EXAMINATION OF RECOVERY STRATEGIES ON REPAYMENT PERFORMANCE OF REVOLVING FUNDS IN KENYA

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DECLARATION

I declare that this thesis is my original work and has not been presented for any award in any other University or Institution.

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DEDICATION

This work is dedicated to my husband Mr. Cyrus Kinyua who taught me the essence of hard work and perseverance. He also supported my education and ensured that I succeeded. To my beloved children, Sylvia Ng'endo and Patrick Muriithi you are what it means to have babies. To my beloved grandchildren, Arya Joy Nyambura and Cyrus Jaylan Karoki. You were my greatest source of encouragement.

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ABSTRACT

Government credit programs operate on a revolving fund basis whereby new loans are disbursed made as existing loans are repaid. Available information has shown that repayment has been poor and program performance and sustainability has been a challenge. There was a need to investigate the influence of recovery strategies on repayment performance of these revolving funds which was the main objective of the study. The specific objectives of the study were: to establish the effect of client appraisal strategies, loan recovery implementation strategies, loan monitoring strategies, and loan collection strategies. The study also sought to establish the moderating effect of the borrower characteristics on the relationship between recovery strategies and repayment performance of revolving funds in Kenya. The study was guided by Credit Risk Theory, Systems Theory, and Moral Hazard Theory.The study was conducted to investigate the loan recovery strategies employed by government revolving funds in the 47 counties of Kenya. The study was conducted over a period of 18 months, from January 2021 to June 2022. A combined descriptive and correlational research design was used. The population of the study comprised of 337 youth officers and women enterprise fund officers in the 47 counties. Stratified random sampling and purposive sampling techniques were used to select a sample of 181 participants. Both secondary and primary data were collected and analyzed. Secondary data was analyzed qualitatively using document analysis. Primary data was collected using open-ended and closed-ended questionnaires. The data was compiled, edited, coded, and imported into SPSS for analysis. Descriptive and inferential statistics were used to analyze the data. The descriptive results were presented using frequencies, percentages, means, and standard deviations. To analyze the nature and magnitude of relationship between recovery strategies and repayment performance, correlation and regression analysis were conducted on the adopted linear model. To ensure that the statistical assumptions were met, the skewness and kurtosis for normality, Breusch pagan for heteroscedasticity, and VIF for Multicollinearity tests were performed. The significance of the variables was tested at a p-value of 0.05. The open-ended questions were analyzed using the three-text analysis method. The study findings showed that client appraisal strategy, loan monitoring strategies had a positive and significant effect on repayment performance of revolving funds in Kenya. Additionally, loan recovery implementation and loan collection strategies had an insignificant effect on repayment performance. The moderator's effects on borrower characteristics had positive but insignificant effects on loan repayment performance. The study concluded that client appraisal and loan monitoring strategies strongly determine the rate repayment of revolving funds in Kenya. On the contrary, loan collection and recovery implementation strategies do not affect repayment performance of revolving funds. Individual characteristics, such as age and family size have an insignificant effect on repayment performanceThe study recommends that financial institutions should conduct thorough appraisals of borrowers to identify those who are likely to repay their loans. The borrowers' credit history and income stream are good indicators of whether they are likely to default. The government should also put in place effective strategies to monitor loans and partner with external debt collectors to ensure that borrowers repay their loans. Clear policies and specific penalties for defaulters should also be put in place to deter borrowers from defaulting.

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ABBREVIATIONS AND ACRONYMS

CRB:	Credit Reference Bureaus
GOK:	Government of Kenya
IBM:	International Business Machines Corporation
P3DK:	An Acceleration of Development Village Program
PWD:	People with Disabilities
SPSS:	Statistical Packages for Social Science
UNDP:	United Nations Development Programme
WEF:	Women Enterprise Fund
YEDF:	Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A revolving fund is usually created with a small initial amount of capital taken from the general fund. The fund is designed to prove its self-sustainability over time.Initially established programs or activities are financed by the fund and the overall fund seed moneys are then replaced through loans repayment Guntz (2011). Revolving funds, despite being most effective at improving loan access for feasible businesses without other funding sources, they also assisted local companies that need cash yet are not financially viable Mokhtar et al., (2011). As a result, two major problems are seen to arise when revolving funds are used to transfer public subsidy. Firstly, they periodically require refunding due to sustained attrition of their asset base, and secondly, in loaning cash to risky borrowers, revolving funds experience significant loss rates. Available information has shown that repayment has been poor and program performance and sustainability has been a challenge. Most government initiatives have performed so poorly that they have fallen well short of their intended goals, incurring significant financial losses Sungwacha (2014).

To manage specific Youth Business Loan Programs targeted at assisting young men and women who were unemployed or underemployed, the Canadian Youth Business Foundation was established in 1996. However, one of the contributing factors to the collapse of small Canadian youth-run businesses was a lack of management skills, which had an impact on how quickly the young people could repay their debts Karlan and Morduch (2009).

In Indonesia, the government initiated the Acceleration of Development Village Program (P3DK) revolving fund between 2006 and 2011 with the aim of improving and advancing the social economy. Unfortunately, the revolving funds were not successful due to issues like poor management practices and a lack of public support, leading to difficulties in recouping the capital invested.In addition, it was noted that the effectiveness of the government's revolving fund depends heavily on public knowledge of the recovery or payback. Matridi et al., (2015). Third world countries like Kenya have embarked on a transformation agenda of regulating and reforming financial institutions and intermediaries into effective and reliable institutions to offer monetary services to all sections of the population. These financial intermediaries have made remarkable gains in alleviating poverty through offering loans and small credits to the marginalized and less privileged groups, including youth and women to start their own business, earn their daily bread, and achieve improved living Sigei (2017).

In South Africa, the government established Umsobomvu Youth Fund in order to promote and facilitate job creation among the youth through provision of loans, but the fund faced challenges due to clients defaulting on the loans granted. Due to effective partnering strategies, monitoring, and assessment of its operations, the fund had a national footprint. However, the fund similarly experienced performance challenges. This was also observed in Botswana where Citizen Young Farmers Fund, established by the government to eradicate poverty and unemployment, also suffered a major blow due to poor recovery of loans granted to the Youth Million et al., (2012).

The Namibia Young Credit Scheme (NYCS) was established by the Namibian government as part of its socioeconomic empowerment agenda to enhance youth participation in the country's social and economic affairs. The fund, however, encountered issues with effectiveness and sustainability (Ministry of National Service and Culture of Namibia, 2008). Similarly, in Tanzania, poor loan payback rates and customer perceptions of credit policies and structure were two challenges encountered by government lending programmes. The administration of the fund, a lack of capacity building, and a lack of entrepreneurial skills among young people were identified as the main obstacles to the execution of government credit schemes. The study further noted that if such factors were not adequately addressed, the Fund's success could not be assured Million et al., (2012).

To supply farmers with revolving cash, the Ugandan government has launched a number of national microcredit programs, such as the Entandikwa program, agricultural crediting facility program, youth livelihood fund, and youth seed capital fund Karuma (2011). Ahaibwe et al., (2013). Sadly, these credit schemes have had poor results and have fallen short of expectations from a variety of stakeholders Mukasa and Baluka (2018). Kenya's administration is not an exception when it comes to putting these strategies for economic expansion and development into action. Kenya has made microcredit available through a number of credit programs, including the Uwezo Fund, which covers young people, women, and persons with disabilities, and the Youth Enterprise Development Fund (YEDF), which supports women's business development.

In order to combat young unemployment, the Kenyan government created the Youth Enterprise Development Fund in 2006. Contrarily, the Women Enterprise Fund was established as a pro-active government reaction to the severe difficulties that Kenyan women face. WEF was founded in August 2007 by a Gazette Notice and is a Quasi-

Governmental Department of the Ministry of Gender, Children, and Social Development. The Uwezo Fund was then established in 2013 to provide access to financing for the support of young and female entrepreneurs at the constituency level in order to promote economic growth and achieve the goals of Vision 2030 (GOK, 2019).

Gicharu and Mahea (2011) in a study among women and the youth of Nairobi, Kenya, in their preparedness on management and performance of WEF and YEDF, discovered that 48 percent of young people had less than a 50% chance of having a successful firm owing to their lack of entrepreneurial abilities, which negatively affected the performance of funds. In a related study by Ng'ang'a (2013) on the analysis of issues affecting YEDF integration in Nairobi's Westlands Constituency, noted that lack of business skills among many youths negatively influenced loan repayment leading to poor performance of the fund. In a study conducted by Gachathi in 2010, similar to Ng'ang'a's study in 2013, it was found that personal factors, including attitudes towards enterprise development, had both positive and negative effects on the implementation and performance of projects. Additionally, the study highlighted that institutional factors, such as management structures, also had an impact on the performance of projects.

According to Kipkech (2011), debt reimbursement is the process of acquiring back the loan from previous recipients. Nikols (2016) after analyzing various theories from different scholars, strategy got defined as a viewpoint, stance, plan, or pattern'. It serves as a link between strategies or activities on the one hand and policies or goals on the other. Therefore, strategy refers to a complex web of thoughts and ideas that provides a general framework for specific actions to achieve set goals. Given that a strategy is a plan of action, loan recovery strategy can be defined as a plan of how to acquire back monies lent out to beneficiaries. Rose (2007) posits that successful loan repayment entails repaying the loan as per the loan agreement while defaulting is the inability to pay the loan by either failing to complete repayment as per the loan agreement or neglecting to service the loan. She further argues that repayment performance is an important element in revolving funds because if a borrower does not pay, it leads to a liquidity crisis in the lending institution since the fund is a cyclical flow between the lender and the borrowers Rose (2007).

A study in Indonesia by Elsevier (2014) shows that P3DK designed for KepulauanRiu Province to empower and develop infrastructure at village level did not succeed. The research findings showed that the program failed to meet its expectations set early because of the lack of intention by the loanees to return loan and absence of punishment to those who didn’t return the money thus contributing to poor performance of the funds.

Wanjira (2010) investigated the link between Kenyan commercial banks' profitability and their approaches to managing non-performing loans.The study concluded that commercial banks should adopt quasi loan management procedures. Among other things, these measures included making sure there were enough collaterals, restricting lending to different types of firms, securing loans, making sure there was a clear framework for evaluating lending facilities, and adopting procedures to resolve problematic loans. The study also came to the conclusion that the management of performing loans and the commercial bank's financial performance in Kenya were positively correlated.

According to Norell (2001), the key to minimizing non-performing loans and arrears is enforcing monitoring strategies, providing financial incentives to loan officers, and avoiding lending start-ups businesses.

1.1.2 Loan Recovery strategies of Revolving Funds

Despite the Government of Kenya introducing various types of revolving funds as instruments for poverty reduction, mainly because of their effectiveness in reaching the economically disadvantaged segments of society, there have been challenges in the loan recovery strategies employed by government institutions with these groups, as noted by Sikenyi (2017). The effectiveness of loans recovered may be used to measure how well the revolving funds are performing in their goal of cost recovery. In reality, the loan amount should be covered by the value of anticipated repayments. Loan program history in emerging nations has been dismal. Recovery percentages of more over 50% are uncommon for revolving funds, and in many instances, they are far lower Bichanga and Aseyo (2013).

In 2010, both the youth and women groups in Kenya had defaulted on loans with those given to start-up enterprises defaulting by 40% almost 5 times the financial services sector average of 8%. The fund executives feared that prospects for new borrowers might be lost if the revolving funds dry up quickly Opiyo (2013). This poses a challenge to government institutions as they may not have funds available to lend, thus greatly affecting performance and sustainability of the funds. Odera et al., (2013), indicated low repayment was attributed to poor proceeds, long time taken for investments to mature, since groups lacked consistency, which led to project failure.

Mugira (2012) asserts that loan levels are typically insufficient for recipients to launch their businesses. As a result, they end up not starting any project leading to project failure, nonpayment of loans, which accounts for the low repayment rates. According to Okibo's findings in 2013, when lenders failed to monitor the utilization of loans by borrowers, the rate of loan defaults increased. Therefore, it was crucial to examine how loan recovery management strategies affected repayment behavior. According to Sagwe et al., (2011) the entrepreneurs who benefited from the women's and youth fund had low entrepreneurial preparedness and a high rate of company failure. According to Maina (2012) the development of self-employment among young people in Ongata Rongai was stymied by loan availability issues brought on by the poor return rates of groups that had already received funding. Therefore, it was important to analyze the effect of borrower characteristics as a moderator between the recovery practices and on repayment performance.

Waruguru (2018) observed that the Kenyan Government has implemented a range of policies aimed at promoting the establishment and growth of Small and Medium Enterprises (SMEs) owned by youth and women. The loaning procedure for circulating funds in Kenya targets various types of youth and women owned businesses, including individuals, corporations, organizations, and cooperatives. Any youth and women owned business operating within the district is eligible to apply for the loan.Before providing funding for a business proposal, the lending policy takes into account several factors, including the target audience, eligibility criteria, loan selection process, loan assessment, eligible loan amount, required documentation, pricing, reimbursement method and duration, validation stipulations, amount, and nature of secured debt leverage, as well as other necessary documentation.

However, conduct and a lack of support from the public in terms of investment return caused the revolving fund failure. In addition to this, lack of clear goals and legislation (starting with the loans fund program's rules, loanee eligibility, system control, punishments, and incentives), led to lack of awareness in the community as well failure in repayment of these funds. It was emphasized that the viability of the state's revolving fund depended heavily on public knowledge of the recovery or payback. It was therefore important to analyze the effect of the credit appraisal process on repayment performance.

1.2 Statement of the Problem

The Kenyan government has set up various revolving funds, including the Youth Enterprise Fund, Women Enterprise Fund, and the recently introduced Uwezo Fund, with a budget of 6 billion Shillings. These development funds have been established to support the empowerment of youths, women, and people with disabilities in engaging in self-employment, which is crucial for the overall development of the country, as highlighted by Ndirangu and Terer in 2016.Moreover, to address the issue of unemployment effectively and sustainably, the government needs to implement sustainable funding approaches, as emphasized by the World Bank in 2009. However, despite the good intentions, the revolving funds have encountered challenges, particularly in terms of low loan repayment and recovery rates, adversely impacting their overall performance, as reported by the Government of Kenya in 2019.

The revolving funds are intended to facilitate long term financial support of small and medium enterprises and their sustainability are determined by how successful debt recovery is accomplished. Former involvement with loan programs in rising nations has been unsatisfactory with most revolving funds achieving recovery ratios that are below 50 percent. Challenges encountered by revolving funds in recovering loans from groups make it difficult to always have funds available to lend, in turn greatly affecting their performance. Studies done previously indicate that, pursuing the loanees and convincing them to pay improves the repayment performance of revolving funds (2012). According to Elsevier (2014), lack of punishment is contributing greatly to poor repayment of revolving funds. Locally, studies done for government funds like HELB found that strategies of recovering money lent out that were successful included engaging future employers, debt collectors, and use of CRBs for blacklisting defaulters.

Sungunya (2018) studied how WEF loan effectiveness in Nakuru was impacted by credit risk management measures, paying particular attention to the assessment process, recovery processes, savings rates, and interest rates. Savings and interest rates were shown to have a positive association in the study, but the other variables had little bearing on the relationship. However, Mungai (2015) proposed the existence of a correlation between the operation methods used by revolving fund institutions and the sustainability of the funds, and further, that there is a relation with both borrower attributes and the sustainability of government revolving funds in Muranga County. It is evident that revolving funds in general are faced with increasing default rates, but there are limited and holistic research studies done on loan recovery strategies and lack consensus in findings, therefore the need to investigate the loan recovery methods for improving the performance of Kenyan revolving funds repayment.

1.3 Purpose of the Study

The study's goal was to investigate the connection between loan recovery tactics and Kenyan revolving fund repayment efficiency.

1.4 Objectives of the Study

1.4.1 General Objective

The overall objective of the study was to examine the effect of loan recovery strategies on repayment performance of revolving funds in Kenya.

1.4.2 Specific Objectives

The specific objectives were:

i. To establish the effect of client appraisal strategies on repayment performance of individual revolving funds in Kenya.

ii. To determine the effect of Loan monitoring strategies on repayment performance of revolving funds in Kenya.

iii. To determine the effect of loan recovery implementation strategies on repayment performance of revolving funds in Kenya.

iv. To establish the effect of loan collection strategies on repayment performance of revolving funds in Kenya.

v. To establish the moderating effect of borrower characteristics on the relationship between loan recovery strategies and repayment performance of revolving funds in Kenya.

1.5 Research Hypotheses

The study was guided by the following hypothesis:

i. **Ho_1:** Client appraisal strategies have no significant influence on repayment performance of revolving funds in Kenya.

ii. **Ho_2:** Loan monitoring strategies have no significant influence on repayment performance of revolving funds in Kenya.

iii. **Ho_3** Loan recovery implementation strategies have no significant influence on repayment performance of revolving funds in Kenya.

iv. **Ho_4:** Loan Collection strategies have no significant influence on repayment performance of revolving funds in Kenya.

v. **Ho_5:** Borrower characteristics have no significant moderating effect on the relationship between recovery strategies and repayment performance of revolving funds in Kenya.

1.6 Scope of the Study

The study aimed to examine the government revolving funds disbursed in Kenya between 2010 and 2020. Specifically, it focused on investigating the loan recovery strategies employed for the Youth Enterprise Development Fund and the Women Enterprise Fund, which cater to youth, women, and people with disabilities. The recovery strategies analyzed included client appraisal strategies, loan monitoring strategies, loan recovery implementation strategies, loan collection strategies, and the role of borrower characteristics as a moderating variable.The research study was conducted over a period of 18 months, starting from January 2020 to June 2021. The target population for the study comprised the Youth Enterprise Development Fund officers in the constituencies and Women Enterprise Fund officers in the 47 counties.

1.7 Significance of the Study

The focal objective of this study was to evaluate the recovery tactics of revolving funds. This study benefited both academic and policy makers and bridged the gap that existed in literature. Besides, it aided policy makers in examining current strategies and making informed decisions to ensure success of the revolving funds. It assisted the loan officers in employing the best strategies in ensuring that the repayment performance has improved and minimizing defaults and losses.

1.8 Assumptions of the Study

Important facts regarding the study that are believed to be true but cannot be proved are called assumptions Vergne and Wry (2014). To offer a clear, cogent justification for an inquiry, assumptions are taken into account Kerasidou (2014). Based on the presumption that the respondents chosen from the two participant groups were interested in the study, it was believed that they would be honest and truthful in their replies. The study also assumed that the participants would be informed and would view the questionnaires to be adequate and clear enough to offer suitable replies. The study assumed that research was undertaken with regards to reality, thus it was done objectively. The research adopted a value free assumption.

1.9 Limitations and Delimitations of the Study

The study was restricted to the researcher's ability to gain the exact geographical scope or type of participants. Also, since the study was limited to 19 months, the results were affected by the society's social and economic operations during that specific period. To achieve the study's goals, the researcher administered the questionnaires across all the counties. The population targeted for the study was limited to youth enterprise Development fund officers and WEF who benefit from the revolving funds. The study focused on the population from selected counties and constituencies. The study reviewed the loan recovery strategies of revolving funds among youth enterprise Development fund and WEF officers.

1.10 Operational Definition of Terms

Loan Default: It is the difficulty to pay back the loan via either neglecting to repay the debt or not completing the loan in accordance with the loan arrangement Rose **(**2007)

Revolving Fund: is a pool of funds out of which loans are given to finance companies that are unable to obtain typical bank loans because to the credit risks associated with their owners or the lack of independent credit history of the company Mokhtar et al., (2011).

Successful Loan Repayment: Ability to repay the debt in accordance with the loan arrangement is what is meant by successful loan payback Rose (2007).

Loan Appraisal Procedure: The goal of the credit appraisal process is to ensure and keep the standard of lending and manage credit risk under tolerable levels. It is a comprehensive activity that begins when a prospective borrower enters the lending institution and continues with credit delivery and monitoring Seyfried (2001).

Loan Performance: refers to the efficiency or return on investment of a loan product investment Puxty et al., (1991).

Loan Recovery Procedure: This is the procedure for collecting loans with past-due repayments including processing procedure, Nzomo (2000). Ogolla (2012) defined debt recovery as the process of chasing unpaid debts and succeeding in recovering them by persuading the loanees to put forth effort to settle their outstanding liabilities.

Moral hazard: Occurs when a borrower is capable of repaying the debt but is under no obligation to do so Randøy et al., (2015).

Information asymmetry: occurs when a loan officer lacks sufficient knowledge about a loan applicant's creditworthiness since the loan officer does not reside in the applicant's town Hassan (2014).

Strategy: Nikols (2016) after analyzing various theories from different scholars, defined' Strategy as a perspective, place, strategy, and pattern. It serves as a link between strategies or activities on the one hand and policies or goals on the other. In essence, the term "strategy" refers to a complicated network of ideas and thinking, that provides general framework for specific actions in to achieve set goals.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides summary of the related literature and consists of theoretical review, conceptual framework; review of variables, empirical literature, synopsis of the literature review and research gap.

2.2 Theoretical Review

This section reviewed the theories related to recovery strategies and repayment performance of revolving funds in Kenya. The research was based on the concept of credit risk and reinforced by moral hazard and systems theories in line with the variables pertaining to the loan recovery strategies.

2.2.1 Credit Risk Theory

In many cases, borrowers violate agreements by failing to repay their debts and fulfilling their obligations, resulting in credit firms experiencing losses, which is known as credit risk. This concept was introduced by Melton (1974), who defined credit risk as the occurrence that leads to default and also referred to it as the structural theory. The credit risk theory provides a framework that is essential in controlling, mitigating, and managing losses stemming from defaults. According to this theory, default is seen as an option presented to borrowers, allowing them to choose between fulfilling their obligations or failing to do so when the circumstances arise.

