

**EFFECTS OF STIMA LOAN AS A STRATEGY OF INCREASING CONNECTIVITY
BY KENYA POWER: A CASE OF NORTH COAST MOMBASA COUNTY**

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ABSTRACT

Stima Loan is a National Revolving Fund which was recommended for KPLC following a socio-economic survey carried out in the year 2006 by a consortium of consultants targeting the low income segment of the market. The success of Stima Loan in expansion of power supply will improve access by new consumers and thus facilitate investments hitherto constrained by lack of electricity. This strategy has been extensively explored on the effects of stima loan strategy to the general public and on the company. Different scholars have described in their literature the need for marketing as a management function, marketing gathers information, makes plans, implements action and evaluates results. Marketing department which is mandated to spearhead stima loan programme require advising the company on how to serve the new customer creations in the shortest time possible. A lot of research has been done on electricity generation and distribution but very little has been done on how to increase connectivity. This is necessary in order to spell out and explain the values of Kenya power products and services in terms that are understood and appreciated by both existing and potential customers. A descriptive design was used which covered Kenya Power employees and the general public within North Coast of Mombasa County. The instrument used for data collection included questionnaires and interview schedules. Data analysis and presentation was done by use of SPSS software as statistical tools. The analyzed data revealed that Stima Loan strategy has had a positive impact to Kenya power. These include; creation of customer base, increase in connectivity and increase in revenue collection.

Key Words: *Stima Loan, Strategy, Increasing Connectivity, Kenya Power, North Coast Mombasa County*

Introduction

Kenya Power and Lighting Company (K.P.L.C) was renamed from East Africa and Lighting Company (E.A.P.L) in the year 1983. It was rebranded in 2013 to Kenya Power and it owns and operates the national transmission and distribution grid and retails electricity to customers throughout Kenya. There are two main reasons why low income households in Kenya may not have electricity. The first is that there is no possibility of obtaining a connection, as they are much too far from a supply. The second is that they have access to electricity but cannot afford the cost of electricity installation. It is this second problem that is addressed in this paper. Stima Loan strategy has had a positive impact to Kenya power that include; creation of customer base, increase in connectivity and increase in revenue collection. There was a general consensus from the general public that a lot of benefits have accrued since the inception of Stima Loan strategy. It is also true that it is affordable since the connection cost is low. The process of applying for Stima Loan is not complicated hence caters for both literate and illiterate publics. This study therefore seeks to find out both the positive and negative effects accruing from the supposed increase in connectivity, both to the company and to the general public.

Objectives of the study

The general objective of the study was to establish the effects of Stima Loan as a strategy in increasing connectivity to Kenya Power.

Specific objectives of the study

1. To establish the overall effects of Stima Loan strategy on the company, establish the overall effects of stima loan strategy to the general public.
2. To find out whether the increase in connectivity is as a result of the Stima Loan strategy or other underlying factors.

Stima loan strategy to the company

KPLC Stima Loan is a facility that has been introduced to enable needy customers access credit from an internally managed Revolving Fund (RF) for payment of electricity connection. The Fund is being implemented on a pilot basis with an aim of rolling it out into a National Revolving Fund. This facility joins the existing flagship brand, Stima Loan, which is currently ongoing in conjunction with Equity Bank. About 2,500 customers have been connected so far since its inception one year ago. Other banks set to join the brand include Family Bank, National Bank and Co-operative Bank, (Kenya Institute for public Policy Research and Analysis 2010). The company has benefited positively through creation of customer base, increase in connectivity and increase in revenue collection.

Stima loan strategy to the public

The general public has benefited from Stima Loan strategy and fully supports it. It has also found it affordable since the connection cost is low. The process of applying for Stima Loan is not complicated hence caters for both literate and illiterate publics. According to Wanyoike M (2012),” Kenya is among the developing countries ranked as having the lowest connectivity to electricity in the world (less than 20% which has negatively affected social progress”. Preliminary investigation from literature reveals that, outsourcing, social economic factors, physical infrastructure and financing are likely to influence connectivity to the national grid. Access to electricity increases available income for households, improves their environment, gives access to new services (particularly audiovisual services) and helps create economic activities that use electricity (or replace the energies they use) (mills, welding, communication and audiovisual sector). Access to electricity provides better quality lighting, which improves schooling conditions by making it possible to study after 6 pm. Or very early in the morning Access to electricity is therefore a key element for the economic development of the country and consequently for the achievement of the targets for growth and social equity defined in “Vision 2030” (Kenya Development Goals 2008).

