

Title: THE ROLE OF DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs) IN THE DEVELOPMENT OF THE MANUFACTURING SECTOR- A CASE OF INDUSTRIAL & COMMERCIAL DEVELOPMENT CORPORATION(ICDC) IN KENYA

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ABSTRACT

The manufacturing sector has been argued to be the engine of growth for most countries, both developing and developed countries. This study seeks to identify the role of DFIs in the development of the manufacturing sector. The study majorly focuses on the contribution of the manufacturing sector to GDP, employment and exports. It also identifies the amount of investment channeled to the manufacturing sector and consequently the importance of DFIs, and specifically ICDC, in increasing investment. The study made use of semi-structured interviews to collect primary data and economic abstracts and reports for secondary data. The manufacturing sector provides significant contribution to the economy through creation of employment and exports. However the sector has remained fairly stagnant and the study identifies that this is probably as a result of the limited investment pumped into the sector. FDI as well is directed to other sectors of the economy such as the services sector hence not flowing optimally to the manufacturing sector. The prevalence of SMEs in the manufacturing sector also provides a constraint to the growth of the sector as they do not qualify for loans from commercial banks.

This comes in to highlight the role that DFIs play in providing financing. DFIs invest in the core sectors of the economy and ICDC reflects the same by largely funding the manufacturing sector.

Strategies such as long-term financing as well, equity financing, technical advisory services have served as a support to ensuring development impact is obtained. DFIs provide an avenue of channeling funds to crucial sector, and their investment encourages the growth of the manufacturing sector. It would be important if the government intervened to direct investment to the manufacturing sector and offer manufacturing firms benefits and growth incentives. Likewise DFIs consolidation will be crucial to expand the asset base to allow greater investment into the manufacturing sector.