According to Woolcock (2000), the credit market can be influenced by the strategies employed by lending institutions during their appraisal process, which aims to minimize the risk of losses. The success of revolving funds is adversely impacted by both actual and potential defaults. Therefore, this theory highlights the significance of considering borrower characteristics as a factor leading to defaults and emphasizes the importance of employing screening, proper appraisal procedures, policies, and other strategies to reduce losses arising from potential defaults.

2.2.2 Systems Theory

Bertalanffy, a biologist, introduced the systems theory initially to elucidate biological phenomena. However, this theory has found applications in diverse disciplines and studies. Broadly speaking, a system can be described as a complex entity comprised of several distinct components. McShare and Glinow (2003) argue that a company's growth and development are improved by effective coordination among its various complex subsystems, leading to a more efficient transformation of inputs into outputs. A system is essentially the sum of interconnected elements operating through regular or irregular interactions. Every element within a system is essential to achieving the final outcome, and all elements and functions are interconnected and reliant on one another. In the context of business, the systems theory illustrates the dependence of different components and functions to achieve the organization's objectives. For this study, the lending institution is considered the system, with various components such as available resources (funds, staff members, technology, generated reports, and debt collection agents), as well as potential borrowers. The interactions within the system encompass the functions, procedures, policies, and strategies that ensure the proper functioning and performance of the funds.

2.2.3 Moral Hazard Theory

This concept was suggested by Akerlof (1970) who illustrated the effect of asymmetrical information to market outcomes. According to Pritchard (2020), moral hazard is a circumstance or a decision in which one party takes risks because they do not have to endure the consequences of their action. It exists when there is asymmetry in information where there are different incentives to transaction and where a risk can be passed on to another. This moral hazard theory was originally used to describe the situation in a market where the seller has the upper hand in withholding information on quality of product from the buyer. Moral hazard enables MFIs to use scheduled repayment installments to ensure that borrowers do not default Jain and Mansuri (2003). For any contract where any party acts in bad faith by withholding information, moral hazard occurs. The moral hazard behavior can be reduced by monitoring the groups that benefit from the funds Hermes et al., (2005). Lending groups provides easy monitoring and minimizes the moral hazard effect to the lender Laffont and Rey (2003). In this study, borrower characteristics define the willingness to pay and act as either a deterrent or motivator to pay.

Therefore, it is the duty of the lender to obtain as much information as possible, from the borrower during the screening and appraisal stage, as this information will be crucial to the loan repayment performance. Borrower characteristics here are seen as the mediating factor between the strategies of the lender and the ultimate goal of the loan repayment performance. Another perspective is depicted by Japellivn and Pagano (2005), who noted that financial intermediaries suffer from moral hazard when the borrower diverts the loan funds and affects the repayment power of the business. In this case, the borrower withholds the real motive of the credit and goes against the terms and service of the credit agreement and is ultimately unable to pay, leading to poor loan repayment performance. This theory helps to understand loan recovery and repayment strategies.

2.3. Conceptual Framework

The following theoretical model intended to explain the connection between loan retrieval approaches and settlement performance of revolving funds in Kenya. Approaches such as client assessment, loan monitoring, loan retrieval implementation, and loan collection strategies formed the self-sufficient variables. While the characteristics of the debtor represented the controlling variable, the degree of loan repayment of revolving funds signified the dependent variable.

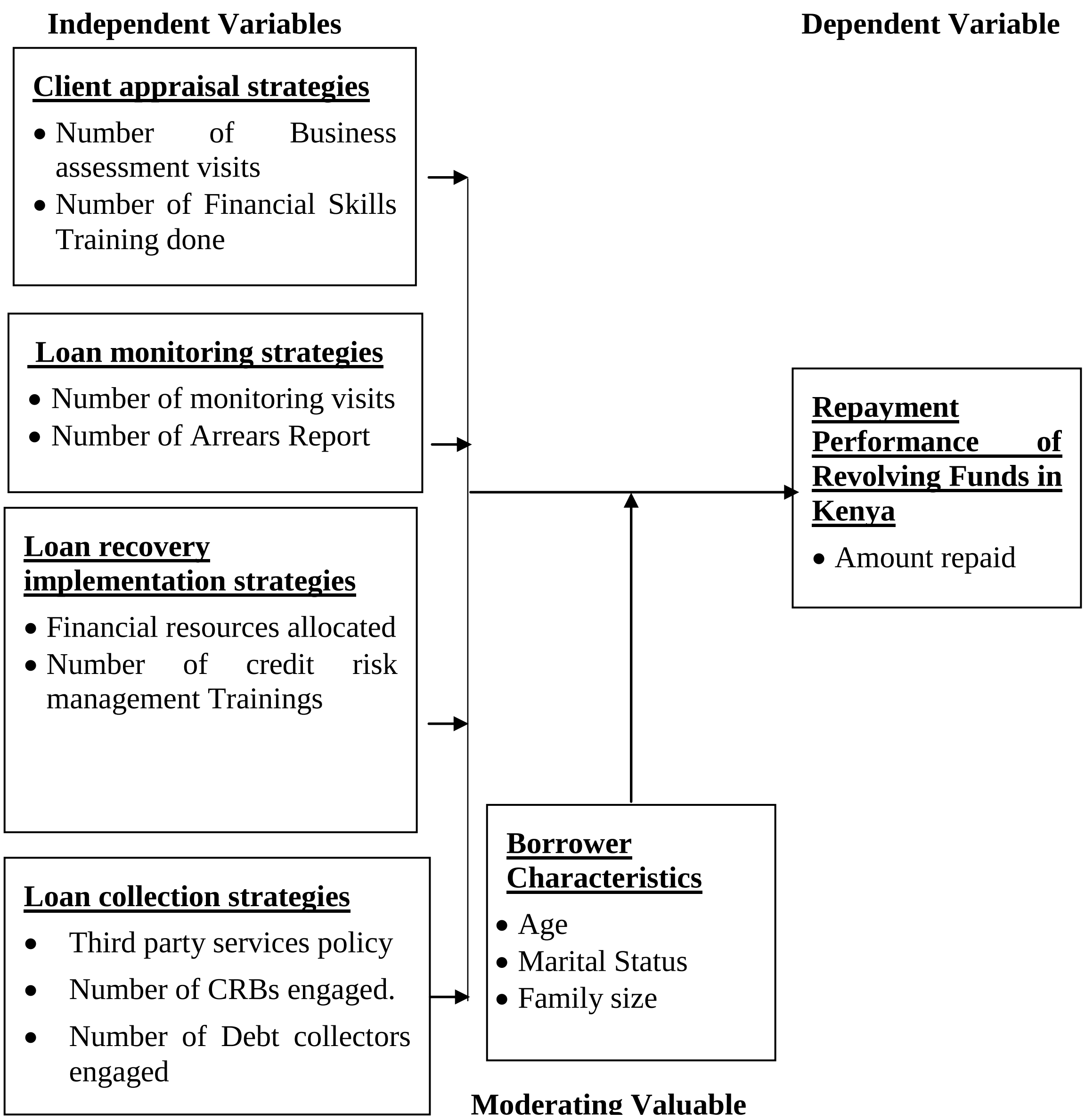

Figure 2.1 Conceptual Framework

2.4. Review of Variables

2.4.1 Client Appraisal Strategies

The study analyzed the process that preceded the loan disbursement such as evaluating the entrepreneurial competence to ensure business success which would in turn ensure the loan is ultimately repaid. The factors analyzed in the appraisal refer to competency and individual awareness, which can be termed as the cumulative capacity of the business owners to deliver effective market services. In addition, business viability measures were assessed to ensure the loans disbursed are repayable from the initial stage; financial management skills assessment and business training services offered was assessed to evaluate their appropriateness toward loan repayment.

Aliija and Muhangi (2017) conducted a study to explore the impact of loan appraisal process management on credit performance in microfinance institutions (MFIs). The study aimed to investigate the different strategies employed by MFIs to offer loans to their clients and identify the organizations that had adopted effective Credit Management Practices. Data for the study was collected from loan executives of MFIs through carefully designed questionnaires. The results of the study revealed a strong correlation between customer assessment, process management, and loan efficiency in MFIs. The study findings indicated that credit management in MFIs heavily relied on client appraisal as it was deemed effective and crucial in handling credit matters. The results also highlighted that security features were given significant consideration during client appraisal, as most loan defaults were attributed to a failure in evaluating clients' ability to repay their loans. Additionally, the study revealed that client evaluation emphasized the characteristics of individuals seeking credit services and showed that MFIs had well-trained employees for conducting such assessments. As a result, the study concluded that customer evaluation had a positive influence on the credit performance of MFIs and emphasized the importance of customers visiting the institution before loan allocation. However, to ensure effective client evaluations, the study suggested that all microfinance organizations should provide adequate training to their employees. Additionally, the study recommended that MFIs should focus on their credit employees and enhance their knowledge of loan procedures during client assessments.Since the study solely examined MFIs, it proposed conducting another research that encompassed all financial organizations to gain a more comprehensive understanding of the topic.

Digil et al. (2021) conducted a study to assess the impact of credit management on the financial performance of microfinance institutions in Adamawa State, Nigeria. The main objective of the study was to understand how customer evaluation contributed to the productivity of microfinance banks in the state. The research adopted a survey approach and collected data through sampling.The study findings revealed that the overall liquidity of an organization significantly influenced the success of any financial institution. It was highlighted that efficient liquidity management could only be achieved through a proper credit management strategy. The study emphasized that an effective credit management strategy is vital for ensuring the profitability, vitality, and sustainability of financial institutions. The study's findings also indicated that proper customer assessment led to a reduction in the amount of capital associated with defaulters and contributed to improved financial effectiveness. As a result, the study concluded that customer assessment has a positive impact on the performance of MFIs in Adamawa State.However, these findings contrasted with the results of Gambo's study (2012), which found no relationship between loan management in microfinance banks and customer evaluation. Nevertheless, this study suggested that all financial institutions should consistently assess their customers based on their characteristics, financial standing, loan security, repayment capacity, and overall condition before granting loans.Based on the study's findings, client appraisal would enable financial institutions to recover loans more effortlessly, thereby enhancing the efficiency and success of financial organizations. Since the study mainly focused on microfinance banks in Adamawa State, it is recommended to conduct another study to compare the results with other financial institutions worldwide.

In a study conducted by Rukiri (2021), an examination was made into the appraisal strategies utilized by Pride Microfinance Bank in Uganda. The primary goal of this investigation was to assess the credit evaluation procedures of microfinance organizations and develop new policies to improve the credit management process specifically at Pride Microfinance Bank in Uganda. The study employed a descriptive approach as its methodology and utilized questionnaires to gather data from employees and credit executives working at Pride Microfinance Bank. The collected data was then carefully analyzed to ensure the reliability of the results. The study found that Pride Microfinance Bank employed various strategies, including reference checks with the Credit Reference Bureau (CRB), examination of loan settlement records, and the application of the "5 Cs" (conditions, capital, character, collateral, and capacity) in their credit appraisal process.
The study also found that customer evaluation was effective in assessing loan risks. As a result, the study recommended that Pride Bank should enhance its customer assessment practices to improve loan performance and prevent credit officers from providing loans to their acquaintances, which could lead to loan defaults. However, it is worth noting that the study solely focused on Pride Microfinance Bank without considering other institutions. Therefore, there is a need for further research to explore the evaluation policies employed by other financial organizations.

Muathe et al. (2020) conducted a study focusing on credit management practices and their influence on loan performance. The main objective of this research was to explore the effects of credit gathering strategies, customer assessment, and loaning strategies on the credit efficiency of commercial banks in Kenya. The study was based on the principles of the 5 Cs theory, which considers conditions, capital, character, collateral, and capacity. The research design employed for this study was a methodology based on structured questionnaires to collect data. The study's findings revealed that both loan collection procedures and loaning strategies had a positive impact on the credit effectiveness of commercial banks in Kenya. However, customer evaluation did not show significant impact on the credit efficiency of the organization. Therefore, the study concluded that the credit effectiveness of commercial banks could be attributed to the proficiency of their loan management practices. Nonetheless, the study recommended that commercial banks should regularly review and update policies related to loan collection procedures, customer evaluation, and loaning processes to better identify loan risks. These policies should be well-documented from the departmental level to the entire organization.The study highlighted that loan performance was influenced by technological advancements in the banking industry, such as mobile lending, which might have limited the traditional means of loan appraisal and management for commercial banks. Additionally, since the study solely focused on commercial banks, it suggested conducting further research encompassing all types of banks and other financial organizations.

Aliija and Muhangi (2015) evaluated the effects of loan appraisal process management on credit performance in Microfinance Institutions (MFIs) in Uganda. The study’s objective was to understand the management of loan appraisal strategies on the financial performance of Ugandan micro finance institutions. The researchers implemented a descriptive survey research design. Quantitative and qualitative research methodologies were applied involving questionnaires to collect data from respondents. Six MFIs were used in the study and the sample size included 6 credit managers and 38 loan officers. Primary data was collected through self-administered close and open-ended questionnaires. Secondary data was obtained from reviewed literature in journals, publications, and MFIS guidelines. The data collected was coded and organized through Statistical Package for Social Sciences (SPSS) and the results analyzed via percentages and frequencies. The strength of association between variables was shown using the linear regression model. The study established that client appraisal strategy is necessary, sustainable, and widely used in credit management in micro finance institutions. According to the study, MFIs have competent personnel who appraise clients, and they consider customers’ character while seeking loans. Visiting and appraising clients before disbursing loans is necessary in credit management in MFIs. The study revealed a significant association between the process of client appraisal and management of credit performance. The study recommended MFIs to effectively educate their loan officers to make sure that they are conversant with the appraisal process and to apply the loan procedures effectively as they process clients’ loan facilities. Thus, since the study analyzed the effects of loan assessment strategies on credit performance in MFIs, there is need to examine other factors that affect the repayment performance of revolving funds.

Client appraisal strategies play a significant role in influencing the credit management and financial performance of microfinance institutions. Enoch et al. (2021) conducted a study to assess the impact of client appraisal on the efficiency of microfinance banks in Adamawa state, Nigeria. The researchers utilized a survey method to collect data from both primary and secondary sources. The study included 21 respondents, selected through a multi-stage sampling approach, from a population of 52 credit officers. The banks involved in the research were chosen using a purposive sampling technique. Primary data was gathered through structured questionnaires, while secondary data was obtained from textbooks, internet articles, and bank annual reports.

The data was subjected to analysis using SPSS, employing multiple and descriptive regression analysis. The study's results were presented in tabular form to facilitate interpretation. The research revealed a positive correlation between client appraisal and the efficiency of credit management in microfinance banks. Client appraisal strategies were found to be effective and beneficial in managing credit facilities for these banks. The study recommended that banks should review and update their client appraisal policies annually to enhance their efficiency, as this technique proves to be a valuable tool in improving financial performance.Furthermore, the study emphasized the importance for microfinance banks to have a clear understanding of their clients' character, financial condition, and collateral before granting loans, as this enhances their efficiency. Given the significant relationship between client appraisal strategies and the financial performance of microfinance banks, future research will explore other factors that may impact the loan repayment performance of microfinance banks.

Gatuhu (2013) examined the effect of credit management on the financial performance in microfinance institutions in Kenya. The study embraced a descriptive survey design. A census study was used to carry out the research where a population of 59 microfinance institutions in Kenya were selected. Both primary and secondary data were used and obtained from questionnaires, annual reports and financial statements respectively. Data was organized with the help of SPSS software package and analyzed using descriptive statistics, such as standard deviation and mean. The study results were presented in tables. The researcher established that client appraisal strategies were extensively used in managing credit in microfinance institutions. Besides, microfinance institutions used client appraisal strategies to consider client's collateral aspects, understand customer's character, assess their ability to repay loans, and as a tool for proving the competency of MFI personnel in awarding loans. The study established that MFIs' financial performance was strongly related to client appraisal, collection policy, and credit risk control. The study highlighted the importance of microfinance institutions improving their client appraisal strategies to enhance their financial performance. Furthermore, the research findings have sparked the necessity for further investigation into the impact of loan repayment strategies on repayment performance in microfinance institutions.

The loan reimbursement performance has witnessed a decline, resulting in a significant number of loan defaults by borrowers. Katula and Kiriinya (2018) conducted a study to investigate the impact of loan appraisal on the financial performance of deposit-taking SACCOs in Embu, Kenya. The research utilized a descriptive research design and selected a sample size of 158 participants, determined through the application of Slovin's formula. Data was collected from primary and secondary sources. Primary data was obtained through questionnaires while secondary data was acquired from reviewing existing materials, such as financial statements and empirical studies. Data analysis was done through SPSS (21) and descriptive statistics tabulated inform of standard deviation, percentages, mean scores, and frequencies. The statistical relationship between dependent and independent variables was established using multiple regression. It was revealed that most SACCOs embraced loan appraisal techniques, such as asking for collateral, involving credit committees, and evaluating the nature of businesses to improve their financial performance. It was concluded that SACCOs maximized profits and enhanced loan repayment by implementing loan appraisal techniques, such as evaluating client's financial stability prior to approving loans. The study recommended that SACCOs should set some criteria to determine the validity of items presented as collateral security since it's difficult to determine the sustainability of the properties. There is a need to investigate the moderating effect between the factors that influence the repayment performance of financial institutions.

Mulyungi and Mulyungi (2018) conducted a case study of Guaranty Trust Bank in Rwanda to examine the effect of client appraisal on financial performance of financial institutions. The study used a descriptive research design. The target population included 331 MFIs and 16 commercial banks. The sample size was 100 respondents from Guaranty Trust Bank Rwanda. Both primary and secondary data sources were used in the study and data collected by use of questionnaires and review of journals. Inferential and descriptive statistics were employed for data analysis. IBM SPSS (23) was adopted for coding and analyzing the collected data. Pearson correlation and regression analysis were used to test the strength of relationship between the variables and hypotheses respectively. The study established that there existed a strong significant and linear connection between the financial performance of Rwandan banking sector and client appraisal strategies. Moreover, client appraisal strategies, such as analyzing the risk of credit on individuals and enterprises prior to lending improved the economic performance of banks in Rwanda. The researchers suggested that banks in Rwanda should adopt appropriate client appraisal techniques, such as examining individual and business financial characteristics before lending to identify suitable borrowers and loanees and minimize loan defaults that lead to financial losses. Therefore, based on the study’s findings there is a need to further investigate other factors that have an impact on payment performance of revolving funds.

2.4.2 Loan Monitoring Strategies

Loan monitoring strategies refer to the various repayment mechanisms and infrastructures implemented to ensure the successful repayment of credit by loan clients. One of the key strategies employed by lending organizations is the practice of collecting credits through weekly instalments. This method has been found effective in reducing credit evasion rates, particularly when loans are allocated without collateral, ensuring that only clients capable of repaying receive credits. The study assessed loan monitoring by examining factors such as repayment frequency, follow-up mechanisms (such as visits and demand letters, if available), and the use of rewards and sanctions. Additionally, the research will assess the quality and quantity of arrears reports generated to aid in loan monitoring and evaluation practices.

According to Wachira's (2017) study, a financial institution should implement credit monitoring practices. This involves assigning specific individuals to oversee the credit portfolio, ensuring effective communication with those responsible for remedial action, and setting aside adequate reserves for potential bad loans. An efficient monitoring system ensures that the financial entity is well-informed about the borrower's current financial status, adherence to terms and conditions, evaluation of collateral considering the borrower's present situation, identification of non-performing accounts, and appropriate categorization and provisioning for loan defaults. Commercial banks can utilize credit reference bureaus, which provide data on individuals' borrowing and bill-payment history, to aid in their credit monitoring efforts.

Consumers with a history of bad credit repayment or court-ordered debt obligations, such as tax liens or bankruptcies, may be subject to higher annual interest rates compared to those without such indicators. Credit monitoring is essential for commercial banks to manage these risks effectively. Financial institutions should designate specialized personnel to oversee credit collections, ensuring that relevant data is communicated to those responsible for remedial action, and adequate reserves are allocated for potential credit losses.Furthermore, institutions should employ a variety of credit risk management strategies, including securities, guarantees, and netting off credits against payments from the same party, which are commonly used approaches. Collateralized trades can also be employed to mitigate credit risk by reducing exposure, whether the risk is real or perceived.

Obae and Jagongo (2022) conducted a study to examine the effects of loan management techniques on the performance of commercial banks' loans in the country. Financial institutions utilized management-based monitoring tactics to drive the growth of Kenya's banking industry. These strategies ensured that only borrowers with excellent credit histories were granted loans, resulting in a reduction in non-performing loans and an overall improvement in performance. This approach encouraged banks to adopt debt supervision procedures to screen out high-risk customers with poor credit ratings. The management strategy involves closely monitoring customers' repayment plans.

The study focused on the impact of credit restrictions and customer evaluation on the operational efficiency of commercial banks in Kenya regarding loan disbursement. A descriptive survey was chosen as the appropriate study design, involving 38 selected commercial banks in the country. Data on credit risk management practices was collected using a questionnaire, while secondary data on loan performance from 2018 to 2020 was obtained through a document review form using loan records. The data was analyzed using SPSS (v-21) for both descriptive and statistical analyses.The results of the multiple regression analysis indicated a positive correlation between the model's predictions and loan performance. Both credit restriction and customer evaluation variables were found to be significant, with a unit increase in credit restriction associated with a 0.356 increase in loan performance. Similarly, a one-unit increase in customer evaluation led to a 0.408% improvement in loan performance.