Other underlying strategies to the company

Kenya power in its effort to increase connectivity used other underlying strategies that include:

Corporate social responsibility

The Company is aware that its activities affect the environment and communities in which it operates. The Company, therefore, aims to support, through its Corporate Social Responsibility (CSR) programme, the promotion of environmental protection. The Company also seeks to reduce its impact on the environment and these communities through a commitment to continual improvement. Every year, Kenya Power devotes one per cent of its net profit to CSR activities that benefit various communities and causes all over the country. Financial support has been directed towards highly vulnerable segments of the society and has mostly been focused on three main areas: education, environment, and health programmes (UNEP (2012)).

Rural electrification

Rural electrification is the process of bringing electrical power to rural and remote areas. Electricity is used, not only for lighting and household purposes but it also allows for mechanization of many farming operations such as threshing, milking and hoisting grain for storage. In areas facing labor shortages, this allows for greater productivity at reduced cost. Demand by rural population led to the creation of the R.E project (Barnes, D.1988).

Umeme pamoja

Another initiative promoting electricity access in the rural areas is “Umeme Pamoja”, which translates as “Electricity Together”. This campaign aims to establish a joint group of households, so as to connect them collectively to the grid, thus saving costs. This scheme is financed by the group settlement electrification schemes created by the Kenya Power. According to them, this scheme is aimed at making electricity connection easier, affordable and faster. It is set to enable as many Kenyans as possible get electricity. It involves organizing potential customers in the same neighborhood to team up and supply jointly so as to reduce individual costs (KPLC, Umeme Pamoja Magazine 2006).

Research Methodology

Research Design

The research process adopted both stratified random sampling and convenience sampling techniques to select the sample from the population (Sekaran, 2006). Kenya Power comprises of heterogeneous sections which are further divided into homogenous departments. The sample size was divided into strata which are various departments that constitute the company. Purposive sampling was useful to include the specific stake holders who are the general public benefiting from Stima loan services whose opinion was needed for the purpose of this study. A sample of 60 out of 200 was selected to represent the entire population. The researchers felt this number was adequate to give indicative views and opinions about the effects of Stima loan strategy to the company, the general public vis a vis other underlying strategies applied by Kenya Power to increase connectivity. The instrument used for data collection included questionnaires and interview schedules. Questions were framed in bi-polar scale (Likert Scale) format and respondents required to indicate how they agree or disagree with statements outlined.

Data analysis

Data was analyzed and presentation with the help of a statistical tool, SPSS software. The results presented by use of graphs, tables and diagrams where necessary. The findings show a majority of respondents strongly agreed that it has increased connectivity as customer base. The overall response therefore concluded that indeed the Stima Loan has positively impacted the company.

Research Results

Overall effects of Stima Loan strategy to the Company

The findings in the table below show that the general agreement is that Stima Loan strategy has increased customer base to the company. Among the management 15 of the respondents strongly agreed that it has increased customer base. In the non-management 41 agreed that it has increased customer base.

Overall effects of Stima Loan strategy to the general public

According to the study's findings that featured different education levels of the publics, at the primary level, 20% of the respondents strongly agreed and 80% agreed. In high school 21% strongly agreed and 78% agreed. College level 4% strongly agreed and 96% agreed. Those in other educational levels 18% strongly agreed 81% agreed. There was a general consensus that a lot of benefits have accrued since the inception of Stima Loan strategy.

Findings also indicated that at primary level, 90% strongly agreed and 10% disagreed for support. High school, 64% strongly agreed and 28% agreed whereas 7% disagreed support. College level, 68% strongly agreed and 12% agreed wheares 20% disagreed. Others 90% strongly agreed and 9% agreed for support.

Conclusion

From the discussion and summaries made thereof it can be concluded that Stima Loan strategy has had a positive impact to Kenya power. These include; creation of customer base, increase in connectivity and increase in revenue collection. Kenya power field staff has had no hostility in executing Stima Loan in the community which is very vital to success of the programme. However the trend of growth of the programme indicates that it is slowly growing.

The general public has benefited from Stima Loan strategy and fully supports it. It has also found it affordable since the connection cost is low. The process of applying for Stima Loan is not complicated hence caters for both literate and illiterate publics.

Recommendations

There is need for Kenya Power through its Marketing department to put in place mechanisms to fast track the Stima Loan process. More emphasis should be put on monitoring disbursement of funds to customer accounts at the earliest time possible. The company should put up controls to regulate and monitor Stima Loan defaulters. This will take care of the accounts since it is a revolving fund that should always be credit worthy. There is need by Kenya Power to strengthen public relations to the communities affected by the construction of electricity. This will enable field workers to be accepted and the society to cooperate and allow powerlines to pass through there plots without interruptions. It is also very important to create Stima Loan customer awareness. This will ensure that the public is aware about the strategy in terms of registration process and cost benefits. A further research area on stima loan may include on a study on hoe to deal and curb Stima Loan defaulters. This will aid to facilitate the sustainability and continuity the programme since the fund is revolving.

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