings	0.05	0.42	0.1867	0.06837
Venture Capital	0	0.2	0.0537	0.04752
Equity Capital	0	0.53	0.1238	0.07926

4.1.2 Annual Trends for Returns

Figure 4.1 indicates that mortgage as a source of financing for real estate firms have gradually increased from year 2008 to 2012. The increase may be explained by low interest rates charged and fair terms and conditions on borrowing.

Figure 1: Trend analysis in mortgage financing



Results in figure 4.2 also indicate that trend in savings as a source of financing was inconsistent. From year 2008 to 2009 there was a gradual decrease with an increase in 2010, 2011 and a slight

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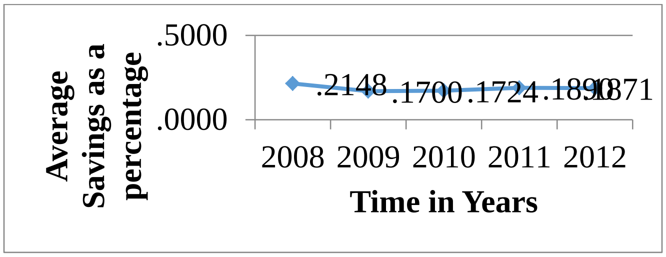
decline in 2012. This may be as a result of real estate firms using mortgage financing more than savings.

Figure 2: Trend analysis in savings as a source of financing



Trend in venture capital source of financing as displayed in figure 4.3 record a gradual decrease from year 2008 to 2012. This can be explained by interest of few venture capital firms to finance real estates.

Figure 3: Trend analysis in venture capital source of financing

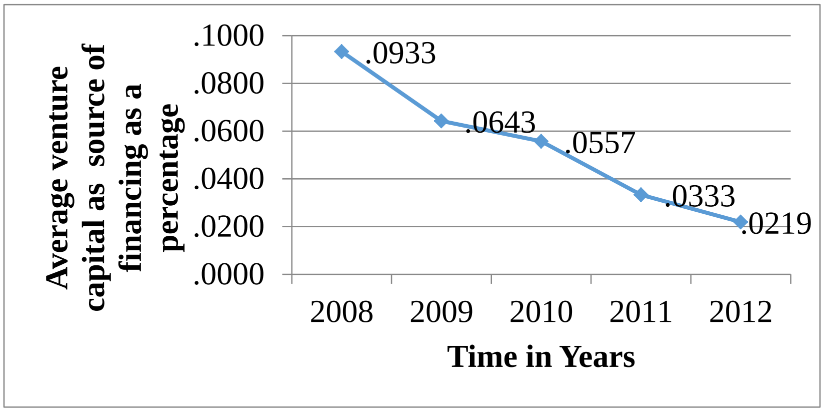
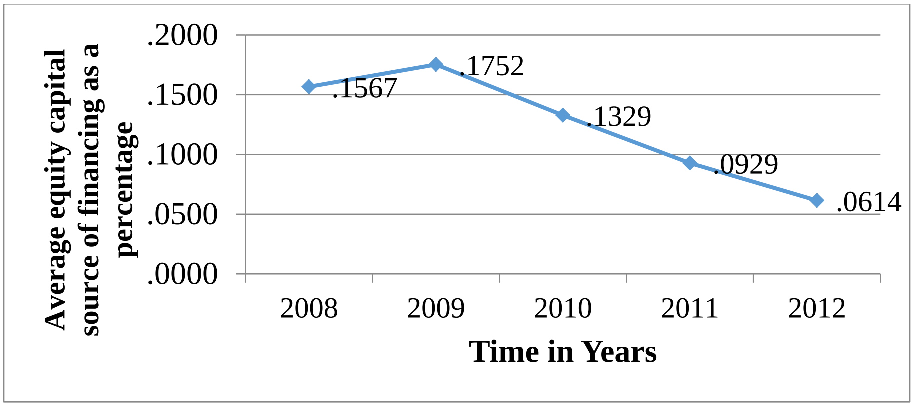


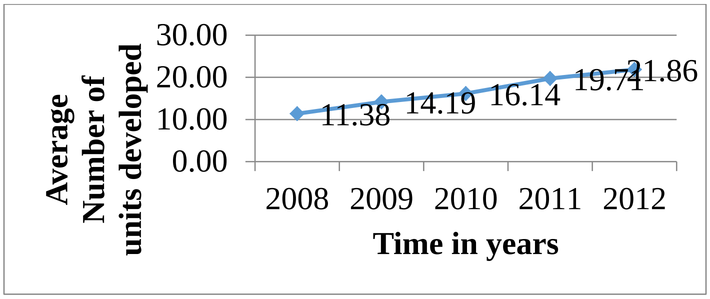
Figure 4.4 shows that there was a slight increase in equity capital as a source of financing in year 2009, followed by a gradual drop from in the following years.

Figure 4: Trend analysis in equity capital source of financing



The trend in units developed by real estate firms indicates an increase throughout the years; 2008 to 2012 .This increase can be as a result of rise in demand for housing which is triggered by changes in income level, consumer and investors preference.