Ahmed and Malik (2015) conducted an assessment of risk management's primary objective and specifically focused on monitoring tactics in financial institutions. The emphasis of risk monitoring was not to completely eliminate risk, but rather to limit and mitigate the possibilities and hazards that give rise to risk. Their findings indicated that financial institutions could effectively reduce the probability of credit defaults by borrowers through the application of credit management risk. These methods aid financial institutions in determining credit allocation, credit quantity, cost, and the establishment of systems to ensure profitability through lending. Examples of these techniques include credit monitoring, credit diversity, and credit scoring. Credit monitoring involves overseeing borrowers' credit activities, while credit diversity focuses on spreading risk across a variety of borrowers and industries. On the other hand, credit scoring uses statistical models to assess a client's creditworthiness and predict the likelihood of loan repayment to financial institutions. The creditworthiness approach proved beneficial for financial organizations in making critical decisions regarding credit allocation, determining the credit amount available, setting the cost of credit, and establishing systems to ensure the financial institutions' profitability through lending. Risk monitoring allows lenders to continuously assess and adjust their lending decisions based on changes observed in the customer's profile. In their assessment of the risk management processes at Harambee SACCO, they observed that the SACCO employed several risk mitigation strategies. These strategies included collateralization, using signatories, offering insurance on loan products, and encouraging shareholding to effectively spread out risks and safeguard the SACCO's financial stability.

In their study, Mwangi and Muturi (2016) investigated the growing significance of credit management in banks. The research aimed to explore the impact of credit regulations, debt collection procedures, risk assessment processes, and credit rating on the loan repayment performance of commercial banks, particularly in the context of recent global financial crises. The study targeted employees working in the head offices of registered commercial banks in Kenya, and a purposive sampling method was used to select a sample size of 55 respondents. In-depth information was collected through the use of questionnaires.

A reliability test was conducted using the Cronbach Alpha technique during a pilot survey. Both quantitative and qualitative analysis methods were employed in the study. Quantitative analysis involved the use of tables to present the data, followed by descriptive and inferential statistics to examine the relationships between variables. A regression model was then used to demonstrate how independent factors influenced the dependent variable. The study found that the efficiency with which commercial banks apply their internal credit rules directly impacts borrowers' repayment behavior. When commercial banks enhance their debt recovery capabilities and implement rigorous credit scoring for borrowers, they can select credit-worthy applicants, leading to better loan repayment rates. The research results indicated that credit regulations, debt collection procedures, risk assessment processes, and credit scoring all significantly contribute to improved loan payback performance. Therefore, to achieve prompt credit collection, there should be effective coordination among debt management bodies at every stage.

Karanja and Simiyu (2022) conducted a research to examine the impact of loan management practices on loan repayment in microfinance organizations in Kenya. One of the specific objectives of the study was to evaluate how loan policies, customer assessment, payment terms, credit conditions, and risk management influence loan performance. The study focused on 13 microfinance institutions operating in Kenya. To gather secondary data, financial information from microfinance banks and regulatory data from the Central Bank of Kenya (CBK) were used. The findings revealed that the surveyed microfinance institutions conduct thorough customer evaluations, and these evaluations were found to be effective. As per the report, the institutions assess the creditworthiness of their clients before approving loan. The study found that the bank employs credit analysts responsible for evaluating each potential loan applicant. The research highlighted the significance of credit strategy, client assessment, assortment plan, credit conditions, and financial risk management in the operations of microfinance banks in Kenya, with a statistical significance level of 5 percent and a confidence level of 95 percent. The study's results indicated that customer evaluations are indeed conducted by the banks and hold importance. According to the research, the bank assesses a customer's creditworthiness before approving a loan.Based on the study's findings and conclusions, the following recommendations were proposed: It is advisable to establish and implement effective credit risk management processes, particularly through credit risk information management, to address the impact of credit policy and decision-making at microfinance banks on loan performance.

A bank will thoroughly evaluate the borrower's credit history and ability to repay or refinance the loan when it comes due when underwriting a new loan. This activity is the loan monitoring process. The lending banks' capability of loan monitoring is significant in supporting quality loan portfolios, safeguarding risk resources against weakening, and keeping non-performing loans (NPLs) within the required limits. While monitoring commercial borrowers' monetary wellbeing and capacity to meet commitments under loan arrangements, banks would generally be sluggish adopters of innovation that could amplify their effectiveness. This will further develop their threat to the operation abilities. Bank centers have fostered client connections, construct opportunities, get loan on the books as fast as it could be expected, and continue toward the upcoming loan arrangement. After the loan is composed, leading a yearly risk audit in light of obsolete data is still excessively standard among lenders.

Migwi (2013) examined how credit monitoring process by commercial banks in Kenya embrace loan recovery techniques, where every bank in Kenya was used as the population for this research. The research took on a descriptive survey plan that pointed toward investigating credit monitoring and recovery techniques embraced by commercial banks in Kenya. Furthermore, a census survey in light of the commercial banks in Kenya was utilized to conduct an expansive, trustworthy, and definitive results. The methodology was quantitative and depended on essential information obtained from commercial banks in Kenya. The researchers utilized an organized questionnaire as the vital mode of data collection since it was more helpful for managing and gathering information. The findings showed that every one of the banks monitors credits to guarantee legitimate installment. This medium demonstrated that banks take a distinct interest with credit reimbursement to ensure that they go through minor misfortunes. The research has shown that the banks in Kenya produce reports to monitor loans by their clients. The credit monitoring processes guarantee a legitimate advance installment by the clients to avoid conflict and hold up of loans by the clients. The reports have been created to monitor clients' reimbursement of loans, where the banks monitor the records of every client. This activity helps offer any beneficial means in the event of a decrease in the record activity by the clients. The policymakers in financial organizations ought to utilize credit score cards to monitor and recover such loans.

Ayebale (2012) surveyed the effect of credit policy on the performance of monetary foundations in Equity Bank of Uganda, taking the research to the Kabalagala branch. The study looked at the credit risk policy and the implementation of Equity bank to see if this policy was compelling for the bank. For this research to be complete, research design, information gathering, and analysis were utilized in organizing the data. The research design has empowered the researcher to present dependable proposals and conclusions. The target populace of Equity bank Kabalagala was 100, including supervisors, staff, and clients, to achieve the research study. There were 10 administrators and 90 employees. In-depth interviews were conducted and questionnaires administered to the staffs. There was a vast and positive connection between credit policy management's components and Equity banks' performance. Consequently, these findings uncover that the bank's credit policy management emphatically affects the bank's credit portfolio and hence the bank's performance. Considering the findings during the research, the researcher suggested that Equity banks should work with different banks to incorporate client information for simple admittance and insights into a client's creditworthiness. Financial establishments ought to continuously have qualified and experienced credit staff who can perceive a reasonable client before any loan is given.

Khafid and Anisykurlillah (2020) examined the determinants of non-performing loans and loan monitoring as a directing variable. The target of the research was to break down the work of loan monitoring in directing the impacts of the Capital Adequacy Ratio (CAR), Credit Risk, Loan to Deposit Ratio (LDR), and Net Interest Margin (NIM) to Non-Performing Loan (NPL). This study was quantitative research. The number of participants in the research was 109 saving and loan cooperatives in Semarang City. The research utilized a purposive examining procedure with models. Given these rules, 34 cooperatives were samples of the research. Information was gathered by leading documentation and distribution of polls. The data was therefore investigated by direct regression. The outcomes showed that CAR and NIM didn't impact NPL; credit risk and LDR emphatically affected NPL; then, loan monitoring led to the impacts of NIM on NPL. In any case, loan monitoring didn't prevail to direct the effect of CAR, credit risk, and LDR on NPL. Given the consequences of these examinations, the cooperatives that participated in the credit arrangement need to focus on the loan monitoring variable as an exceptionally essential variable in smothering NPL. Future research should examine the adequacy of the loan monitoring framework claimed by each loaning organization in conducting NPL.

Kamar and Ayuma (2016) analyzed the impact of obligation recovery strategies on the presentation of monetary organizations. The research aimed to look at the effect of account exchanges, guarantors, auctions, and the impact of security maintenance on the exhibition of monetary establishments in Eldoret town. The research configuration took on a descriptive research plan. The participants were comprised of 185 employees from the credit and the management branches of chosen monetary institutions. The research designated five commercial banks and four minor money organizations. The scholars involved questionnaires as information gathering instruments. The information gathered in the study was examined by the utilization of descriptive statistics and inferential statistics. The researcher found that the record of the guarantors is a vast variable influencing credit reimbursement and execution. The guarantee worth of the guarantor impacts the exhibition of the establishment, and the institution looks at the guarantor's reimbursement history to offer a credit to the borrower. The study suggested that monetary organizations ought to audit account chronicles as ideal tools for records; for example, bank accounts, speculation accounts, and retirement represents extra data on customers' capacity to reimburse their loans. Further exploration is expected on the variables determining loan recovery in monetary institutions.

Muasya (2013) investigated the relationship between credit risk management practices and loan losses in commercial banks in Kenya. The research adopted a descriptive research design to examine whether there is a correlation between credit risk management practices and loan portfolio losses in these banks. A standard survey was utilized to collect primary data from credit managers and officials through the drop and pick strategy from 42 commercial banks in Kenya. The research findings revealed that many commercial banks in Kenya had not established effective credit risk management information systems to measure, monitor, control, and identify risks. Moreover, a majority of the management in these banks recognized the need for information sharing among industry players to mitigate risks. The study suggested that there is a significant negative relationship between credit risk management practices and loan losses in commercial banks in Kenya. As a recommendation, the research proposed the adoption and implementation of robust credit risk management practices, particularly through credit risk management information systems.

2.4.3 Loan Recovery Implementation Strategies

Loan recovery implementation strategies are adopted in execution of recovering the revolving fund. These include directions issued from the training on collection, top management orientation, resources and infrastructure strategies aimed at to assisting major roles which are established on tools and procedures precisely associated with provision of excellence services Khafid and Anisykurlillah (2020). Similar strategies have been detected among different organizations even with the existence of abundant approaches. Improved performance among financial institutions has been attributed to effective administration practices. They were measured by top management commitment, customer focus and continuous.

Ogola (2012) carried out research to assess the influence of debt recovery as an operational strategy utilized by NIC Bank to manage the collection of non-performing loans. This study adopted a case study to find out the functional systems NIC Bank employed to address the debt recovery issue to decrease non-performing loans (NPL) collection. The study also focused on creating outcomes that will help NIC Bank and the whole banking society in dealing with loan repayment. The data for this study was obtained from the underlying company's documents and interviewing staff members from NIC Bank. The interview was conducted through physical discussions and targeted individuals dealing with loan issuing and retrieval. According to the study results, the bank had put different measures in place, which ensured early loan retrieval before clients evaded them. Some steps included recovering part of the loan and dismissing the accumulated interests. The study's findings also indicated that the introduction of the

Credit Reference Bureau (CRB) contributed positively to reducing the NPL books of banks. Therefore, the study concluded that a practical and dynamic lender guaranteed that NIC bank would be the market leader in asset finance. However, the study recommended that there was a need for banks and other lending organizations to lay a clear-cut operational policy which would be able to support the business as well as corporate approaches of the bank. The study also recommended that all debt recovery units back up credit risks and establish a proper working relationship with the bank management. Since this study only focused its research on NIC banks, it was advisable to conduct a similar analysis with other banks to cross-check the establishments of this study.

Migwi (2013) conducted a study to establish the credit monitoring and recovery strategies adopted by commercial banks in Kenya. The study focused on every bank in Kenya. Data for this study was collected by interviewing staff members from all the banks, and then a numerical examination was then done on the data results. The study's findings established that all the banks keep track of loans to guarantee the correct loan payment. According to the results, banks pay close attention to loan repayment to reduce the risks of losses. The study also discovered several measures employed by banks to recover debts. Such measures included securing their loans, ensuring that loan officers were well trained and visiting their clients to persuade them to pay their loans. However, the study recommended that all policymakers in the banking sector use credit score cards to determine the creditworthiness of an individual when giving out and recovering loans. The study further suggested that all banking institutions had to use private collection agencies to resolve disputes and recover clients' debts. In addition, the policymakers were required to establish good relationships with the bank clients to guarantee customer loyalty, especially when customers changed their business names or locations. According to the studies, such measures would prevent banking organizations from recording high losses due to increased debts. Since the study only focused on banks as loan lending institutions, it recommended another study on other loan organizations such as HELB to establish their strategies in dealing with loan repayment and recovery.

Engede (2015) conducted a study investigating the strategies used by higher education boards in loan recovery from beneficiaries in Kenya. The study aimed at establishing different measures put in place by Higher Education Loans Board (HELB) and their involvement in loan retrieval. The study followed a case study methodology, targeting employees from various sectors in the HELB department. The data for this study was collected using an interview method. The study results revealed that the main techniques applied by HELB to recover loans from the beneficiaries included a follow-up method arrangement, the use of a tracking device regulation system and giving prior warning to their clients. The study's results also indicated that adopting the loan retrieval approaches helped the organizations recover part of the debts, hence reducing loan rates which led to increased funding to more students. The study further discovered that loan beneficiaries face significant challenges contributing to delayed repayment of their loans. According to the studies, major difficulties included unemployment and low-wage jobs. Nevertheless, the study recommended that it was essential for HELB to put in place more policies that will help them in loan salvage, such as coming up with ways of collecting funds from graduates working in the diaspora. According to the study, establishing a working relationship with the ministry of immigration would certify that laws were endorsed, therefore implementing the repayment of loans, and ensuring that loans were retrieved at a higher rate. Besides, equivalent efforts had to be trailed to trace graduates who had invested in self-employment. Since the study only focused on HELB, there was a need to conduct a study with other loan institutions to establish the methods used by the organizations.

Charana and Were (2018) studied the influence of strategic management practices on the loan recovery process in Higher Education Loans Board (HELB) Kenya. The study aimed to establish strategic development, execution and appraisal affected tactical acknowledgement and monitoring strategies. This study applied the methodology of a vivid survey research strategy, whose population was made of workers from different HELB centers. The study obtained data through a questionnaire method. The study's findings showed that evaluation strategies, strategic formulation, deliberate acclaim monitoring, strategic scheduling and execution had an optimistic impact on credit retrieval procedure at HELB. However, the study recommended that it was advisable to include all their staff in tactical planning concerning credit recovery. The study also addressed the need to acknowledge any existing gap before adopting recovery measures. According to the survey, it was also wise to plan carefully and ensure all employees in the HELB sector were highly committed to recording the proper implementation of strategic goals by the organization. The study also suggested that HELB regularly monitor the credits' productivity levels to ensure they were biddable with the prevailing contracts and strategy opportunities. However, the researchers suggested another investigation to establish measures put forward by other institutions to curb loan defilement.

Chamangwa (2022) conducted a study on the analysis of the implementation of automated credit risk management on loan recovery rate among standard banks in Lusaka district, Zambia. The study aimed to establish the effectiveness of the computerized credit risk policy accepted in 2019, compared with the earlier one used by Standard Chartered

Bank, to ensure reduced debt default and manage risk among clients of Lusaka, district Zambia. The study's findings established that the manual risk approach was ineffective since clients evaded many loans leading to the writing off of costs to the banking institutions as they were in bad debts. According to the study, digital credit computerization had quickly developed, especially in the Lusaka district, Zambia. The study showed that the automated credit risk approach was highly effective. The results additionally discovered that most loan defilements resulted from a lack of proper training on loan retrieval procedures. According to the study findings, defaults in loan repayments also resulted from failure to observe the client's condition, character, daily capital, capacity, and state of collateral the customer offers. The study recommended that sending constant reminder announcements to customers would reduce the risks of loan violations. The study further suggested that all banks in the Lusaka district, Zambia, adopt the digital credit risk approach, closely monitor their management policies, and brief their clients on the requirements and implications of failure to repay their loans. However, since the study was only carried out in some parts of Lusaka, Zambia, other studies needed to be carried out worldwide to cross-check the establishments of this study.

2.4.4 Loan Collection Strategies

Loan collection strategies consisted of the utilization of external firms/institutions that assisted in the loan recovery process. The initial indicator of this variable was the presence of a detailed policy that allows for such engagement. The external firms that were analyzed are CRBs, auctioneers, debt collectors, insurance agents and security agents. The factors to be considered are the reports on any external firm/institution that has been engaged by the revolving funds officials and the frequency of such engagement.

Utilization of these services has been working in other financial sectors including other government funds, such as the use of CRBs to list defaulters in HELB students' loans.

2.4.5 Borrower Characteristics

Borrower characteristics, which encompassed age, marital status, family size, and educational background, were identified as indicators of human resources that had a positive impact on financial performance. Education, in particular, was found to be crucial in various aspects of business management, such as administration, strategic planning, investment, and marketing. Effective communication skills were also recognized as essential for any business activity. The overall human skills possessed by a businessperson equip them with knowledge, expertise, and problem-solving abilities that can be applied across different situations. The moderating variable, Borrower characteristics, was assessed based on age, marital status, and family size. The study analyzed the moderating influence of these characteristics on both the dependent and independent variables from the lender's perspective. Non-performing loans data from the lenders was utilized to investigate the controlling impact on the relationship between borrower characteristics and financial performance..

Kibrom (2010) conducted a study to explore the characteristics of borrowers, loans, and projects that influenced borrowers' performance in repaying their loans in the Development Bank of Ethiopia's North Region. The study employed a probit model to identify the key factors affecting loan repayment. To gather data, a stratified random sampling method was utilized.Primary data was collected through a combination of open-ended and closed questionnaires, which captured the beliefs, perceptions, attitudes, and opinions of the bank customers. On the other hand, secondary data was collected from relevant documents available in the head and regional offices of the bank, including publications, annual reports, and other appropriate documents. The gathered sources proved invaluable in supporting the study's analysis and conclusions. The study involved a total of 100 participants, with 17 of them being defaulters and 83 successful in loan repayment. It was observed that younger borrowers demonstrated higher productivity and success in repaying their loans, whereas older borrowers were less productive and more prone to defaulting. Additionally, borrowers with higher education levels exhibited better repayment rates.The presence of other credit sources increased the likelihood of default for borrowers, whereas those with a single credit source showed greater success in loan repayment. Consequently, the repayment performance of revolving funds primarily hinged on factors such as the borrower's age, level of education, and the availability of multiple credit sources.

Murthy and Mariadas (2017) conducted a research in Shah Alam, Selangor, to identify the factors contributing to loan defaults among borrowers in microfinance institutions. The study adopted a quantitative research methodology based on positivist assumptions, objectivist epistemology, and realist ontology. Data was collected through questionnaires and face-to-face interviews. The gathered data was then subjected to various statistical analyses, including reliability testing, linearity assessment, normality testing, pilot study, correlation analysis, descriptive analysis, and multiple regression analysis, using the Statistical Package for the Social Sciences (SPSS) software. The study's results revealed a positive correlation between the nature of the business operated and loan repayment defaults. On the other hand, a negative correlation was observed between the age of borrowers and loan repayment defaults. The relationship between repayment schedules and loan repayment defaults was also found to be negative, along with the relationship between loan repayment defaults and fund diversion by borrowers.Based on these findings, the study recommended further research to investigate other independent variables, such as macroeconomic factors and institutional characteristics, that may influence loan repayment defaults. These additional investigations would contribute to a more comprehensive understanding of the factors influencing loan defaulting in microfinance institutions.

Emekter et al. (2015) conducted an assessment of loan performance and credit risk in the context of online peer-to-peer (P2P) lending. The study gathered detailed descriptive data from 61,451 loan applicants in a lending club over the period from 2007 to 2012. During this timeframe, the applicants borrowed approximately $713 million from the lending club.The research focused on understanding the reasons behind the loan applicants' borrowing to identify the characteristics of borrowers. According to the lending club's data, around 70% of the borrowed amount was associated with credit card debts, amounting to an estimated $108 million, while debt consolidation accounted for approximately $387 million. A small proportion, less than 1%, of the total loan applications were attributed to purposes such as vacation, renewable energy, and education, with loan amounts ranging between 1 and 3 million dollars. The borrowers' characteristics were influenced by various factors. One factor was their limited access to credit cards, leading them to seek alternative sources for borrowing. Another factor was the need for funds to remodel their homes or pay their mortgages. These borrower characteristics allowed the lender to predict the likelihood of a particular client defaulting or being less likely to default on their loans.

In a study conducted by et al. (2012), the researchers aimed to understand the influence of borrower characteristics on the choice of mortgage products. They analyzed a dataset of 600,000 mortgage applications submitted to a major Australian bank between 2003 and 2009. The data contained relevant information provided by the applicants at the time of mortgage origination, with borrower identities kept anonymous.

The study revealed that applicants under the age of 30 were less likely to choose adjustable-rate mortgages (ARM) compared to older applicants who showed a preference for ARM products. Additionally, female applicants were less likely to opt for ARM products, which could be attributed to potentially lower financial literacy and higher female risk aversion.The bank's offering of products was found to treat both male and female applicants equally. However, certain borrower characteristics, such as higher numbers of dependents and lower average education and income, were associated with female applicants choosing lower average levels of mortgages.Having a co-borrower or being married did not significantly affect the likelihood of choosing an ARM product compared to single applicants, despite potentially higher risk aversion in these groups. However, the presence of young dependent children decreased the likelihood of choosing an ARM product.First-time borrowers were marginally more inclined to prefer ARM products over complex mortgages (CM). First-time homeowners typically had less work experience, lower income, and made lower down payments. Overall, the study's findings aligned with the theoretical expectations concerning the impact of borrower characteristics on mortgage product choices.

investigated the impact of borrower characteristics and credit terms on loan repayment performance in rural areas of Uganda for Microfinance Institutions (MFIs). The study adopted a correlational and cross-sectional design, and data was collected through a questionnaire survey involving 51 MFIs, including Savings, Credit, and Cooperative Societies (SACCOS) within Uganda.The study findings revealed a strong correlation between loan repayment performance and credit terms among MFIs' customers, while borrower characteristics showed less significance in this regard. Loan repayment performance was measured based on whether clients fully repaid their loans as per their contract or defaulted. Higher loan repayment performance resulted in increased interest revenues for the MFIs, leading to reduced loan losses and improved sustainability. Interestingly, the study found that factors such as borrower's age, marital status, repayment character, income levels, savings with the MFI or SACCO, and borrower's assets were not reliable indicators when determining loan eligibility for rural loan applicants. Additionally, the study highlighted that loan defaults were less common in areas where loans were provided to groups.The findings demonstrated that loan repayment performance is directly linked to credit terms, indicating that borrower characteristics significantly influenced how well they performed in repaying their loans.

Chen et al., (2019) carried out a study to establish the inferences of borrower characteristics and default risk on peer to peer (P2P) lending. The research assessed the fundamental impact variables and the probability of default using data that was obtained from China’s online P2P lending platform. Variable selection methods were used at the research to establish a descriptive and parsimonious model with some parameters that would aid in predicting the P2P platform’s default risk. Additionally, logistic quantile regression (LQR) model was employed to identify the effect of the selected variables on default risk in various quantile levels. The variables used at the research included regulation change, interest due, loan type, interest rate, and loan periods. The study found out that breaching the contact was easier when the target loan period was set higher at the start of the loan contract. Also, the probability for borrower default was greater when the interest rate and loan period was higher. According to the estimates for interest due, the probability of borrowers to default is high when quantiles are high as well. This variable correlated to the initial borrowed amount and represented the interest due. High interest due showed that the rate of repayment was very slow and could indicate that the default risk was high. Therefore, the inferences of borrower characteristics brought more default risk on (P2P) lending database.

Ghulam et al., (2018) evaluated the interaction of borrowers' characteristics with loans to predict successive loan performance. The study reviewed literature extensively and identified factors that could potentially affect loan performance including subprime. These factors included variables that pertained to loan characteristics, borrower demographic and securitized assets being assessed. The study established that subprime borrowers were on average more risky as chances of non-repayment and default were more. The borrower's income was considered as a significant determinant of default. Generally, it was assumed that borrowers who had lower income were more likely to default. The research found out that borrowers whose income was low defaulted more and those who had bank accounts and larger income repaid their loans more. Longer current employment was found to give borrowers more stability and was termed as less risky. On the other hand, entrepreneurial employment and self-employment was considered as riskier and lead to high chances of default due to increased liquidity constraints and variable income. Also, the study established that borrowers who had no monthly salary were more likely to default. Therefore, lenders charged more rates of interest to entrepreneurial borrowers who were self-employed because of their unpredictable income. Homeowners had lower chances of default and were less risky while those who did not own homes had higher probability of defaulting on their loans. Married couples were less risky and unlikely to default since they had double income. Besides, dependent borrowers who were staying with their parents were less likely to default as they had few outgoings. Thus, the characteristics of borrowers were influenced by varied factors, such as age, marriage status, and income.

Baskara et al., (2017) carried out a study to examine the role of trust on SME's creditworthiness, relationship lending, and borrower characteristics. The study aimed to review and explore variables that affected the creditworthiness of SME's borrowers. It examined the quantitative and qualitative characteristics of relationship lending and SMEs borrowers and their trust on creditworthiness. Additionally, the study explored the trust role to affecting of creditworthiness. The research found out that borrower's qualitative characteristics did not affect creditworthiness directly. Small banks relied on good relationships with borrowers and qualitative information. The study also examined the trust on borrower-lender relationship and established that loan officers' trust arose from the nature of management, social, environmental, and personal capacity of the borrowers. Besides, the study found out that the borrower's quantitative characteristics improved creditworthiness. Accounting data such as liquidity, solvency, and profitability of borrowers affected on-loan decisions Hypothesis testing indicated that the loan officers on trust were directly affected by the quantitative characteristics. Therefore, the officer's trust raised from the conditions of borrowers' business on the basis of turnover, quantitative aspects, and profit. Model evaluation was measured and found to have three indicators that did not meet the reliability and validity. These indicators included product ownership of banks, intensity of credit application, and length with a customer. The results indicated that loan officers did not differentiate the old and new borrowers, and they continued to get same probability of creditworthiness even if they had good or bad relationship. Thus, relationship lending had a major impact on the trust of loan officers to borrowers.

Phionah (2007) conducted research in Kawempe, Uganda, to establish the factors which influenced the repayment of loans under the Entandikwa Credit Scheme (ECS). The research analyzed how economic activities influenced loan repayment on borrowers and appraised the scheme operations. Data collection involved all borrowers, including the successful and those who had defaulted. A pilot study was conducted in the ECS to evaluate the past operations within the study area before collection of data. Additionally, the researcher contacted several micro finance institutions to identify the previous beneficiaries of the scheme. Both quantitative and qualitative research design was used to gather and evaluate data that was collected from all beneficiaries of ECS in the study area. Primary data was collected by use of questionnaires while secondary data was collected from ECS reports, Internet, theses, and newspapers. Independent variables used were social and economic demographic borrowers' characteristics while dependent variable was repayment. The total number of beneficiaries was 478 and the data was collected from 25 beneficiaries who were randomly selected. The study established that some of the social demographic characteristics that affected the repayment of loan included education level, marital status, occupation, number of dependants, age, and sex. Besides, the economic activities of borrowers did not affect loan repayment. The study recommended that borrowers who repaid their loans successively to be given chance to access more loans to boost their investment.

Taddese (2017) investigated level of loan repayment performance of borrowers and the factors affecting loan repayment defaulting in Enat Bank Share Company, Ethiopia. Structured questionnaires were used to collect primary data while secondary data was obtained from pertinent publication records. The obtained data was analyzed by use of both inferential and descriptive statistical analytical methodologies. The study found out that the characteristics of borrowers directly influenced their repayment performance and lenders' decisions on giving out loans. Lenders sought to know borrowers' attitude to financial obligations and their reputation. They considered good personal qualities of borrowers before giving out credit, such as sincerity, dependability, responsibility, honesty, and integrity. Thus, the characteristics that influenced a good performance of revolving funds included good credit, financial commitment, enough experience, a good business plan, a good cash flow, and collateral.

2.4.6 Repayment Performance

Repayment performance refers to the ability of the revolving fund to execute its mandate, avail funds to beneficiaries for lending and subsequently, recover the funds for onward lending. The repayment mechanism and infrastructures put in place especially for the revolving funds create major problems for efficient distribution of loans. Lack of financial mediators and credit settlement avenues resulted in the inability of borrowers to repay their credits, which in most cases led to total loan default. This contributed to repayment performance. Some of the approaches used in measuring loan settlement performance included the amount repaid, rate of repayment and the outstanding amount.

Al-Azzam, Hill, and Sarangi (2012) probed urban debt organizations of the Micro-fund for women living in Jordan, the impact of security check, peer monitoring, societal pressure, and social connections on groups' borrowing and reimbursement conduct, and the repayment performance with regard to loans as a subsidiary trial of various hypothetical mockups. The degree of default, as calculated by the overall number of days of late payments after each due date, was examined using count data models and clustering standard errors. The empirical study revealed that peer monitoring, social conformity, and bonds decreased delinquency, as expected by theory. The research discovered intriguing data about the significance of social connections and religion. The women took advantage of this by applying for loans to the point where it is unable to pay back the debt obligations because they believed that they had better access to bank financing because of the reputation effects of the large firm and because the large firms were willing to serve as guarantors. As the group moved to riskier initiatives as a result of collective financing, moral hazard was reduced. The researchers discovered that religiosity enhanced repayment performance, which is particularly noteworthy in a field where religion influenced people's views and beliefs.

According Krainer (2014) to contrast mortgage credits kept by the unique creditor with mortgage loans that have been securitized in terms of the ex-ante visible hazard features, default performance, and price. In their loan samples with originations amid 2000 and 2007, they discovered that constant and adjustable-rate mortgages that were privately securitized were ex ante hazardous than loans with financier retention or loans secured via government-sponsored entities. No proof that privately securitized set rate mortgage performs differently from other loans. Though additional noticeable criteria seem to be more carefully noteworthy causes of mortgage failure, evidence found that domestically securitized adjustable-rate mortgages (ARM) did poorer than reserved loans. Investors within private-label securitizations were not always responsible for losses caused by borrower default. Establishing the par value of the equities just beneath the face price of asset mortgages, the managers may "over-collateralized" the build and added a safety net against losses. Alternately, it's possible that the arrangers acquired some restricted insurance which covered losses. In either case, the emphasis is on the various data that the originator produced in relation to the arrangers, who then passed it on to the investors.

Jote (2018) evaluated the research which was purposed to recognize and scrutinize the variables of advance reimbursement in MFIs in Ethiopia. Classifying such determining elements of loan payback was crucial in the accomplishment of profit and sustainability of MFIs. The joining the scholar collected data from the main tributary sources and evaluated by utilizing two logistic prototypical. An entire of 10 descriptive factors were encompassed in the classical while six variable quantities were determined to be statically important to impact the likelihood of loan repayment. These momentous variables: education level, mode of financing, proximity of insolvent domicile to the institution, household size, and revenue from events were supported by finance and training. The researcher suggests that the pertinent characteristics discovered might serve as a launchpad for further interventions by stakeholders, microfinances, and other parties in order to come up with an innovation to considerably minimize or perhaps avoid defaulting issues. In addition, the researcher gave commendations that were critical to lessen loan repayment troubles and advance the loan compensation effectiveness of debtors in the study zone based on the study's findings. These included appropriate instruction, ongoing supervision, sufficient loan officers or a board, and technical aid for borrowers on successful company operations.

Lochner (2016) evaluated the repayment performance of student loans as demand significantly increased in several nations due to rising education expenses and returns. In the USA, as debt levels and job market uncertainties grew, student loan normal rates for recent generations also hiked. Researchers investigated the patterns as well as the most current data on how well students can get financing for schooling and how well they can pay off their loans afterwards. They also discuss the ideal college credit arrangements that strike a balance between three key goals: When it comes to income repayments, it offers insurance against unanticipated negative consequences in academic achievement or the post-secondary job market; (ii) provides credit that allows learners to utilize higher education; and (iii) offering benefits to college students to pay back their loans in anticipation once details and devotion tensions are present. They constructed a multiple unpredictable academic investment model expressly for this purpose and show ways student loan terms may be tailored to solve enticement concerns linked to ethical hazard, pricey revenue authentication, and partial debtor obligation. He also went through further study on the ideal structure for college loan agreements in shaky markets. They also provide helpful policy suggestions for revamping student loan schemes to better offer coverage while aiming at market knowledge and pledge abrasions.

Pasha and Negese (2014) conducted a study on Performance of loan reimbursement elements in Ethiopian Micro Finance, which entailed offering the poor microcredit, savings, as well as other services that commercial banks could not provide due to collateral requirements or for other reasons to people. In Ethiopia, microfinance began to take off in the years 1994–1995. Based on this, researchers investigated the main socioeconomic and loan-related characteristics that affect how well borrowers in SMFI repay their loans. It was essential for MFIs to attain profitability and sustainability that the loan payback rate influencing variables was identified and analyzed. With regard, scholars gathered information from both principal and tributary sources and used a binary logistic model to assess it. In the research, 14 determinants were chosen for examination, of which 9 factors were determined to be relevant and the other ones to be inconsequential. Researchers advised on providing appropriate training and a fair loan amount that will be beneficial to their firm based on their findings. Additionally, those who were older and had more business experience were better able to return their loans to microfinance institutions on time.

2.5. Empirical Review

Loan recovery strategies are upheld as a key aspect towards enhancing the success of revolving funds. As a result of looking for ways to promote revolving funds accomplishments and at the same time controlling the loan defaults, a revolving fund upholds the need for recovery strategies and any other move to ensure loans are recovered and defaults are handled in a more appropriate way. Following the high qualities attributed to recovery strategies in the performance of revolving funds, researchers, and investigators from all parts of the world have focused their attention on these aspects and evidently presented them in diverse magnitudes. Nevertheless, most of these studies have grounded their investigations on solitary variables implemented in this research and have left an extensive gap which this study wanted to seal. Therefore, the investigations are systematically studied following the research variables.

2.5.1 The Effect of Client Appraisal Strategies on Repayment Performance

Makanda (2011) pointed out that the lack of effective loan administration skills among small Canadian businesses has contributed to their failure to recover loans in a timely manner. Similarly, Odeng (2007) identified several factors contributing to the failure of most business enterprises, including poor management, inadequate marketing, lack of efficient planning, insufficient funds, low product value, and weak business relationships. These issues have also led to young entrepreneurs' inability to repay their debts. According to Tehseen and Ramayah (2015), business capability is a valued and intangible resource that contributes to improved business performance and thereby ensuring the repayment of loans obtained from the revolving funds. Sajilan (2015) asserts that personal characteristics are essential for the growth and success of any financial organization. Entrepreneurship courses are often taught in colleges, universities, and tertiary institutions.

Karanja and Simiyu (2022) conducted a study to investigate how customer valuation, collection policy, credit policy, conditions, and risk management affect loan performance in microfinance institutions in Kenya. The research design used for the study was descriptive in nature. The target population consisted of thirteen Kenyan microfinance banks, and a total of 39 participants from these institutions were included in the study. The sample size, comprising finance directors, credit managers, and internal auditors, was determined using purposive sampling. Data for the study was collected from both primary and secondary sources. Primary data was collected through structured questionnaires while secondary data was acquired from microfinance banks' financial reports and supervisory reports from Central Bank of Kenya. Statistical measures, such as standard deviation and mean were used for data analysis. Inferential statistics with linear regression models were also used to evaluate the impact of credit management strategies on loan performance. The research work established that most microfinance banks conducted client appraisal and found it to be an effective tool in credit management. Additionally, the banks had credit analysts who conducted credit worthiness to potential borrowers and partnered with service providers, such as Credit Reference Bureau (CRB) who assisted in giving information on clients' credit history. The study recommended that credit administrators in microfinance banks should embrace credit management policies despite the chance of risks. Also, microfinance banks should associate with the government in legislating and implementing client appraisal strategies to moderate occurrence of risks. Therefore, there is a need to comprehensively study client appraisal strategies and their impact on the repayment performance of revolving funds.

Edwin and Omwaga (2018) conducted a study to investigate how credit management policies, including client appraisal, credit and collection policies, impact the financial performance of microfinance institutions in Nairobi, Kenya. The research design used for the study was descriptive in nature. The target population consisted of 165 respondents from the 55 microfinance institutions located in Nairobi's central business district. Purposive sampling technique was employed to select three participants from each MFI, including finance managers, credit officers, and credit managers. Primary data was collected using questionnaires. Data analysis was performed using the Statistical Package for Social Sciences (SPSS) software, utilizing multiple regression analysis, as well as descriptive statistics such as mean, standard deviation, and frequencies. The study found that client appraisal strategies significantly determined the financial performance of microfinance institutions. Client appraisal was positively related to financial performance.

The researchers recommended that microfinance institutions should enhance their client appraisal strategies to improve financial performance and minimize the risk of dealing with non-creditworthy clients. By improving client appraisal techniques, microfinance institutions can achieve a more positive and efficient loan portfolio with reduced loan delinquency and higher loan recovery rates. The study also suggested conducting further investigations into credit appraisal to determine its significant impact on the financial performance of microfinance institutions. In the present study, we will assess the impact of client appraisal and loan monitoring strategies on the repayment performance of revolving funds.

Moti et al., (2012) conducted an empirical study in Kenya's micro finance sector to determine the effectiveness of credit management systems on loan performance. The study precisely wanted to determine the influence of client appraisal, credit terms, measures of controlling risk, and debt collection policies on the performance of disbursed loans. The study implemented a descriptive survey design. The study had a target population of 70 credit officers from the microfinance institution selected for the study in Meru town. A census survey that used questionnaires to collect data was conducted. A trial study testing the reliability of questionnaires was done prior to the data collection process. The researchers sought to determine whether borrower's character had an impact on loan performance. It was established that the character of the client would be identified during the appraisal process and that it significantly affected loan performance. Additionally, the researchers found a positive relationship between credit management systems, such as credit control policies and client appraisal strategies and loan performance. The study recommended that since client appraisal was important in determining loan performance, microfinance institutions should greatly consider client's character, their capacity to repay loans, history of repayment, collateral used as security, and the size of business before issuing loans. Since the research work evaluated the impact of credit management systems on loan performance, there is need to comprehensively study the factors that influence the repayment performance of revolving funds.

Sola (2021) conducted a research study to investigate the relationship between credit management strategies and loan performance in Nigerian microfinance banks. The study used a descriptive cross-sectional design and collected primary data through questionnaires. A sample size of 180 credit managers was selected using the Yemane (1973) formula at a 95% confidence level. The sample was chosen from the population using a multi-stage probability sampling method. The collected data was analyzed using SPSS (version 23), and the ordinal logistic regression model was employed to determine the association between credit management strategies and loan performance. The study also utilized inferential and descriptive statistics, such as mean and standard deviation, to present the demographic characteristics of the participants. The research findings revealed a significant and positive relationship between client appraisal and loan performance in Nigerian microfinance banks.Thorough client appraisal yields positive returns on loan portfolio. Thus, client appraisal process is an integral strategy in credit management since it directly influences loan performance. The study recommended that microfinance banks ought to have adequate knowledge on loanees prior to approving their loans and strictly follow proper assessment techniques on clients to ensure loans are approved to customers with positive credit ratings. The study findings created the need to examine client appraisal strategies and other factors that influence loan repayment performance of revolving funds in Kenya.

Obae and Jagongo (2022) conducted a research study to investigate the impact of credit rationing and client appraisal on loan performance in Kenyan commercial banks. The study utilized a descriptive cross-sectional survey design to assess the relationship between loan performance and the targeted population. The sample size consisted of 38 credit managers from all commercial banks in the country. Both primary and secondary data were collected for the study. Primary data was gathered through structured questionnaires, while secondary data was obtained from published materials and annual statements from the Central Bank of Kenya. The data was numerically coded and analyzed using descriptive measures such as percentages, standard deviation, and mean. The study's findings revealed that client appraisal strategies had a significant influence on credit performance in the banking sector. The enhancement of client appraisal techniques in the financial industry improved loan performance in Kenya. The study recommended that profit-making institutions should evaluate debt collection, credit monitoring, and client appraisal strategies to identify credit risks and reduce the occurrence of loan defaults in commercial banks. Moreover, commercial banks should implement effective internal control systems to evaluate client appraisal and debt collection procedures, thereby minimizing non-performing loans and the adverse effects of defaults. As the study focused on client appraisal and credit rationing procedures in loan performance of commercial banks, the current study will explore the effects of client appraisal techniques on the repayment performance of revolving funds in Kenya.

Onyeagocha et al., (2012) investigated factors affecting repayment rate of loan beneficiaries of MFIs in the Southeast States of Nigeria. The research established that loan evasion rates decreased the experience level of clients in their occupational fields, loan size, education level and the capacity of the supported corporate to make returns and portfolio variety or possession of several enterprises. Kimando et al., (2012) in their research on factors contributing to high performance of youth enterprises Development Funded Projects in Kigumo District Murang'a County in Kenya discovered that business skills, corporate planning and monetary management must be sumptuously impacted to young entrepreneurs before the funds are distributed, if the sponsored developments are to thrive. Ng'ang'a (2013) in a study on the analysis of factors influencing implementation of YEDF in Westland's Constituency, Nairobi, recognized that inadequate entrepreneurial skills among young generation recorded a negative impact on credit repayment, which contributed to low performance of YEDF. The research further noted that financial administration skills, corporate planning and efficient entrepreneurship skills were essential for any financial organization since they contributed to the project's success, hence leading to high business performance.

Bichanga and Aseyo (2013) in their investigation on causes of loan default within Micro Finance Institutions in Kenya established that, credit settlement evasion was triggered by non-supervision of loan clients by the MFIs, and because of insufficient training of debtors on proper usage of credit funds before they received credits. Opiyo (2013) in his report on the default on Government revolving fund indicates that young people and women groups in Kisumu, have evaded on loans allocated for the purpose of starting business projects. According to the study, the evasion rate was found to be 40%, and was accredited to extensive lack of financial education in the area. The credit executives were cautious that the revolving funds could dry out very soon and hinder the chances of new debtors since most borrowers on both the YEDF and WEF had entirely stopped repaying their debts.

Njuguna (2014) conducted research on the factors influencing performance of revolving loan fund programs of women groups in Kikuyu District, Kiambu County in Kenya. The study found out that, just like any other business, financial organizations also work towards improving their performance while focusing on their goals and objectives. According to the research, some major areas of focus by business firms include combination of individual skills, knowledge, and technique, especially incorporation and combination of functional knowhow and skills to the degree that all entrepreneurial practices do. Insufficient entrepreneurial experience restricts abilities of the entrepreneur in handling the exposures which encompasses any new business project. Consequently, this leads to the occurrence of credit evasions brought about by business failure. Stringent credit assessment procedure was discovered to be a source of credit evasion as the creditor did not include factors such as alternative sources of revenue and level of education in a study in Ghana (Acquah and Addo, 2011). This was confirmed in Kenya by Njenga (2014) who posited that lack of professional advice by DTMs and leniency in approval procedures caused default.