Figure 5: Trend analysis in Units developed by Real Estate Firms



4.2 Model Results

This section presented the model results. Result in table 2 indicates that the goodness of fit of the model was adequate. This is reported by an r squared of 0.409 which means that 40.9% of the variation in real estate development is explained by savings, venture capital, mortgage and equity capital are substantial to explain real estates' sources of financing. This further implies that 59.1% of the variation in real estate development units is explained by other factors not captured in the model.

R	0.64
R Square	0.409
Adjusted R Square	0.386
Std. Error of the Estimate	4.261

An Analysis of Variance (ANOVA) results in table 3 indicates that the overall model was significant. This was supported by a p value of 0.000. The ANOVA results demonstrated that the sources of financing that is equity capital, venture capital, savings and mortgage are good predictors of real estate units' development.

Table 1: Analysis of variance

	Sum of Squares	df	Mean Square	F	Sig
Regression	1258.464	4	314.616	17.332	0.000
Residual	1815.193	100	18.152		
Total	3073.657	104			

Tabe 3 presents regression of coefficient results which indicates that is a positive relationship between mortgage financing and real estate units' development. The results also indicate the relationship was significant since the reported p value 0.009 was less that the critical value of

0.05. Results further indicate that all the other sources of finance had an insignificant effect on real estate development.

Table 4: Regression of Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t	Sig.
Constant	-26.456	21.14		-1.251	0.214
Mortgage Financing	55.98	21.108	0.977	2.652	0.009
Savings	21.195	22.311	0.267	0.95	0.344
Venture Capital	26.283	22.645	0.23	1.161	0.249
Equity Capital	16.21	21.437	0.236	0.756	0.451

4.3 Summary and Interpretation of Findings

The minimum number of units that were developed by the real estate firms had were 6 while the maximum number of units developed were 29. The overall mean number of real estate units' development was 16.66. The results also show that there was a positive trend in the number of units presented. This is as a result of increase in urbanization which results to the rise in demand of housing and commercial buildings. The rise in demand of residential and commercial housing supports structural form theory developed by Pottow (2007) which explains the steps to be taken by firms to address housing needs to the extent of their affordability. Rise in urbanization results to building of more residential and commercial facilities by real estate firms to take advantage of the increasing markets. Therefore real estate companies take in account the source of financing that will yield more units development throughout the years

Results indicate that the real estate development has a minimum of 0.30 and a maximum of 0.82 mortgage financing. On average, the mean number mortgage financing used by real estate firms was 0.6. Mortgage is the most used source for financing and investment. Trends also show that mortgage as a source of financing for real estate firms gradually increased from year 2008 to 2012. The increase may be explained by low interest rates charged and fair terms and conditions on borrowing. In addition good products offered such as short term construction loans, long term financing of commercial and residential properties increased the use of mortgage source of financing. The findings also relates to the empirical study of Hans (2007) on Chinese commercial real estate financing where bank loans finance most real estate units development some relevant statistics, it shows that 70%-80% capital of Chinese commercial real estate developers comes from bank loans, and in some cities it even reaches 90%.

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Savings as a source of financing was represented by a maximum percentage of 0.42 and a mean percentage of 0.18. There was an inconsistent trend in savings as a source of financing with high proportions in years 2010 and 2011. Savings may not be fully substantial in setting up real estate units as the costs involved in the same are too high. Small percentage of savings may be used together with other forms of financing such as mortgage or equity or venture capital. This finding relates to a study done by RREEF and ULT where most American commercial real estate financing comes from institutional investors, banks, insurance companies, pension funds, and the borrowers are developers, builders and investors. This shows that acquiring financing from other sources other than mortgage or personal savings is relevant in real estate developments.

The minimum percentage of Venture capital was 0.00 while the maximum was 0.20 with an overall mean of 0.036 and an average risk (standard deviation of 0.04). This means that the use of venture capital by real estate firms does not deviate much from the average. From the trends it can is also evident that venture capital as a source of financing gradually decreases throughout the years. This is because venture capital firms expect a business to be able to return their investment not only with interest, but with a large profit. Descriptive statistics show that the risk associated with venture capital is 0.04 which is very low for venture capitalists to have the motivation to invest.

The minimum percentage financing through equity capital was 0.00 and a maximum of 0.53. The firms used an average proportion of 0.12 equity capital as a source of financing. Trends in equity source of financing shows that there was a slight increase in equity capital in year 2009, followed by a gradual drop in the following years. Financing through equity capital is almost the same as venture capital only that venture capital is providing finance to high risk and high potential new companies. Investing cash in business revolves around risk and reward, the higher the risk the higher the returns. The risk represented by standard deviation was of 0.729, this means that very there was high variance in the use of venture capital and that there was a variation in investors be interested in buying stock or shares in such companies.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.1 Summary

This section summarizes the results of the study. Chapter one discussed the problem statement and the objectives of the study. The study aimed to determine the effect of financing sources on real estate's development in Kenya.