Digil et al., (2021) conducted a research study to assess the influence of credit management on the financial performance of microfinance institutions in Adamawa State, Nigeria. The main objective was to determine how customer evaluation contributed to the effectiveness of microfinance banks in Adamawa State. The researchers employed a survey approach and obtained data through sampling. The results of the study highlighted the significance of the organization's total liquidity in influencing the success of any financial institution, and emphasized the importance of an efficient credit management strategy in achieving optimal liquidity. According to the findings, a well-planned credit management strategy led to profitable, robust, and sustainable financial organizations. Furthermore, the study revealed that proper customer assessment played a crucial role in reducing capital losses associated with loan defaulters and improved overall financial efficiency. As a result, the study concluded that customer evaluation positively influenced the performance of microfinance institutions in Adamawa State. However, these findings were in contrast to the results obtained by Gambo (2012), who found no significant relationship between loan management in microfinance banks and customer evaluation. Nevertheless, this study recommended that all financial institutions should consistently evaluate their customers based on various factors, including their character, financial standing, loan security, repayment capacity, and overall creditworthiness, before granting loans. The study emphasized that client appraisal would facilitate the efficient recovery of loans, ultimately enhancing the overall proficiency and success of financial organizations. Since the survey focused mainly on microfinance banks in Adamawa State, it was suggested that further research should be conducted to compare and relate the results to other financial institutions worldwide.

Melaka et al., (2018) conducted a study investigating the effects of Credit Management variables (Credit risk control, Credit appraisal, and collection policy) on Bank Performance in Nigeria. The research followed a cross-sectional examination methodology, and the data was obtained through a sampling procedure, which targeted all administration employees of commercial banks functioning in Nigeria. The data attained was then analyzed by use of illative and expressive figures. The study discovered that credit management substantially affected bank performance in Nigeria. The research results further established that the financial effectiveness of banks in Nigeria highly depended on customer appraisal. According to the investigation, client appraisal ensured that loans were granted to the right individuals whose creditworthiness was not questionable. The study's findings also showed that proper client assessment guaranteed security of the banks' capital and interest income since the loans were given to the right people. However, the study suggested that all banks in Nigeria had to recognize the function of the customer assessment department, which would help increase the profitability of the organizations. Since the study only focused on effectiveness of banks in Nigeria, the researchers suggested another investigation to establish the impacts of loan management on the performance of banks and other financial organizations worldwide.

Omangwa et al., (2020) investigated credit management and loan portfolio performance of savings and credit cooperative societies in Nyandarua County, Kenya. The study followed an expressive survey methodology and questionnaires to amass data. The study discovered that loan portfolio competence of SACCOs was mostly determined by client appraisal. According to the research findings, most SACCOS employed customer appraisal techniques, mainly the 5cs model (capital, character, collateral, capacity, conditions), to evaluate borrowers' creditworthiness. According to the study findings, SACCOS rarely depended on other forms of information to gather evidence on the borrower's loan records. Since the research discovered client appraisal had the most significant influence on loan selection performance, it recommended that SACCO managers consider issues raised by employees and borrowers concerning client assessment. The study also suggested that the SACCO societies Regulatory Authority had to put forth rules requiring all SACCOs to keep a draft of the amenities provided by data-sharing organizations which would benefit only borrowers who had a clean loan record. According to the research, those measures would help refine the impartiality by which customers were evaluated for credits and motivated the rank of SACCOs. Further, the study recommended a lending system that balanced customer appraisal and encouraged financial insertion. Additionally, the investigation suggested that SACCOs employ measures which would control the risks associated with client evaluation, such as operational risks. However, the study recommended another study that would employ other methods of data collection methods to increase the precision of the results.

Edwin and Omangwa (2018) researched Credit management practices and financial performance of microfinance institutions in Nairobi, Central Business District, Kenya. The research aimed to investigate the impact of client assessment and loan risk control on the monetary effectiveness of MFIs in Nairobi Central Business District, Kenya. The methodology of graphic investigation design was employed, and data was obtained using inquiry forms. The investigation established that the financial performance of MFIs was effectively described by client appraisal. According to the study, customer assessment had a positive connection with economic performance following that a unit rise in customer evaluation led to a rise in the organization's financial performance. Nevertheless, the study suggested that MFIs needed to improve their customer evaluation techniques to avoid the risk of loan negligence resulting from entertaining uncreditworthy customers. According to the survey, such measures would enhance financial performance by ensuring payment of loans and a positive performing credit portfolio concerning loan recovery. The research also suggested that MFIs improve their client appraisal strategies by generating a profile evaluation catalog of potential and existing guarantors and borrowers that could be distributed among the MFIs to aid reducing loan violation. However, the researchers discovered that microfinance institutions in Nairobi, Central Business District, Kenya experienced challenges in loan violation from customers.

Therefore, another study had to be conducted to establish why most clients evaded loan payments and suggest possible collection strategies to be implemented by MFIs.

Kiriinya et al., (2018) studied Loan Appraisal and Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Embu County, Kenya. The study's main aim was to explain how client appraisal influenced the financial effectiveness of deposit taking SACCOs in Embu County, Kenya. A vivid research methodology was applied, and the data was collected through questionnaires, which targeted respondents from 10 functional SACCOs in Embu County, Kenya. Results of the study revealed that customer evaluation operations which included confirmation of client loan history, involvement of loan committees, evaluating nature of profession, client-centered credit policies, and demanding of collateral security, highly influenced the financial effectiveness of SACCOs in Kenya. However, the study further established that some SACCOs operating in Embu County, Kenya, found it challenging to demonstrate the feasibility of the institution and its stability in the long-term period. However, the study suggested that the administration in deposit taking SACCOs had to consider customer evaluation and thorough assessment of their client's business stability by determining the period the businesses had been in operation. The study further suggested that SACCOs had to developed ways of establishing ownership of assets presented by loan applicants as collateral security. Since the study only focused on the effects of loan appraisal on SACCOs in Embu County, it suggested that another research be carried out to establish the moderating impact of rising rates amongst client assessment and monetary performance of SACCOs in other counties in Kenya, such as Kiambu.

Kamau (2015) researched the impact of credit management practices on the exhibition of SACCOs in the hospitality industry in Nairobi. He aimed to enlighten the management on the proficiency and viability of its credit management practices and suggest measures for development. The research design utilized in this study was descriptive, and the objective populace was 67 dynamic hospitality industry SACCOs inside Nairobi. The questionnaire was used to gather data to examine and look at changed credit risk management practices in the chosen SACCOs. Questionnaire strategy was utilized in gathering essential information, although perception technique was used to get additional information like yearly records. The study discovered a considerable connection between credit analysis and client appraisal, loan defaulter's report, credit strategy detailing, and inside credit rating framework impact the monetary exhibition of SACCOs. The key determinants are credit analysis and client appraisal of the economic execution. The ongoing credit risk rehearses utilized by the SACCOs are deficient in moderating credit losses emerging from the loaning industry. This pattern likewise intends exceptional popularity for SACCO loans because of expanded enrollment in these institutions. This study will assist with limiting loan losses and guarantee that these SACCOs' productivity and their individuals are shielded.

Nabi et al., (2018) conducted a research study to examine the impact of credit risk management on microfinance institutions (MFIs) in Bangladesh. The main objective was to identify and measure the influence of credit management practices on the financial health of MFIs. The study collected essential data from 125 officials representing 35 different microfinance institutions in Bangladesh. Various Bangladeshi microfinance authorities completed an organized survey to acquire this data. According to the findings, there was a correlation between a company's credit evaluation method and its credit performance. Additionally, the credit assessment process had areas of strength in connection to the performance of Microfinance Institutions among all components of credit policy, loan conditions, credit collection, and credit risk management methods. It implied that many respondents didn't consider the credit appraisal process a significant variable for credit performance since they manage poor people, landless, and weak non-poor. The research reasoned that credit terms and the credit appraisal process have no critical impacts; however, they had a positive relationship with credit performance. The findings of the research might be significant areas of strength for loan backing to the site, especially for managing MFIs to improve credit performance. Definitively, the study might have assisted with examining the current credit management practices of the MFIs.

Claude and Edison (2018) conducted a study to determine if there was a strong link between financial success and credit risk management. The researchers believe that credit risk management and financial success are intertwined. The research was directed at SACCOs of Kigali city. The microfinance or savings and credit cooperatives in Rwanda have a problem of chasing down non-performing loans. The study used a cross-sectional approach, combining quantitative and qualitative methods with a descriptive and analytical framework. Only 35 Umurenge SACCOs were examined, and all of them used registration. Umurenge SACCOs' credit risk management and loan performance were found to have a strong correlation ($r = 0.704$, $p = 0.000$) in the research findings. Also, there was a correlation ($R2 = 0.548$) between credit management and loan performance. The higher the level of credit management, the better the loan performance. Loan performance expands as a result of an increase in credit terms. According to an analysis, microfinance institutions' loan performance might be linked to credit risk management.

SACCOs aren't using client evaluations correctly, which is the case. Therefore, credit risk management was a factor in how credit and savings cooperatives conduct their loans.

Barasa and Njuguna (2017) studied the impact of credit arrangements and loan recovery procedures on the Non-performance of Loans (NPL) at the Agricultural Finance Corporation (AFC). Moreover, the effect of initial loan appraisal is the degree to which loanees' level of monetary management ability influences NPL. The research embraced a contextual study research plan. Information was gathered by utilizing questionnaires managed by the researchers. The examination designated a solitary unit at AFC. A sum of 4 heads of divisions from the credit, credit gathering, recovery, Finance, and Audit was meant to answer the questionnaire. The determination of the four heads depended on the purposive sampling strategy. The study results indicated a strong correlation between the percentage of non-performing loans and the number of appraised loans. As the loan assessment process is enhanced and done correctly, the loan performance increases similarly, according to this inference. Hence, if underlying loan appraisal isn't done as expected, it will prompt more non-performing loans and unique commitments to theory, practice, and strategy. The research suggests that AFC top management ought to make a functioning relationship with other loaning establishments to guarantee that ranchers do not mishandle the well-kept farming monetary records to procure additional loans from the different financial institutions.

Mutima (2009) investigated the influence of the perceived type of loan evaluation reports, mutual disclosure, relationship quality, and loan performance of Centenary Bank. A sample of 637 respondents was generated through stratified random selection. Self-administered questionnaires were used to gather data from respondents. Loan assessment reports' perceived nature, mutual transparency, relationship quality, and loan performance were all examined in the evaluation. The apparent nature of loan appraisal reports and mutual disclosure had significant strength connections. If Centenary Bank continues improving the appearance of loan appraisal reports, mutual disclosure of the necessary data could be improved. For this reason, the bank's management should prioritize ensuring that loan appraisal reports include all the relevant information needed to evaluate loan prospects. Relationship quality was found meaningless since there was no association between it and loans. The respective groups' type, personnel, and setting might affect any of these variables. Loan appraisal reports should be made available to customers to improve the bank's loan plot, according to a financial expert who spoke to CNN.com.

Ndero et al., (2019) conducted a study to explain the relationship between credit appraisal and loan performance by commercial banks in Uasin Gishu County, Kenya. This study is based on moral hazard theory and utilized correlation research design. The target population is all the credit officers employed in commercial banks located in Uasin Gishu County. A sample size of 128 officers out of 189 officers was selected through random sampling. Questionnaires were used for primary data collection and annual audit reports and other bank reports provided secondary data. The study found out that the commercial banks adopted credit scoring model, 5Cs client appraisal strategy and credit reference bureau (CRB) to conduct client appraisal. Results also revealed a significant positive relationship between credit appraisal and loan performance of the banks. The study recommended that before lending loans to the customers, the bank need to adopt mobile telephony to generate individual borrowers’ financial statements. This helps in determining the credit worthiness through cash flow check before loan approval. Client appraisal strategies help in running a sustainable financial performance in a financial institution. Client appraisal strategies are key factors to credit risk management of financial firms. Thus, the appraisal process should involve the lender, the borrower, potential capital source of the borrower, security, purpose of the loan, amount to be borrowed and the profitability to the firm.

Kibui and Muroge (2014) conducted a study to investigate the impact of credit risk management practices on the financial performance of Harambee SACCO. The research aimed to assess how client appraisal strategies, credit policy formulation, digital credit monitoring, loan recovery strategies, and loan recovery reports affect the financial performance of SACCOs. The study utilized a descriptive research design and selected a sample of 53 respondents from a target population of 178 credit officers using a simple random sampling approach. Data was collected through questionnaires and analyzed using Statistical Package for Social Science (SPSS). A comparison was made between the variables and the financial performance of Harambee SACCO. The findings revealed that SACCOs in Kenya are exposed to a high risk of loan default, and therefore, effective credit risk management practices are crucial. Credit risk management involves careful decision-making processes before loan processing, assessing borrowers' commitment, monitoring loans, and implementing effective collection processes. The study recommended the use of warning systems to identify loans that are at risk of default or becoming non-performing loans, as these significantly impact the credit institution's performance. Having well-defined and effectively implemented performance standards as client appraisal strategies can significantly influence the repayment performance of clients and improve overall financial performance.

Obae and Jalango (2022) sought to show the effect of credit rationing as client appraisal strategy on the repayment performance. Effective credit management is a strategy used by Kenyan commercial banks during client appraisal. Credit management helps evaluate the credit worthiness of a client through identification of clients with good credit ratings. The strategy is also used in reducing non-performing loans accumulated from default loans that clients fail to pay. Credit rationing theory used by many banks is used to obtain accurate information from potential borrowers and determine its effect to the firm, and depending on whether it is profitable or not the number of loan defaults are reduced. Reduction in the number of loan defaults while maximizing profitable projects and credit paying clients improve the overall performance of the company. Client appraisal for commercial banks evaluates borrower's eligibility through screening of credit history, age, amount demanded, wealth, loan maturity, loan characteristics and interest rates and purpose of the loan. At the last stage, the borrower is interviewed by the manager to prove eligibility in three broad measures: loan demand, credit worthiness and favorable terms. Effective management of client appraisal practices leads to reduced loan defaults generally, improving performance of the banking sector. The study revealed that there is a significant relation between strong client appraisal techniques and loan repayment performance.

Karanja and Simiyu (2022) conducted a study on loan performance of microfinances and revealed that keeping close contact with borrowers, especially serial defaulters reminded them to pay on time. Lending policy, a client appraisal strategy requires clear statement for better identification of customers eligible for loan processing. Well managed lending policies ease loan collection, enable better running of operations and effective loan repayment by borrowers. Credit management techniques should give the client sufficient time and reasonable interests to enable the client to benefit from the credit and repay the loan comfortably. However, the time given should not be too long in a way that disadvantages the firm. Strict credit polies lead to the loss of clients, loose credit policies attract more clients that create risky situations due to poor repayment of loans. Credit policies are created to avoid the client's likelihood of failing to pay for the lent money. Strict client appraisal strategies are intended to evaluate the client's data that is used by the firm to identify possible risks and potential profits. Clients that have used their assets lie land as a collateral during client appraisal are compelled to repay on time to avoid losing property. Therefore, effective client appraisal techniques strongly influence the repayment performance of the borrowers.

According to Hesborn et al., (2016) credit risk management is a strategy used in the process of client appraisal to determine if the firm makes a loss if the follower defaults the loan. The ability and willingness of a client to pay a loan are identified through a sound made credit risk management. Lending policies and procedures are employed during decision making on loan issuing. Competent credit officers play an important role in repayment performance. They have adequate knowledge in identifying and processing loans to the deserving borrowers, and hence reduce the chances of lending money to defaulters. Lenders that observe loaning such as borrowing limits are likely to have highly efficient repayment performance. Credit monitoring involves monitoring of the borrower's loan process which helps the firm to determine if the customer is able to pay on time or is facing difficulties and may not pay on time. The firm in this case takes the opportunity to advise the client, increase repayment time and provide other services that help the customer to raise the money. Therefore, all the client appraisal techniques used should be aimed at persuading the client to pay the loan at the agreed time.

The relationship between the borrower and the bank exists between the time of loan disbursement and the time of full repayment. Poorly analyzed client appraisal techniques led to loan defaulters, while properly analyzed lending methodology led to significantly positive loan repayment.

Njeru et al., (2017) conducted a study in Kenyan commercial banks to evaluate the effectiveness of the credit collection policies, adopted credit control measures, credit management system, and appraisal on loan performance. The researchers used a descriptive research design in the study. The central bank of Kenya as at then had a total of 43 registered commercial banks. Therefore, the total number of respondents was 86, who included one credit officer and one credit manager from each branch. As the target group was small, the researchers conducted a census study. They used a drop and pick later method to collect data through a self-administered questionnaire, which was both closed and open ended. The validity of the research instrument was analyzed by piloting while reliability of the information was measured by test-retest method. The collected data was evaluated using means, percentages, and frequencies. The association degree between variables was computed using correlation. Chi square was used to test hypothesis, and the data was presented by use of pie charts and table. The research found out that the banks applied several procedures which mostly involved combining different techniques at a go in credit appraisal. According to the respondents, the most common method was referencing with CRB, which was closely followed by using 5 Cs (capacity, capital, condition, collateral, and character) of credit. Besides, 77% of the respondents felt that their past credit history had been applied in most of the commercial banks. Therefore, credit appraisal and terms played a significant role in influencing the commercial banks' performance.

Geitangi (2015) evaluated the correlation between client appraisal, loan portfolio performance, and credit risk management practices of Kenya commercial banks. The researcher used descriptive survey research design and adopted a census study method to collect data. The data was gathered between 2010 and 2014. Semi-structured questionnaires were used to gather primary data while secondary data was gathered from the supervisory reports of CBK and the financial reports of commercial banks. The research analyzed the data through quantitative and qualitative techniques. The study found out that the banks employed unique subjective, objective, non-financial and financial techniques to determine the creditworthiness of borrowers. Moreover, credit risk control and client appraisal measures were used by commercial banks at great extends to manage credit risk and reduce credit loss. The researcher applied a linear regression model to establish the correlation between the variables. The results from the research indicated that there was a noteworthy negative relationship between credit appraisal measures and the level of non-performing loans. Therefore, the decreasing rate of non-performing loans within the Kenyan commercial banks was caused by the extended use of both credit risk control and client appraisal practices, brought by the effect of reduced rate of non-performing loans.

Mulyungi and Mulyungi (2020) carried out a study at Guaranty Trust Bank Rwanda Plc to establish the effects of client appraisal on financial institutions' financial performance in Rwanda. The study used descriptive research design and employed quantitative and qualitative approaches. The target group is comprised of 331 micro finance institutions and 16 commercial banks. The sampling of the research frame included 100 respondents who were employed in Guaranty Trust Bank Rwanda Plc. Primary data was gathered by use of questionnaires that were structured according to the specified goals of the study, while secondary data was collected by reviewing reports and journals to ensure the research findings were accurate and reliable. The researchers analyzed the obtained data using SPSS for inferential and descriptive statistics. The analysis encompassed tabulating, categorizing, examining, and combining both qualitative and quantitative evidence that aimed to tackle research questions. Multiple linear regression analysis and Pearson correlation analysis were computed to test the relationship between financial performance and client appraisal. The findings indicated a positive, linear, and significant correlation between financial performance and client appraisal. All the respondents suggested that the appraisal of the borrowers' capacity based on credit history, condition, collateral, and character affected the banks' financial performance. 72.7% of the respondents suggested that client appraisal had some impact while 27.3% suggested it had many effects. Thus, adopting appropriate appraisal measures was significant to ensure minimal financial losses in banks.

Enoch et al., (2021) examined how client appraisal affected the effectiveness of micro finance institutions in the Adamawa State of Nigeria. The methodology used in the study was the survey method whereby the collection of data involved both the primary and secondary sources. Data was obtained from the microfinance institution employees in Adamawa state. Primary data was obtained by use of questionnaires while secondary data was gathered from downloaded internet materials, textbooks, bank sources, and annual reports. There were 52 credit officers, and the researchers selected a sample of 21 participants from the officers through a multi-stage sampling method. Data was collected from the respondents by the use of questionnaires. The testing of hypothesis and analyzing of the collected data was done by use of inferential statistics (regression analysis) and descriptive statistics (simple percentage). The implementation of the aforementioned statistical techniques was done by using Statistical Package for Social Science (SPSS) software. The study found out that client appraisal had a positive effect. Therefore, the results indicated that client appraisal enables microfinance banks to be productive and efficient in credit management.

2.5.2 The Effect of Monitoring Strategies on Repayment Performance of Revolving Funds

Rosenberg (1999) emphasized that one of the crucial strategies adopted by lending organizations is the practice of collecting loan repayments on a weekly basis. This approach is particularly effective in reducing the risk of credit evasion, especially in cases where borrowers have not provided collateral during the loan allocation process. By collecting repayments on a weekly basis, lenders can ensure that only clients who have the ability to repay the loans are granted credit, thus minimizing the risk of default and ensuring a more sustainable lending practice. Amongst the factors that contribute to loan evasion include insufficient or non-monitoring of micro and small businesses by creditors leading to evasions, delays by creditors in processing and distribution of credits, diversion of finances, and over-concentration of decision making where all credits are needed by some creditors to be certified by Area/Head Offices. Furthermore, regular meetings with a credit officer may improve customer trust in credit officers and their readiness to stay on track with loan settlements Vogelgesang (2003). According to Jain and Mansuri (2003), planned installment repayments allow informal lenders and financial institutions to survive.

Research conducted by Milgo (2013) sought to determine the effect of joint liability lending models on loan repayments among microfinance institutions in Kenya. The objective of the study was to establish causes of default in group lending, and also to evaluate how screening and monitoring affects loan repayment. Descriptive statistics such as percentages, Pearson correlation, analysis of variance, multiple regression models and inferential statistics were utilized to analyze the collected data. The research results revealed a strong positive effect on loan repayment associated with joint liability due to better information flow and social solidity. Timely repayment of the loan is associated with monitoring strategies that involve actively administering and supervising members of the borrowing group. Further, the research found out that business training to the clients and staff training on monitoring strategies increased repayment rates than without the training. The study used a casual research design to evaluate the relationship between variables. Primary and secondary data was collected through administration of structured and unstructured questionnaires, and data from books journals internet microfinance and organizational institutions respectively. The study concludes that regular visiting and business training are major factors contributing to high repayment performance. The research recommends that the threshold for individual lending must demonstrate the ability to pay 1.6% interest per month and where clients do not meet the need loan should not be issued. Therefore, effective monitoring strategies improve loan repayment.

Branzoli and Fringuellotti (2022) experimented on the effect of bank monitoring on loan repayment. The research utilizes data contained in the credit register of the bank of Italy. The quarterly information at the borrower-bank level showed business loans to firms in Italy from 2005 to 2016. Data is collected through information requests to the banks and analyzed through a simple model of bank monitoring. The study established a significantly positive effect of monitoring on loan repayment. It is analyzed that credit relationships that are likely to become overdue require close monitoring. The research methodology to investigate instrumental variables uses the 2SLS model. A sample size of 5562227 observations, 53738 credit relationships, 23376 firms and 440 banks is used in the 2SLS approach. The research, due to a wide range of experimentation, has several conclusions. Taxation is used as a source of exogenous variation in bank monitoring. Therefore, a theoretical model is used to describe the effect of bank monitoring. A decrease in tax rate leads to an increase in bank monitoring which gives birth to two channels. Bank monitoring has an overall effect on loan repayment. Term loans have stronger loan repayment effects than credit lines and loans backed by receivables in terms of bank monitoring. The research notes that the effects of monitoring strategies are substantial.

Namutenda and Muturi (2017) carried out research on the effect of lending policies on financial performance of microfinance institutions in Kisii County, Kenya. The aim of the study was to establish the effect of lending policies and monitoring strategies on repayment performance in microfinance institutions with specific interest to Kenya Women Finance Trust (KWFT). A descriptive research design was used for data analysis on a sample size of 116 KWFT loan officers. The key findings of the study revealed that repayment performance has a strong correlation with monitoring policies at 0.859 financial performance. Questionnaires were used to collect data which was analyzed through appropriate statistical techniques. Group liability is a successful monitoring approach since it creates regular meetings and social capital which helps screen undisciplined clients, client training on prudent loan use and to prioritize loan repayments. Planned frequent meetings and training on loan management to the monitoring staff creates desirable pressure from the lending officers to the clients to pay their loans. The research concludes that the KWFT has adequate monitoring policies that have increased the rate of loan repayment performance and reduced default and delinquent loans. The study further recommends that, due to the emerging dynamics of lending, the set monitoring policies need to be consistently reviewed and updated. Thus, effective monitoring strategies significantly improve the repayment performance of revolving funds in the Kenya Women Finance Trust microfinance institutions.

Protase (2022) conducted a study on credit monitoring, recovery strategies and performance of commercial banks in Uganda. The objective of the study was to establish the effect of credit monitoring, recovery strategies and performance of Centenary Bank. The sample size used was 149 respondents that was sampled from a target population of 203 respondents. The research adopted a combined analysis design of cross-sectional design and case study design. The study emphasized three variables: credit monitoring, recovery strategies and financial performance. Research findings shown that there is a positive correlation between communication and successful monitoring. Monitoring, effective communication and loan collection and reviewing of lending procedures improves the financial performance of centenary bank. The research showed a strong relationship of 3.826 between the variables. The study recommended centenary bank to emphasize good credit assessment standards, creation of effective communication skills and use of sound credit policies. The study’s Pearson correlation coefficient was 0.004, indicating a strong positive relationship between loan monitoring, loan collection and repayment performance. The research concludes that the three variables; credit monitoring, credit policy and recovery strategies, enable centenary bank managers to effectively uphold the level of customers' earning volatility and decrease risk of asset fluctuation risk consequently increasing profitability. The study notes that the monitoring officers are qualified and able to monitor ad evaluate possible chances of borrower's loan defaulting and customer's strengths towards loan repayment.

Omolo (2018) carried out a study to investigate loan repayment and lending model within the financial institutions in Kakamega Municipality, Kenya. The study adopted a correlational study design. The target group included all microfinance institutions and banks within Kakamega Municipality. The research used both quantitative and qualitative data. Qualitative data was gathered by use of questionnaires while secondary sources were used to gather quantitative data, which included the Supervision Annual Report of the Central Bank from 2007- 2017. The researcher used SPSS version 2.0 to analyze the collected data and presented the results using tables. The research established that while there was statistically significant effect of individual lending on loan repayment, group lending had no statistically significant effect on the repayment of loans. The monitoring strategies in group lending involved putting borrowers into groups of between three to seven individuals and holding them jointly liable when a member encountered repayment issues. This model provided the groups with an effective way to comprehensively screen, monitor, and impose the loans of each other. The group lending main feature is joint liability where all the members of the group bear the consequences of defaulting when a member fails to repay loan. Therefore, joint liability ensures there is effective peer monitoring and homogenous group formation. The study also established that monitoring strategies in individual lending involved drafting a contract between the lender and borrower and signing appropriate documents that show the client is individually liable. The availability of collateral in this model is significant and it also attracts high interest rates. The study recommended formulation of policies and strategies to monitor and minimize defaults and delinquencies on loan repayments and lending models.

Van Eijkel et al., (2011) examined group lending characteristics, the strategic monitoring behavior, and the roles of the group leader. Data was collected from microfinance institutions and tested empirically. The study found out that microfinance programs provided credit to the borrowers through either individual-based lending or joint liability group lending. However, most of the microfinance institutions gave loans to borrowers through group lending programs. A survey made on microfinance programs revealed that 16% of them provided loans to the needy through group lending, yet the total borrowers whom they served were over two thirds. Joint liability enabled the institutions to monitor and hold group members jointly liable for loan repayment when one member failed to repay. When the group fails to repay the loan, all members of the group will not access any loans from the program in future. This strategy creates incentives for the members of the group to monitor and screen the other group members to ensure they repay their loans for the sake of accessing future loans and preventing the risk of being held liable for failure of others to repay their loans. Additionally, group members have social ties and usually live close to each other, making group lending model effective in monitoring. Therefore, repayment performance of joint liability group lending is high due to close ties and geographical performance of the members. The study recommended another research to be conducted to examine how these results are impacted when a group leader is chosen to manage the group.

Iganiga (2008) sought to investigate the operations and policy measures of microfinance institutions in Nigeria. The researcher established that the effective response to internal control challenges and repayment problems was intensive monitoring. This strategy includes clear and detailed monitoring check lists and operational procedures, and comprehensive monitoring of the staff. This comprehensive monitoring is done by divisional and area managers who are given the obligation of ensuring breach of procedures is detected, prevented, or corrected, and swiftly sanctioned where necessary. Besides, monitoring measures extend beyond the activities of a branch to operations within the credit group level. The study also established that microfinance institutions applied group delivery methodology as a monitory strategy. They encouraged their members and assisted them to organize themselves into self-selection credit groups. These groups comprised of between 5 – 60 members. They were formed depending on the commonality of business and residence location, or business activities. This methodology was effective in monitoring and reducing lending costs. It reduced the frequent visits to borrowers' homes to disburse or collect loans and utilized group meetings. This monitoring strategy ensured the group members exerted pressure on each other tremendously to ensure they performed. Therefore, it cultivated good repayment performance and credit discipline among the group members. The study concluded that with the appropriate monitoring strategies in place, microfinance institutions would be able to empower people by enhancing their access to factors that boost production, such as loans.

Niinimaki (2012) conducted research on financial crises, moral hazard, and hidden loan losses in banks. The study analyzed strategies that were employed by banks to monitor their operations under rescheduling methods. It found out that bank monitoring strategies included a range of activities that were usually hard to observe, such as engaging in regular talks with firm managers, looking at account activity and checking credit line usage, evaluating the financial reports of businesses, and gathering information on whether the borrower is able to repay the loan on time. Moreover, it established that banks had higher probability of increasing their intensity of monitoring where there was worse repayment loan prospects, indicating that causality can get in either of the directions. The study also investigated the causal effects of monitoring strategies applied by banks to ensure loan repayment by use of novel measures. The researcher used granular firm-bank level data for business loans to formulate a bank monitoring novel proxy in Italy. This strategy included the number of times the banks requested Italian Credit Register to provide data on the existing borrowers. The findings indicated that bank monitoring had a stronger positive effect on loan repayment for term loans as compared to variable- backed loans and credit lines. Also, the study established that monitoring was essential to individual banks as it minimized the level of delinquencies.

Agbeko et al., (2017) examined the effect of monitoring and training of borrowers on repaying their loans that were granted by microfinance institutions in Ghana. The researchers employed a two-step longitudinal survey and gathered baseline data from files of 229 uniCredit Ghana Limited MFI loan customers. follow-up data on the same customers was gathered a year and half later after introducing monitoring and training interventions. The researchers found out that MFI monitored its debtors for times a year averagely. However, they intensified their monitoring frequency up to 24 times a year. There were 111 borrowers of microfinance loans who were being monitored. The findings indicated that while training interventions could not enhance the rate of loan repayment, client monitoring improved the rate of repayment irrespective of customer's gender, business experience, or education level. The study recommended further research on cost-benefit analysis of thorough monitoring from MFI perspective.

Migwi (2013) experimented on credit monitoring and recovery strategies adopted by commercial banks in Kenya. The study addressed the research gap by identifying the monitoring and recovery strategies used by commercial banks in Kenya. The research is beneficial to Kenya commercial banks through identification of better loan monitoring and recovery strategies. It is also beneficial since it adds value to the existing knowledge. Other researchers can be based upon this research. Data collected from the banks was analyzed through quantitative analysis. Questionnaires with open-ended and closed-ended questions were used for primary data collection. The research utilized descriptive survey design. The study's findings presented in figures and tables indicated that all commercial banks in Kenya regularly monitor loans through report generation to ensure clients repay their loans. The recovery strategies adopted by the Kenya commercial banks involve training monitoring staff, use of collaterals, communication and visiting the clients to convince them to pay, train them on prudent use of loans and assess their business progress. The research recommends use of credit card score as a monitoring tool to determine the credit history of the borrower and their credit eligibility. It also recommends the use of private collection agencies to settle disputes by referring defaulters to Credit reference bureau. Creation of good bank-client relations helps the clients to notify the bank when they change business and account names so as to avoid debt burdens.

Kohansal and Mansoori (2009) analyzed the factors that influenced the repayment behavior of farmers who received loans from agricultural banks in Iran. The study adopted a cross-sectional study design where a trial size of 175 farmers participated in the survey. Data was collected through a survey and filling questionnaires by farmers in the rural regions of Khorasan-Rasavi province. A logit model was used to examine the influences of loan repayment performance. The study results established that farmers' experience, loan size received, income and collateral positively affected loan performance while the rate of interest, number of installment, and application costs negatively affected repayment performance. Besides, the rate of interest on loan received and farmer's experience were identified as the important factors affecting repayment performance. The study only focused on the factors that influence repayment performance by farmers but did not describe in what ways the aspects acted as monitoring strategies. Therefore, the current study will evaluate monitoring strategies and their impact on repayment performance.

Sharma and Zeller (2000) analyzed the factors that affect repayment rates in group-based lending. The research program was carried out in Bangladesh and Madagascar to ascertain the strategies and institutions that enabled the poor to incorporate themselves into justifiable credit and saving structures to enhance their ability for bearing risks, investing, and preserving livelihoods. Additionally, the program advocated for improvements of institutions that combined banking values with operational monitoring policies that are not centered on tangible security, for example land. The findings from Madagascar and Bangladesh revealed that group size, amount of loan, level of credit rationing, demographic and gender composition of the group, community's characteristics, and social interrelatedness within the group affected the repayment rates. The greater the amount of loan granted, the more the likelihood of defaulting. The study revealed that screening households' demographic composition before issuing a loan was effective in determining the rate of repayment. Additionally, the study concluded that having the right institutional structures in place reduced the expenses of monitoring, transmitting, and administering loan agreements. The study recommended that loans offered to groups and investment capacities should be evaluated to minimize credit risks in the rural poor. Since the study found that delinquency rates increased with loan amounts, it was suggested that a realistic and objective evaluation is necessary before approving loans. Also, monitoring of loan requests should not be solely centered on conventional methods. Based on the study findings, the current research will survey the effect of monitoring strategies on the payment behavior of youth and women groups.

De Klerk (2008) summarized the findings and good practices on the strategies and operational methods that guaranteed sustainability and efficiency of self-employment projects for people living with disabilities based on literature review, survey, and field research. The summary of findings was derived from research that was carried out in a year and divided in three phases. The first phase was a literature review and survey where 107 people from three organizations were contacted. The second phase was a survey that involved field visits in different countries based on the response rate and innovative programs in those countries. The aim of the field visits was to deepen understanding and compare results from the literature review. The third phase involved consolidating and analyzing the information collected to make conclusions. The study found out that an appropriate attitude and expertise was necessary for program staff to ensure that loans are well managed. Additionally, loans disbursed for unpractical economic activities lead to indebtedness rather than improving lives. The study recommended that microfinance institutions and programs should properly assess loan applicants and their income generating activities, analyze market constraints, and provide adequate training during loan issuance and repayment. Monitoring loans constantly is necessary to identify problems in the early stages and take corrective measures before the debt accumulates.

The study focused on loans and grants for people with disabilities. The current study will analyze the effect of loan monitoring techniques on the repayment performance for the beneficiaries of revolving funds.

Kariuki (2013) investigated the effects of credit financing on the profitability of Stima Loan revolving fund. The researcher adopted a case study research strategy and used quantitative approaches. The target population for the study were 2877 Stima loan clients from Mount Kenya south region who were conveniently selected. Secondary data was used for the study which was collected from debt collection, marketing, and finance sections within the region. The profitability of the Stima loan scheme was assessed using Cost Benefit Analysis. Data was prepared through coding, tabling, and classification and analyzed using excel spreadsheet. The study found out that credit management programs minimized bad debts and credit risk and improved profitability. Credit monitoring programs strongly influenced an organization’s cash flow and profitability which would ultimately determine its position. The study suggested that loan amounts disbursed should be properly monitored more frequently and defaulters followed up to minimize the company’s overall credit risk and losses. Also, a proper cedi management strategy should be implemented to ensure that repayments are timely made, and new loans issued to maintain a balance. Additionally, lending institutions should ensure flexible arrangements for repayment to minimize delinquency and ensure a low default rate. Therefore, based on the study findings that credit monitoring strategies ensure timely repayment, there is need to further explore other loan monitoring strategies, such as customer visits and their impact on repayment performance.

Suwansin et al., (2017) evaluated the performance of revolving funds based on the smallholder debtor's ability land title deeds and assessed the factors that influenced smallholders' outstanding debts and percentage interest in Thailand. A sample size of 272 and 158 debtors from Northeastern and central regions of Thailand respectively were selected using random sampling. Primary data was gathered using questionnaires from the debtors while secondary data was obtained from revolving funds' administration. The efficiency, effectiveness, and benefits of the revolving fund were assessed using descriptive analysis. SPSS software was used for data analysis where inferential statistics tested the difference in livelihoods between the two regions and descriptive statistics, such as mean, percentages described the variables. Tobit regression model and ordinary least squares techniques were used for data analysis. The study results revealed that less influence of third parties, experience, and frequent meetings with revolving fund' administrators positively influenced loan repayment. The study recommended education and information intensification regarding repayment terms, regulations, and modalities to debtors to ensure now borrowers can easily access loans from the revolving fund and facilitate easy repayment of the loans. Also, the administrators for the revolving funds should ensure they meet with debtors frequently and abate the effect of external parties on repayment to reduce the proportion of unsettled loan interest. Thus, the current study will add knowledge on the field of monitoring strategies by identifying other credit monitoring techniques that affect repayment performance.

Robertson (2008) states that retrieval of credits is constantly a demanding task as dishonest debtors choose expansion or diversification of their businesses over honoring their loan settlement obligations. If advanced levels of automation were not accomplished, it would be a tough mission for the creditors to manage the massive volume of financial statements and render rapid client service as well as retrieve the debts in time.

YEDF (2012) pointed out that credit allocation and repayment in rural areas face significant challenges due to the lack of financial intermediaries and credit settlement avenues for loan clients in those regions. Microfinance institutions (MFIs) in these areas often adopt a distinct settlement schedule, requiring borrowers to make weekly repayments starting from one to two weeks after loan allocation. This strategy of collecting credits on a weekly basis has been found to be effective in reducing credit evasion rates, particularly when borrowers have not provided collateral during loan allocation, ensuring that loans are distributed only to clients capable of repayment (Vogelgesang, 2003). Regular meetings between borrowers and credit officers may also enhance client trust and increase their commitment to timely loan settlements.

According to UNDP (2009), monitoring and assessment play a crucial role in determining whether the intended outcomes of a project are being achieved and in identifying appropriate measures to ensure the delivery of expected results and positive contributions to human development. Bichanga and Aseyo (2013) conducted a study on credit evasion within microfinance institutions in Kenya and found that when creditors fail to monitor the use of credit by loan clients, the rate of credit evasion tends to be higher. Chemwa (2015) conducted a study on the factors affecting the repayment of the Youth Enterprise Development Fund in Chepalungu Constituency, Bomet County, Kenya. The research revealed that the remoteness of loan settlement points was a significant factor contributing to non-repayment of debts, and Mpesa, a mobile money service, was considered an alternative to ease the challenges associated with credit repayment.

Nyaoke (2007) noted the existence of several ways which enabled easier connection between creditors and loan clients. According to the study, successful credit repayment was guaranteed when lenders kept in touch with their clients. Financial institutions in Kenya have ensured constant engagement of products such as Mpesa, direct charges, Orange money, mobile banking credit settlement avenues, agent banking, Airtel money, among other approaches to add onto the traditional credit repayment methods such as checking system, direct deposits, standing orders as well as income check off system by employers. These networks have made it easy for debtors to access the bank and hence, settle their loans on time. According to Migwi (2013), enhanced credit repayment performance is mainly associated with credit monitoring and follow up by use of group joint liabilities. The research further studied the effect of debts reports on settlement performance and established a constructive connection between the two.

Commissioner et al., (2001) investigated Drinking Water State Revolving Fund final priority system to establish how the company offered financial assistance for public water schemes. The study employed survey method of data collection after which the data was analyzed for accuracy. According to the study, the state ensured proper monitoring of the organizations' finances to ensure they worked according to the goals of the company. The results of the study established that to ensure close monitoring of fund allocation, the state employed various strategies such as preparation of annual reports which included the budget for every project carried out withing each financial year. Conferring to the research findings, the annual reports prepared by the company provided all the statistics regarding all financial aid offered to different public water systems, sources and also use of finances. Further, the investigation discovered that the reports prepared also provided a list of projects which were qualified for funding in order of their urgency. According to the study establishments only water schemes which presented a complete planning, design and genuine applications were given loans to start or grow their water systems. Still, the study recommended that the Drinking Water State Revolving system had to keep monitoring the funds they allocated to public water schemes to ensure they were appropriately utilized. According to the research, the state had to ensure that the water systems reformed their structures to make them compliant with the requirements and managerial abilities to sustain their operations. However, the researchers were not satisfied with the data accuracy they obtained, hence, suggested another study to confirm the results.

Tubastuvi et al., (2018) conducted research on Micro and small enterprises financing model through the revolving fund management institution in Indonesia. The study aimed to investigate operative micro, minor and medium business funding approaches which would contribute to the efficiency of Revolving Fund Management Institutions following Analytic Hierarchy Process Approach. The data was collected by use of questionnaires and interviews. The results of the study established that financial organizations in Indonesia concentrated more on monitoring and assessment strategies. According to the research findings, effective monitoring of clients ensured even allocation of revolving fund credits. The research further discovered that most monitoring approaches applied by monetary institutions in Indonesia adopted measures such as evaluating the sustainability of businesses owned by clients, length of distribution time and period of loan repayment. However, the study suggested the need for all financial organizations in Indonesia to change their monitoring strategies to accommodate prioritization in making use of available resources such as experienced personnel within the institutions. Further, the research recommended that the monetary organizations had to encourage cooperation within their employees and also with their clients. Since the investigation was only carried out in Indonesia, another research was recommended to investigate the impacts of monitoring policies on settlement effectiveness of revolving funds.

Tongchiw (2013) carried out a study to investigate the meta-evaluation of revolving funds evaluation in Thailand. The research aimed to establish the usefulness of revolving funds and the value of evaluation reports and also compare the efficiency of revolving funds and the value of the results. Evaluation reports were used to obtain data for the investigation. The study results revealed that monitoring strategy was the main factor that contributed to high effectiveness of revolving funds. According to the research, monitoring policies such as client appraisal permitted financial organizations in Thailand to offer loans to customers who only possessed a reputable credit worthy. The study further established that offering loans to trustworthy customers guaranteed credit repayment, which resulted to availability of revolving funds, therefore continuous growth of the institutions. However, the study discovered that financial institutions in Thailand lacked a clear presentation of essential information regarding making verdicts on how to closely monitor loan repayments. Therefore, the study suggested that monetary organizations adopt a strategy which allowed assessment of essential information by financial managers before being used by loan officers to allocate loans to potential clients. According to the study, employing such an approach would reduce loan violations, hence increasing the availability of revolving funds. Still, the study recommended another investigation using other methods of data collection to obtain more accurate statistics.

Addae-Korankye (2013) conducted a study to establish the causes and control of loan default/delinquency in microfinance institutions in Ghana and also find out possible ways of controlling loan evasion. The research applied survey methodology and data was collected using sampling methods which targeted all microfinance organizations within Accra, Ghana. The results of the study established that customers evaded loan repayment for many reasons, including lack of continuous monitoring by the loan officers. Therefore, the study concluded that priority had to be given to factors which related to the loaning institutions, and not the reasons offered by the clients. The study further discovered that microfinance organizations in Ghana employed certain monitoring strategies which ensured their constant growth. According to the research, some of the policies applied by MFIs included setting constant reminders about loans which had to be recovered on loan management software and ensuring continuous communication and reminders with their clients. However, the study suggested that MFIs organizations in Ghana had to consider offering training to their employees to equip them with more knowledge about their duties and responsibilities. According to the research, the training would also enable loan officers learn how to well interact and establish good relations with their customers, hence making it easier to monitor the loans allocated to clients and also remind the customers about the credits overdue. However, the study recommended another investigation which would investigate other banks outside Ghana, since it only centered its research on MFIs within Ghana.