Chapter two discussed the literature review, that is, the theories supporting the study. The discussed theories were simulation theory and structural form theory with empirical evidence of the study given. Chapter three presented the research methodology. The chapter discussed the type of research design, population, sample, data collection/instruments to be used and data analysis.

Chapter four presented the findings. Regression analysis was carried out to determine the relationship between the different sources of financing to real estate developments in Kenya.

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Results indicated that there is a positive relationship between mortgage financing and real estate unit's development. The relationship was also significant as mortgage financing was significant in explaining real estate development in Kenya as the reported p value of 0.009 is lower than the critical value of .05.

Results also indicate that the goodness of fit was adequate as it reported an r squared of 0.409 which means that 40.9% of the variations in real estate development units was explained by variables that such as savings, venture capital, mortgage and equity capital are substantial to explain real estates' sources of financing. An Analysis of Variance (ANOVA) indicated that the overall model was significant. This was supported by a p value of 0.000. The ANOVA results demonstrated that the sources of financing that is equity capital, venture capital, savings and mortgage are good predictors of real estate units' development.

5.2 Conclusions

The study concluded that mortgage financing in the years 2008 to 2011 have gradually increased. This may be explained by the variety of products that mortgage firms have and the low interest rates associated with the loans. Housing finance in Kenya has a variety of loans which is flexible to individuals and more especially to real estate firms. For example from their website the project finance, offers a variety of multi development loans which is quite advantages for developing real estate's firms in Kenya.

Multi development loans include commercial properties where the loan under this approach is tailored to development of building for sale to clients upon completion of construction. The principal amount on the said loan is not payable during the construction period but payable after completion. The repayment is linked to the sale of completed developments. Another product is the build to rent residential, were the loan is available for developers to build many units for rental income. Loan repayment is done after completion of construction and occupation of the rental space over an agreed period of time. From the various advantages listed on mortgage financing it is then prudent to make conclusions from the study that mortgage financing is the most preferred source by most investment firms.

It is also possible to conclude that savings contributes a smaller percentage in financing real estate's development. The advantage of using savings to start up or expand in housing or commercial units for real estate firms is the ability to have control on the business. It is relatively rare for businesses to have sufficient savings to completely finance projects. This has to go with other sources of financing to make the projects development a success.

Venture capitalists consist of individuals or companies with interests to invest in a business with a strong growth potential and high risks. In reality, individuals or informal venture capitalists may be more interested in investing in smaller businesses than institutional venture capitals. In real estate development in Kenya, venture capital is not extensively as a source of financing. The trend shows that venture capital from year 2009 to 2011 decreased gradually which may be as a result of investment firm owners who do not want to relinquish control over their business in exchange of money for units development. Venture capitalists also look at the risk level of the company before making an investment in the real estate firm, which as evidenced from the standard deviation in the results most real estate firms have a low risk. The declining trend in equity capital as a source of financing is also explained the same way as venture capital financing. The lower the risk the less attracted the investors will be, as high risks presents high potential of a firm thus higher returns.

The trend in venture capital and equity capital source of financing can also be explained by liquidity of the investment. If a company is privately owned, selling the stock in that company may be more difficult than selling the shares of a public firm since buyers have to be privately sourced. In addition real estate's that finally achieve the growth objective tend to raise the price of their stock and take it public in order to let investors cash out. The latter may happen if the company pays very low dividends thus demotivating potential investors in the company. In a nutshell equity and venture capital financing can be a good source of financing but with combining them with other sources of financing.

5.3 Policy Recommendations

To increase use of equity and venture capital as a source of financing requires businesses to sell their ideas to people who have money to invest. Careful planning can help convince potential investors that the company is competent and that there is a high potential in growth in future.

Mortgage firms should also increase more products with long term financing incorporated. The study also recommends that owners of real investment firms should relinquish some of their ownership rights to potential investors for them to invest. As when an investor puts his or her money in an investment there is a hard work from their side so as to generate more profits which later increases their dividends. Real estate firms should also increase their dividends as their profits grow to increase investors motivation and avoid the potential ones moving out of the company.

5.4 Limitations of the study

One of the limitations of the study was that the study did not consider the effects of political crisis especially in year 2007/2008 post election violence which affected the returns of most real estate firms especially when people were forced to move out of areas deemed to be unsafe as a result of the violence.

The study did not analyze internal and external factors that affect real estate firms when deciding on the various sources of financing. Perhaps, competition, performance of the company, operating efficiency could have influenced the decision on financing. The study also failed to look at whether corporate bonds would act as a source of financing for real estates.

5.5 Suggestions for Further Research

Suggested areas of study should be on internal and external factors that affect the decision on sources of financing for real estate firms in Kenya. This will analyze critical factors that managers ought to consider in order to make their decision on sources of financing yield successful results.

Further studies should also include the effects of sources of financing in unsuitable economic conditions, political instability and a global economic crisis. This study will be able to come up with decisions on the best methods to source for finances during such times. Studies can also be done on corporate bonds to assess whether it is a reliable source of financing for real estate's or other companies in Kenya

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