Migwi (2013) conducted a study to establish the credit monitoring and recovery strategies adopted by commercial banks in Kenya. The study focused on every bank in Kenya. Data for this study was collected by interviewing staff members from all the banks, and then a numerical examination was then done on the data results. The study's findings established that all the banks keep track of loans to guarantee the correct loan payment. According to the results, banks monitored loan repayment closely to reduce the risks of losses. The study also discovered that commercial banks in Kenya employed several monitoring strategies to recover debts. Such approaches included securing their loans, ensuring that loan officers were well trained and visiting their clients to persuade them to pay their loans. However, the study recommended that all policymakers in the banking sector use credit score cards to determine the creditworthiness of an individual when giving out and recovering loans. The study further suggested that all banking institutions had to use private collection agencies to resolve disputes and recover clients' debts. In addition, the policymakers were required to establish good relationships with the bank clients to guarantee customer loyalty, especially when customers changed their business names or locations. According to the studies, such measures would prevent banking organizations from recording high losses due to increased debts. Since the study only focused on banks as loan lending institutions, there was need to conduct another study on other loan organizations such as HELB to establish their strategies in dealing with loan repayment and recovery.

Ramesh (1995) researched strategies for monitoring and responsibility on the Working Women's Forum (WWF) Model. The aim of the study is to investigate the monitoring and evaluation strategies embraced by the forum is to measure its performance and ensure its responsibility to its members, donors, and society. WWF is portrayed by its grassroots direction, the feminist approach to leadership advancement among unfortunate working women, and its huge-scale outreach. The activities of the forum fall under credit, government assistance services, preparation, and family. The organizers employed by

WWF have previously been beneficiaries of the credit program and are entrusted with the force of reimbursement capacities of possible beneficiaries. The organizers who are allocated specific geological areas prescribe deserving cases to the cooperative staff. The decentralized monitoring ensured the success of the credit program despite a peculiarity of development in the forum size. The study discovered that loans had empowered women to oversee assets such as houses in their names. The forum's authoritative structure has added to the success of its monitoring strategies and the support of responsibility. The scholars utilized a participatory dynamic interaction to guarantee straightforwardness and fair detailing about asset distribution and objective evaluation of accomplishments.

Werema and Opanga (2003) examined the variables influencing loan repayment performances in Microfinance Institutions (MFIs) with a contextual study of Promotion of Rural Initiatives and Development Enterprises (PRIDE) Arusha, Tanzania. The overall target of this study was to survey the variables influencing clients' loan repayment performance to MFIs. The research used quantitative and qualitative techniques to research factors influencing loan repayment performance. This study included an example size of 136 individuals randomly chosen from an all-out populace of 6869 clients and staff, of which 6792 were clients and 77 were staff individuals. The essential information was gathered by utilizing the questionnaires, and the optional information was gotten from PRIDE Tanzania Head Office and Branches. The consequences of the elements influencing loan repayment issues in PRIDE Tanzania show that clients' attributes, nature of business, and loan qualities were among the variables that impacted borrowers in reimbursing their loans. The study likewise discovered that the establishment's loaning policies and procedures are, for the most part, sensible and acceptable. The analyst also saw that a few systems were inflexible and obsolete; they needed a survey. The establishment ought to utilize refreshed techniques that match the prevailing conditions. The research suggests that PRIDE Tanzania perceives the shortcomings or difficulties in their loaning frameworks and changes them to lessen clients' weight in loan repayment.

Tedeschi (2006) presents a model of microfinance loaning to people that utilize dynamic incentives, such as admittance to extra credits. The study aims to deter borrowers from vital default, or the reluctance to reimburse credit once a positive result is understood. Scholars are endeavoring to disentangle the purposes for the progress of microfinance institutions (MFIs). They focus on poor people; the risks conventional banks take away. They offer tiny credits yet still have such popularity for these little pieces of cash. Moreover, they engage ladies, who have frequently been shoved aside in social orders administered by men; and they reserve minor ventures, which are significant examples of overcoming adversity. The outcomes loan backed MFI's endeavors to develop investment funds and protection items. Any attempt to diminish weakness by assisting borrowers with further developing risk relief strategies and risk survival methods would consider more effort. Nonetheless, as the guidelines in certain nations don't permit microfinance institutions to offer a reserve funds item, regulation to help institutions is frantically required. Slicing interest endowments to microfinance institutions take special care of the most un-productive micro ventures and rural organizations. This medium works in regions generally inclined to adverse financial shocks that might bankrupt MFI's. Sustainability is unimaginable under all conditions, and professionals must figure out when a microfinance foundation can be reasonable and when sponsorships might be justified.

Karlan et al., (2012) conducted research with two micro lenders to test the effects of haphazardly assigned updates for loan repayments in the text messaging capital of the world. The scholarss worked with two revenue-driven banks to plan and execute an SMS loan reimbursement to investigate individual risk microloan borrowers, Green Bank and Mabitac. Green Bank and Mabitac work in metropolitan and country regions of the Visayas and Luzon locale. The research test incorporates 943 loans started by Greenbank and Mabitac between May 2008 and March 2010, where the client gave a cellphone number to the lender. The outcomes propose a job for individual connections among borrowers and loan officials. Borrowers feel obliged to their loan official, and the message triggers genuine convictions and correspondence that increment reimbursement exertion. Also, results shed light on the ideal plan of data and interchanges of technology-driven improvement endeavors. The study proposes that there need not be a compromise between technology and personalization. This medium might be where adjusting ICT to individual connections can support relationship loaning as generally characterized.

O'Leary (2017) studied the rights-based approach to development and how the accountability relationships between NGOs and their beneficiaries validate its guaranteed promise. The study highlights responsibility as a procedure that upholds a specific commitment. The contract may come from moral obligations that have far-reaching cultural effects and are the foundation for important choices about its hierarchy. To understand how the promise of self-assurance is sanctioned in these accountability links, the research drew experiences from the transformational learning hypothesis. This accountability approach was seen to be particularly important for rights-based NGOs. This responsibility results from the development strategy's important moral, cultural, and practical implications for how NGOs are accountable to their beneficiaries. The findings highlight how different the NGOs' conceptions of transformational development were. This finding is dependent on the NGO's primary area of focus, the kind of attention it gives to human rights in its development efforts, and the categories of rights that are prioritized. The article made a concerted effort to outline the nuanced and multifaceted role that NGO accountability and the practices ingrained within it might play in the process of rights-based development.

2.5.3 The Effect of Loan Recovery Implementation Strategies on Repayment Performance of Revolving funds.

The initial phase of loan collection involves ensuring that both employees and the board of management have a clear understanding of the risk appetite. The organization must allocate the necessary resources to ensure the success of the collection process. A proper understanding of the risk appetite and effective resource allocation serve as the foundation for the performance appraisal of employees by the management. Once a collection strategy is in place, the study emphasizes the importance of outlining it with clear and well-defined procedures. The use of visual workflow maps is recommended to illustrate the collection strategies in a sequential manner.Aryeetey (2005) addressed the issue of microenterprise growth in third-world countries and identified various hindrances, including a lack of suitable coordination in credit processing, inadequate credit portfolio, high interest rates, managerial challenges, and low repayment rates.

Meyer (1986) conducted a study to analyze the concepts and measures related to rural loan recovery. The researcher emphasized that rural loan recovery was a critical issue that significantly impacted the overall performance of financial institutions. However, the study found that there was minimal attention given to monitoring loan recovery performance, and issues of delinquency and default were often overlooked, especially in the case of subsidized agricultural loans. Hence, the study aimed to highlight the concepts and measures needed to analyze the challenges of loan recovery. The study involved providing a set of loan data to several full-time staff members working in rural finance offices and asking them to develop loan recovery statistics. The analysis revealed various statistics related to loan recovery, including the number of staff who participated in the study. One key finding was that measures such as collection ratio had an impact on non-repayment. The study concluded that monitoring loan recovery is crucial for the effective functioning of financial institutions. Neglecting to implement proper loan recovery strategies can lead to widespread loan delinquency and defaults, ultimately affecting the performance of financial institutions. The researcher recommended that managers and policymakers should have accurate information on loan recovery to make informed decisions about their financial institutions. Additionally, the study suggested further research on measuring and analyzing loan recovery strategies to enable policymakers in financial institutions to make well-informed decisions. The current study will focus on exploring the impact of loan recovery implementation strategies on repayment performance.

Ayanda and Ogunsekan (2012) conducted a survey to gather the opinions of farmers regarding loan repayment from the Bank of Agriculture in Ogun State, Nigeria. The study focused on farmers who had obtained loans from the Bank of Agriculture, and a sample size of 120 farmers was selected using a multi-stage sampling technique from four Local Government Areas in Nigeria. Data was collected through structured interview schedules administered to the farmers, and descriptive statistics like percentages and mean were used for data analysis. Additionally, inferential statistical tools such as Pearson Moment

Correlation were employed to analyze the study results. The findings of the study revealed that many farmers faced challenges in repaying their loans due to delayed farm outputs, high interest rates, and weak loan recovery strategies by the bank officials. It was also observed that most farmers preferred using a guarantor as collateral since it was the most accessible security option for them. Based on the study results, the researchers recommended that bank officials should improve their efforts in loan recovery and also educate farmers about the fact that the loans given to them are not grants, but should be repaid with the specified interest so that other potential borrowers can benefit from the credit. The study also found a positive correlation between the implementation of loan recovery strategies and repayment performance.Therefore, the current study aims to further investigate the impact of loan recovery strategies on the repayment rates of revolving funds.

Laseinde and Olokoyo (2018) evaluated the influence of loan recovery strategies on customer relationship of deposit money banks. The study precisely aimed at investigating the impactt of considering loan application, visiting customers regularly, using collateral and litigation, and implementing the overall loan recovery strategies on customer relationship. The researchers adopted a descriptive study design which employed the survey approach. Structured questionnaires with close ended questions were used to gather primary data. The study population were employees of six selected banks in Nigeria. A sample size of 400 employees was chosen for the study using the Yamane's formula (1967) at 95% confidence interval. Data gathered was evaluated and tabulated via SPSS and regression analysis. The findings revealed that loan recovery strategies used by the banks, such as customer visits, use of litigation and collateral, and detailed appraisal of loan application significantly affected customer relationship. It was concluded that the choice of recovery strategies implemented can retain the clients and positively increase repayment performance. The researchers recommended that banks should set policies that specify the loan recovery strategy to be implemented in different situations to improve repayment performance and minimize defaults among clients. Based on the study findings on the effect of loan recovery strategies on customer relationships, the current study will examine the impact of implementing loan recovery strategies on the repayment performance of revolving funds.

Barasa and Njuguna (2017) sought to establish the factors that contributed to non-performing loans in agricultural financial institutions. The researchers examined the effect of initial loan appraisal, borrowers' level of financial management skills, credit policies, and loan recovery strategies on non-performance of loans in Agricultural Finance Corporation (AFC). The research work employed a case study research design. The study targeted a population from three departments including credit, finance and audit, and debt collection and recovery. A sample size of 56 participants was chosen using purposive, stratified, and random sampling techniques and involved four heads of departments, 16 branch managers, and 36 credit officers. Questionnaires were used for collecting data and descriptive statistics were adopted for analysis with the aid of SPSS software. The researchers found that loan recovery strategies, such as dialogue, restructuring loans, and continuous education to borrowers greatly impacted non-performing loans. Additionally, asset refinancing strategies, attachment of client's collateral, and forceful sale of properties in possession recovered non-performing loans and reduced them to 3% of loans recovered during the period under review. It was suggested that AFC's management should create an effective working relationship with other lending institutions to ensure that financial institutions implement loan recovery strategies that reduce non-performing loans. Further studies were recommended on the effect of outstanding loans on agricultural-based financial institutions. Based on the study findings, there is need to examine the influence of loan recovery strategies on repayment performance of revolving funds.

Tin (2019) conducted a case study to evaluate the contributors of loan default and delinquency in microfinance institutions in Myanmar and the effectiveness of loan recovery strategies in Proximity Finance. The study embraced a descriptive survey design. The research work used a sample size of one hundred employees and sixty clients from Proximity Finance using random sampling technique. Quantitative data was obtained through structured survey questionnaires, analyzed with the aid of SPSS (25), and presented via descriptive statistics (mean scores and standard deviation). The study found that loan duration, size, cycle, payment schedule, and poor customer services led to delinquency and default. Additionally, the study revealed that using group-based lending methodology ensured repayments and enabled the members to fully understand their obligations towards repayment of group loans. Prior and post loan regular monitoring strategies and supervision were well performed to clients. The study recommended that microfinance institutions should use credit bureaus as a common database for implementing recovery strategies for customers with loans. The credit reference bureaus should then check client's credit history and inform the microfinance institutions to avoid overlapping loans and the possibility of borrower's defaulting. The researcher also suggested that microfinance institutions should implement joint liability model strategies that are effective in ensuring credit repayments. The study was limited to data sensitivity and confidentiality; therefore, the results were not inclusive of all research questions.

Therefore, the current study will comprehensively investigate loan recovery approaches on the repayment performance of revolving funds.

Kaynak (2003) stated that administration policies have been generally examined and goes ahead to recommend a constructive association between administration policies and organizational performance. Even though adequate systems have been established, similarity among various approaches have been depicted. This reflection is founded on the investigation of ten distinctive generic approaches: organization for quality, employee contribution, supplier quality administration, worker training, improvement of quality system, information and analysis, top administration commitment and support, continuous support, client focus and statistical quality techniques application. According to Oringoa et al., (2016), all these administrative tactics are crucial contributors to a successful business performance.

Makombe et al., (1999), established that the administration structure as well as the laid down processes in acquiring credits, customers' insight on the loan procedure and design where the major challenges experienced by credit schemes in Tanzania, and key aspects in the lending process. Likewise, Nelson and Nelson (2010) discovered that restrictions facing loan projects also included administration of loan portfolio which in the case of youth fund program in Kenya involved MFIs to reach young people in personal lending and limited capacity of personnel in administering projects.

Ng'ang'a (2013) in an investigation on the examination of factors affecting execution of YEDF in Westland's Constituency, Nairobi, discovered that government exertions were insufficient in dealing with problems facing the youth. This was due to the fact that young people did not participate in events addressing the Funds administration challenges.

Gachathi (2010) conducted a study to examine the factors influencing the implementation of projects funded by the Youth Enterprise Development Fund (YEDF) in Westland's constituency, Kenya. The study found that personal factors, such as attitudes towards enterprise development, had both positive and negative effects on the implementation and performance of projects. Additionally, institutional factors, such as management structures, were also found to impact a project's performance. As a recommendation, the study suggested greater institutional involvement in the management of YEDF funded projects.Ndirangu and Terer (2016) conducted a study on the key elements in the settlement of Youth Enterprise Development Fund loans in Ol Kalou constituency, Kenya. The study concluded that groups benefiting from the revolving funds should receive training before receiving government support. It was also recommended that there should be a broader access to successful young entrepreneurs for benchmarking, in order to integrate the best strategies in the administration of the fund.

Chemwa (2015) conducted a study on the challenges faced in the repayment of Youth Enterprise Development Fund loans in Chepalungu Constituency, Bomet County, Kenya. The study revealed that the funding procedures and overall framework of the fund had a significant impact on loan repayment and fund performance. Young entrepreneurs often faced delays in acquiring the loan, which resulted in missed opportunities, particularly for time-sensitive agricultural projects, leading to difficulties in fully repaying the loans. The administration by the youth fund authority was perceived as insufficient, resulting in a lack of proper guidance for the groups. In some cases, group members took advantage of situations where loan officers did not closely monitor the loans, leading to evasion of repayment.

Dhar (2018) conducted a study on the experiences of defaulter and loan recovery strategies banks adopted to solve the problem in India. The number of loan defaulters surged as the lending market expanded in India, raising serious concerns for the country's banks. Therefore, in order to address the problem, some banks enlisted the aid of loan recovery agents, whose main goal was to collect debts from defaulters using any (even illegal) methods. The exchange price of debt served as one common benchmark in the recovery process's many recovery rate procedures. However, they discovered that although defaulters had a number of logical explanations for why they were unable to make their installment payments, the primary cause of the default was primarily due to an impulsive spending pattern relative to their income. However, the banks should take into account the possibility of debt restructuring after carefully examining the borrowers' financial circumstances. This study sought to comprehend the psychological processes that loan defaulters go through prior to being approached by debt collection agents employed by banks. 16 in-depth interviews were utilized to acquire the data using qualitative methodologies. According to the study's conclusions, it was essential for social leaders and philanthropists to keep highlighting the prevalence of unethical behavior and working to stop it.

Kipsang (2020) examined the study consequence of loan repossession policies on credit performance of Fintech corporations in Kenya. The study assessed the impact of penalties on credit performance in Kenyan fintech firms, the impact of negative credit listings on credit performance in Kenyan fintech companies, and the impact of loan limit reductions on loan performance in Kenyan fintech companies. This research integrated multiple study components using a descriptive survey design technique. A model scope of 92 respondents was selected from a populace of 121 managers. The research revealed a favorable and strong correlation between penalties and loan performance. The results also indicated that penalties are responsible for 66.8% of the variance in loan performance. This suggested that the application of loan penalties enhances fast payments, which is more important in lowering the rate of customer defaulting. The results showed a substantial correlation between unfavorable credit ranking and performance when analyzing the impact of poor credit ranking on credit performance in fintech enterprises in Kenya. Digital lenders used an adverse credit listing strategy to make sure that borrowers repaid their loans in a timely manner while still honoring their credit agreements. A loan threshold reduction policy should always be in place for digital lenders in order to ensure compliance from customers. Credit listing is responsible for 59.2 percent of the difference in loan performance.

Engede (2015) examined the key problem fronting the Higher Education Loans Board on how to proficiently recover credited out funds to fully perform its main decree of assisting disadvantaged students furthering their advanced learning. The goal of the research was to identify the tactics utilized by HELB to collect loans from loan recipients in Kenya. The research specifically aimed to identify different tactics used by HELB and their functions in debt recovery. Credit recovery is the process of retrieving loans from previous recipients. When a debtor could not fulfill the due payments or otherwise could not abide by the conditions of a loan, a default occurred. For those who had defaulted on their student loans, HELB offered a penalty amnesty that let them to pay off their debts in one single amount. They stated that certain elements connected to risk management programs implemented by financial institutions were to be faulted for bad loans. Whenever loans were not performing, the quality of the assets decreased, which may impact a bank's asset base and its capacity to make more loans. The research also found that the main obstacles to debt recovery by the Higher Education Loans Board include the loan beneficiaries' unemployment, the unwillingness of certain companies to cooperate, brain drain caused by some loan beneficiaries leaving the nation, and low-paying jobs. Therefore, the lending institutions were relieved by the introduction of Credit Reference Bureau (CRB).

Bukenya, Kasirye, and Miranda (2019) conducted a study to determine whether circling assets produce self-employment and surge revenues for the unfortunate. The effectiveness of Uganda's Youth Livelihood Program was assessed by this research (YLP). The YLP was created to assist underprivileged and jobless adolescents between the ages of 18 and 30 in finding self-employment, raising their earnings, and encouraging good behavioral change. Youth from all districts were asked to organize into groups (of 10 to 15 people) and submit grant applications outlining how they planned to utilize the loan to launch their own enterprises. The revolving fund idea, which states that money repaid goes back into the program to benefit, served as the guiding philosophy for the YLP. Sponsored YIGs were obliged to reimburse the money provided to them. As older organizations repay their YLP responsibilities, money was to be pumped back into the system to allow young groups to benefit. The revolving concept was determined to be an important pillar that sustained the continuation of the YLP. YIGs establish payback plans outlining how they would pay it back based on the predicted growth of firms. Repayment plans were provided as part of project bids. Generally, YIGs were required to start repaying the funds in a period not to exceed years as shown loans were accruing zero interest in the first 12 months, but unpaid monies beyond one year incur a service cost of 5% every year. No actual assets or collateral were required; rather, YIG members co-guaranteed one another. Program implementers have to use severe techniques to make the young aware that the government is serious due to the youth's prior resistance. Qualitative data shows that some regions force adolescents who don't pay to sell off their possessions, while other regions take them to the police and put them in jail. Therefore, debt recovery relies on the internal stress upon each member to satisfy their duties inside the organization.

Kipkech (2011) conducted a study on the determinants on the default on students' loan and the recovery implementation strategies. After the start of HELB, recovery went up considerably but nevertheless rates of default remained high with the loan efficiency in terms of payback being 57 percent as of June 2010. The study found that the cost of higher education increased and that previous loan recipients' defaults continued to be a problem for HELB, resulting in the elimination of the formed revolving fund. This had an impact on the scheme's operation and the ability of competent Kenyans who could not afford the rising cost to attend university. Recovery increased drastically after the implementation of HELB recovery, but default rates remained high, with a 57 percent loan overall performance of payments. Given that the board played an essential role in improving access to education it is of significant relevance to review the process and tactics of limiting the persistence of a university student loans default. In an effort to comprehend which learners were expected to default, and inevitably to design programs to minimize default, this study analyzed of student loan beneficiaries focusing on identified factors as key indicators of default that were financial, demographic attributes, and institutional factors. The study, besides beneficiaries of the loan also targeted chartered institutions whose students were funded through the college students' loans program and corporations. HELB nonetheless did a relatively decent job with respect to benefactor's conscious of their pledged responsibilities on the reimbursement of the credit. The danger that a debtor would fail to pay university loans was shown to be tied to a multifaceted web of circumstances and building a default management system may thus be the first step to lowering default. An efficient default management program guaranteed that the loanees at the moment of the loan reception were aware of their responsibilities and repayment options available in the face of underemployment.

Thomas (2001) conducted a study to understand the McKinsey 7S framework. The case investigates and compares the loan recovery and NPA management strategies used by Axis Bank and its private competitors. Additionally, the case discusses Axis Bank's SWOT analysis from the Bank's asset quality and NPA management perspective. The case study begins with a brief introduction to Axis Bank. It then lists the Bank's major financial accomplishments and significant financial ratios for the years between FY 2013 and FY 2017. The case clarifies and briefly examines the Bank's strategic intent while highlighting its mission and vision. In order to gain knowledge of the Bank's corporate structure, the business model of the Bank is also explored. The relevant business climate for the Bank (especially for FY'17 and FY'18) is then presented. The case also discusses the Bank's SWOT analysis against its claimed asset quality and NPA management initiatives. The Bank's NPA numbers are briefly discussed, and the comparison appearance of the Bank's loan retrieval approach using the McKinsey 7S Outline came close. In keeping track of all hazards, including credit risk, there is an independent risk management organization. Maintaining asset quality and concentration at both the individual exposure and portfolio levels are the critical objectives of credit risk management. The foundation of the risk management process for the wholesale company is internal rating, which determines the level of risk tolerance, the maximum exposure ceiling, the sanctioning power, the valuing choices, and the regularity of analyses. The Bank employed numerous product-specific scorecards for its trade collection, which comprises small companies and minor agronomic debtors. Minor, templated experiences were lengthy inside the authorized merchandise policies; however, the risk department must individually evaluate large, dangerous, or complicated exposures for each incremental transaction. Market danger knowledge were merged to manage menaces associated with traded credit instruments like bonds and market-related off-balance sheet transactions. A validation committee independently evaluates credit models used for risk estimates for their discriminating power, calibration accuracy, and stability.

Agasha et al., (2021) evaluated the relationship between working capital and credit collection eminence. The arbitrating impact of capital cost, which was the goal of the study, was to regulate how the cost of capital mediated the relationship between the quality of the loan portfolio and the capital structure of Uganda's microfinance organizations (MFIs). The study's hypotheses were tried via fractional minimum square physical equation modeling, and data were collected using a cross-sectional research approach. Findings The relationship between financial performance and bank lending quality is somewhat mediated by the cost of capital. Therefore, the price of capital served as a channel through which financial leverage influences the quality of the loan portfolio. Limits and implications of the study administrative and financial costs were used as a broad term for the cost of capital. Individual prices like bonus payouts, profit rates, and loan covenants may each have a different effect on the quality of the loan group. In real-world applications, MFIs should exercise caution when it comes to loan recovery by employing tactics like loan limitation to guarantee prompt repayments. When highlighting the considerable indirect significance of the cost of capital in interpreting loan portfolio quality, the study adds to the current academic discussion. This research covered the most crucial concerns linked to the recuperation of loan defaults - a severe issue that European banks desperately needed to confront and overcome. The book discussed, in an original but pragmatic manner, the new methods, strategies, and systems for efficient leadership of quasi-loans and the maximum of their recuperation worth. Drawing on a robust academic basis and the current real-life findings of central European banks, it explains a revolutionary method of coping with NPLs depending on speed, the extensive use of instruments and "catalysts," and the effective management of collateral securities. Also, there is a particular emphasis on the wise use of "big data" and on the establishment of "bad banks," both at a single institution and the framework level. Eventually, debt workout is characterized as a critical competency for every competing Bank and a relatively fascinating commercial potential for autonomous, specialized "alpha" companies. Credit is a crucial input in the creation of any project, the availability and accessibility of which assess the success of the economy across nations of the globe.

Adewusi (2011) conducted a study on the ongoing growth in nonperforming loans and bad loans with the poor commensurate recovery of same has reached a severe dimension internationally. The present research investigates the variables of loan recuperation in Nigerian financial lending institutions. The research's targeted respondents include all Commercial Banks and Conventional Lending Institutions operating in Lagos Metropolis. Many loan accounts in the categories of wholly and partly recovered loans were randomly taken from the records of Fourteen (14) and Forty (40) Commercial Banks (CB) and Conventional Lending Institutions (PMIs), correspondingly from 2000 - 2012. Collected data were evaluated using analysis of Variance (ANOVA), t-test statistics, Logistic Regression Model Analysis (LRM), and Artificial Neural Networks. The result of the t-test reveals that expansion in Gross Domestic Product, year of lending, loan applicants' connection with lenders, and age of real estate secured debt assets are essential traits of the recovered fully loans. In contrast, inflation growth, rise in interest rates, loans, and loan - to - value are substantially characteristics of partially recovered loans. The result of the Logistic Regression Model (LRM) further reveals that Gross Domestic Product, borrowers' background of default, the value of collateral as well as the location of real estate compensation assets have significant positive effects on loan repayments and that a unit increase in them raises the probability of loan recovery by 55 percent, 69 percent, 10 percent, and 75 percent respectively. The result further demonstrates that a rise in the rate of inflation, changes in interest rate, and loan length have adverse effects on the recovery of loans. In contrast, loan size and loan-to-value suggest favorable but non-significant effects on loan recovery. Moreover, the results of Analysis of Variance (ANOVA) reveals; that the total amount of loan retrieved from the real estate sector is considerably higher than all other sectors in the economy, and there is a substantial difference in the recovery performance of loan recovery strategies employed in financial institutions but also that the amount of loan recovered when combined collateral assets are taken as security for the loan is significantly higher than if a single collateral asset is used as a secondary tool of loan recovery. Nevertheless, the performance of ANN is considerably better than those of LRM in case of immediate detection of non-credible loan applicants mistakenly classified as credible loan applicants (Type l). Furthermore, the entire loan categorization efficiency of the Logistic Regression Model (LRM) and Convolutional Neural Networks for determining the credit ratings of potential borrowers is adequate. It drops in within recommended acceptable standard of 65 percent and above (Type 2 error).

The study makes two recommendations: using more objective loan analysis tools must be given precedence in credit transactions, and every imaginable factor that might affect loan recovery should be adequately analyzed.

Mohammed et al., (2012) conducted a study on constraints hindering the recovery of agricultural debt. The study aims to examine the issues with agricultural loan distribution and recovery that Bangladesh Krishi (agricultural) Bank is experiencing and providing solutions. Ninety bank employees in charge of loan disbursement and recovery participated in the survey, providing the data. For this, secondary information was also utilized. The results showed that the loan payables and loan recovery issues would be significantly alleviated to the extent that such a report designed to allow for opportune monitoring and supplement intervention was founded, an enticement scheme for timely imbursement was instated, and due credit competence assessment was ended, and job systems were independent of radical intervention and pressure.

Kimani (2011) conducted research on Determinants of loan recovery in a student financing organization. The investigation aimed to establish the factors that affected the means of loan recovery. The study employed a case study research methodology and the statistics were obtained from HELB's file and reports for the period between 1999-2010. According to the study findings, high records of loan recovery were recorded during that period following rise in total amounts of performing credits at that period. According to the research, the increase in loan recoveries were due to implementation of new strategies of dealing with debtors. According to the results of study, some of the approaches imposed on loaners included introduction of penalties, which saw many loan beneficiaries repay their loans on time to avoid the penalties. However, the study suggested that HELB had to consider advancing their then existing loan recovery methods and also implement other strategies of improving loan recovery and performing loans to enable them increase their loan collection, hence creation of revolving fund. Nevertheless, the education sector undergoes constant changes such as increasing demand for loans by students, which leads to changing in loan recovery strategies. Thus, researchers recommended another study to examine whether results of this study still hold.

Sungunya (2018) carried out a study on the effect of credit risk management practices on loan performance of women enterprise fund (WEF) in Kenya. The research aimed to investigate on loan recovery process on loan performance of Women Enterprise fund in Kenya. The study applied sampling method of data collection to obtain statistics for the process. The study results discovered that WEF employed loan recovery strategies such as constant inspection of previous credit repayment period, Verification of prior evasion rate before loan allocation and also raising of funds by the WEF members which would cover members who were not able to pay their debts. Additionally, members who defaulted to repay their loans were expelled from the group. However, the research concluded that loan recovery process did not have any significant effect on loan performance catalog of Women Enterprise Fund Nakuru Town East. Since the investigation established that loan recovery procedure was an essential component regarding loan management, it recommended that WEF needed to review their strategies on loan recovery methods to make them compatible with credit recovery systems. According to the study, compatible loan system would contribute to the growth of WEF due to the protection associated with public funds. Given that this study only focused on WEF, another study was recommended which would investigate the impacts of loan risk management procedures on loan performance of other financial organization such as the

Youth Development Fund. Such study would explain how other monetary institutions were managing their loans.

Visaria (2009) conducted a study on legal reform and loan repayment with the aim of establishing the effects of loan recovery tribunals in India. The data used by this study was obtained from various banks in India. The statistics consisted of all historical records concerning development loans, which included loans offered to borrowers who were establishing new schemes and also those who were expanding their projects. The findings of the study discovered that, all issues related to loans were resolved in civil courts. The study also established that the government of India initiated a national law which provided new judicial institution referred to as Debt Recovery Tribunals (DRTs), whose main objective was to increase the rates of loan recovery by banks in India. Following the results of the study, DRTs ensured faster generation of documents which dealt with summoning of clients who did not repay their loans on time. Additionally, loan evaders were forced to pay a certain amount of money before appearing in court, which was discovered to be a challenge for defaulters who were not able to raise the expected finances. Therefore, such a condition obligated clients to ensure early repayment of their loans. Since the study only investigated banks in India, there was need to conduct another research targeting banks countrywide.

Thomas and Vyas (2018) Conducted a study on comparative analysis of loan recovery strategy of Indian banks. The main objective of the research was to investigate how various banks contributed to the Non-Performing Assets (NPAs) through examining the banks development patterns. Also, the study aimed to investigate the impacts of various banks such as State Bank of India (SBI) and its links on the banking sector. This study adopted a research methodology and the data was collected through sampling method, which targeted private organizations and also national financial institutions. Results of the study established that evasion of loans was an encounter faced by both small and major banks in India. According to the study findings, the challenge of credit evasion was caused by lack of efficient loan repayment strategies by financial sectors. The study also discovered that some banks executed various strategies with regard to loan repayment and recovery. Following the investigation, nearly all banks in India adopted the tactic of collecting assets used as security from clients who did not repay their credits on time. However, the study recommended that banks in India had to improve on their loan recovery methods to avoid going bankrupt, which would not only affect the institution but also the shareholders. The researchers further suggested that monetary organizations had to consider lowering their rates of lending money to customers to reduce the rates at which loans were defaulted. Additionally, the investigators advised the need for another study which would investigate the effects of loan recovery implementation strategies used by banks outside India.

Ogola (2012) conducted research to investigate the impact of debt recovery as an operational strategy used by NIC Bank to manage non-performing loans collection. This study adopted a case study to find out the functioning strategies that NIC Bank employed to address the issue of debt recovery to decrease non-performing loans (NPL) collection. The study also focused on creating outcomes which will help NIC Bank as well as the whole banking society. The data for this investigation was obtained from the underlying company's' documents and also interviewing of staff members from NIC Bank. The interview was carried out through physical discussions and targeted individuals dealing with loan issuing and retrieval. According to the results of the study, the bank employed several implementation approaches which enabled them to recover loans from their clients before the customers evaded them. Some of the measured included recovering part of the loan and dismissing the accumulated interests. The findings of the study also indicated that the introduction of Credit Reference Bureau (CRB) contributed positively in reducing late loan payment and violations. Therefore, the study concluded that an effective and industrious lender guaranteed NIC bank to be the market leader in asset finance. However, the study recommended that there was a need for banks and other lending organizations to lay a clear-cut credit recovery policy which would be able to support business as well as corporate approaches of the bank. The study also recommended that all debt recovery units back up credit risks and also establish a proper working relationship with the bank management. Since this study only focused their research on NIC bank, there was need to carry out a similar study with other banks that would cross check the establishments of this study.

Botha et al., (2021) conducted a study to objectively compare and evaluate a bank's decision-making processes to optimize the timeframe of loan recovery. This process was focused on identifying a delinquency threshold where a loan portfolio's financial loss is reduced to a minimum. It is an expert system that considers expenses, the time worth of money, and the essential choice between building up arrears and forgoing future interest income. A comparison of these metrics may also be made indirectly by using the technique with delinquent measures other than payments in arrears. Various credit risk scenarios and portfolio compositions are used to showcase the approach. The numerical findings demonstrate that threshold optimum conditions may be reached for all plausible values of the payment probability (default risk) and loss rate (loan collateral). Additionally, the method responds favorably to portfolios affected by episodic or systematic delinquency. This method can better inform the quantitative features of a bank's collection strategy than depending just on random judgment by maximizing a portfolio's recovery choice. As the danger of loss rises, recovery optimization becomes a more practical strategy. Additionally, recovery optimization is evaluated on portfolios with higher volatility when borrowers make periodic payments, leading to episodic delinquency.

Ugoani (2016) conducted a study to examine how the non-performing loan (NPL) portfolio affected bank profitability. For this study, an exploratory research design was adopted. Using this approach, the researcher looked at a sample of the intended audience. The target group included Nigeria's 20 Deposit Money Banks (DMBs). Three banks were chosen for the study from among the 20 DMBs using the judgmental method. The Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, journals, newspapers, and statements of accounts, among other financial records, were used to collect the data for the study. Before being categorized, the data was sorted and coded to guarantee consistency and correctness. The portfolio of non-performing loans was found to have a detrimental impact on bank profitability. The extensive non-performing loan portfolio hurts banks' ability to turn a profit. In other cases, bank officials and promoters work with insiders and outsiders to produce risky assets without adhering to established lending rules. The banks' capital levels were so low and unable to withstand losses from non-performing risk assets since they had no profits to support them. This finding supports the empirical evidence that the portfolio of non-performing loans has a detrimental impact on bank profitability. The researcher suggested that loans be provided using reliable collateral. It might provide a soft cushion for recovering non-performing loans even if it is not a requirement for responsible lending.

Kimani (2011) examined the factors that influence debt recovery strategies. The study will provide insight into overcoming obstacles the board faces in getting money back from lenders to cut down on the number of non-performing loans. The research design for the study was a case study technique. It was chosen because the research called for a thorough comprehension of the difficulties in successful debt recovery at the Higher Education Loans Board (HELB). It would offer a systematic method of gathering data, processing information, and presenting results, which would aid the researcher in understanding the fundamental concepts. The population comprises two people, one from each of the two main divisions of HELB lending and recovery. The population was recruited from the HELB organization. The results show that performing loans have generally increased and that the public sector and individual payments have significantly contributed to this increase. Loan recoveries over the research period were growing, which was attributed to the rise in the total amounts of performing loans during this time. The study suggested that HELB enhance its loan recovery procedures, particularly for the private sector. To combat the growing loan portfolio and be in a position to establish a revolving fund, HELB should also develop additional policies and techniques for enhancing loan recoveries and performing loans.

Johora (2020) conducted a study to evaluate the state of Prime Bank Limited's non-performing loans concerning the banking sector as a whole and to pinpoint the recovery tactics used by Prime Bank. For the study, both primary and secondary data were employed. The information was gathered through Prime Bank's annual reports, a survey report, and some private data from the BB library. The data was manually processed and examined using an electrical device. And for primary data sources, observing and working with various in charge has been taken into account while gathering ideas from many bank executives. The researcher discovered that most clients are happy with Prime Bank's services and goods. They have some devoted clients who frequent Prime Bank, and clients also have preferred employees from whom they like receiving services. The foreign exchange, investment, and profit trends of Prime Bank have improved, and loan amounts are now more heavily affected by interest revenue than by deposit amounts. Prime Bank is improving and has the lowest non-performing loan rate compared to other well-known banks. However, there are still several factors that must be taken into account. Prime bank limited maintains its financial position effectively. Therefore, it is high time Prime Bank limited works on making its financial situation more lucrative and pays more attention to its non-performing loan management to stay competitive in the market.

Olajide (2021) evaluated the effectiveness of foreclosure as a loan recovery approach in lending establishments in Lagos, Nigeria, to ascertain the viability and suitability of the recovery strategy. The study's methodology was a survey. The information was gathered through questionnaires distributed to the 37 Commercial Banks' head offices and the Primary Mortgage Institutions in the Lagos Metropolitan Area. Twenty-two were taken from the data and utilized in the study. Both descriptive and inferential statistics were used to examine the data obtained. This medium includes multiple linear regression analysis, weighted mean score, and t-test analysis. The weighted mean score's findings showed that residential properties are more likely to go into foreclosure than commercial, industrial, and agricultural ones. The Granger causality test revealed that the economy is not caused by the quantity of foreclosed properties (GDP). The t-test analysis results showed no discernible difference between the collateral's actual worth at foreclosure and the value estimated by the estate surveyors and values at the time of its creation. The results of multiple linear regression also showed that foreclosure in the research region is highly influenced by predictor factors such as the economy's status and the property's location, among others. The study concludes that using the foreclosure as a tactic for debt recovery has given lenders a fair deal of relief and helped them out in their effort to recover loans to a reasonable amount.

Mot et al., (2012) conducted a study to determine whether or not credit management systems had a significant impact on the loan performance of microfinance organizations. Their goal was to assess the impact factors such as loan terms, client evaluation, credit risk control methods, and credit collection strategies have on overall loan performance. There are significant amounts of loans that are considered to be non-performing among Kenya's microfinance organizations. This tendency endangers the viability and sustainability of MFIs and makes it more difficult for them to meet their objectives. The researchers used a descriptive research design. The participants in this survey were the credit officers working for the MFIs in the town of Meru. At a significance threshold of 5 percent, it was discovered that collection policy had a more significant impact on loan repayment with a correlation of =12.74 and a probability of 0.000. It is strongly advised that more studies be conducted on the efficiency of credit referencing on the loan performance of MFIs. In addition to contributing to the existing body of research on credit management, this study provides valuable insight into the modifications of public policy and the firm-level competencies necessary for the efficient operation of MFIs.

Mwacha (2020) conducted a research evaluation of the efficiency of NPLs collection by Tanzanian loan recovery organizations. Five commercial banks were included in the case study research design centered on Dar es Salaam City, which uses loans recovery companies to collect NPLs. The judgmental technique was used to choose 100 respondents, of which 80 were from five commercial banks and 20 were from loan recovery organizations. Data were gathered through a questionnaire and documentary research, then statistically evaluated using descriptive statistics and straightforward mathematical operations. The results demonstrated that the average rate of NPLs collections among loan recovery organizations was low, and their actual NPLs collections lagged behind anticipated groups. Furthermore, it was shown that commercial banks collected NPLs at a rate that was greater than the rates obtained by loan recovery organizations. Additionally, it was demonstrated that commercial banks used more successful tactics for collecting NPLs than loan recovery companies, which is why their NPL collections outperformed those of the latter. This study concludes that because Tanzania's loan recovery organizations had not yet created the appropriate technology, internal resources, or external networks, they were ineffective at collecting non-performing loans. The development and utilization of optimal technology, internal resources like employees, and external networks are required for the loan collection agencies to manage NPLs effectively. These resources also enable careful supervision, monitoring, and follow-ups of the borrowers.

Zhou (2022) used the methodologies of literature research and logical analysis to study the management analysis of China's national student loan system from the standpoint of credit information. The inadequate repayment of federal student loans has drawn significant attention from universities and all spheres of society as China's higher education tuition system reform continues to expand. From the standpoint of honesty, the researchers looked at the variables that impact the repayment quality of student loans. The enhancement of college students' integrity consciousness is a significant issue that merits the collective attention of the entire society and calls for the collaboration of the community, academic institutions, and college students. The government should distribute information on credit studies throughout the organization to enhance the credit study system further. As the majority of college students, they should increase their self-discipline and integrity consciousness via self-education and development. The researcher advises that it is vital to advance the development and education of integrity consciousness and quality among college students, especially loan students, and to increase the study of credit study knowledge among students through various means. It would also support the development of an open society by enhancing the citizen credit inquiry system and the penalty system for lack of integrity.

McCombs (1991) investigated the strict collection regulations and high default rates for guaranteed student loans, both of which cause financial institutions to examine the portfolios they hold. When it comes to the experience that banks have had with guaranteed student loans, the researcher discovered that the results may be extensively in both directions. Some financial institutions, mainly those subject to stringent collection laws, have determined that providing guaranteed student loans is too much of a burden and have thus abandoned the market entirely. Others have shelled out millions of dollars to upgrade their existing in-house loan administration systems with the expectation that the investment will be profitable in the future. On the other hand, the majority of financial institutions fall somewhere in the center. They have discovered that student loans are not one of their most lucrative investments, yet, they are not being negatively affected by what has remained a very reliable line of work. In addition, the researcher discovered that bankers and officials from servicing agencies found that house loans naturally provide a better credit risk than student loans do. The researcher uncovered this information because a student often does not have a lengthy credit history and cannot offer any form of collateral.

Dai et al., (2022) explored the function of debtors' digital traces in debt recovery. The researcher used a large sample of personal loans from a Chinese fintech lender. The lender obtained the data from the debtors' digital footprints, which can boost the probability that overdue debts will be repaid by 18.5 percent. The result was attributed to two mechanisms: finding the actual locations of borrowers and connecting borrowers' commitments to their social networks. Furthermore, even though borrowers with digital footprints occasionally have a higher chance of default, lenders are more likely to accept their loan requests. Legally, digital footprints can be used if protected by strict privacy laws and fair debt collection procedures. In low financial inclusion nations, the study offered an alternate method to address moral risks for those who generally lack physical collateral. Fintech innovation enabled lenders to target borrowers' personal information in their digital footprints as collateral for loans not backed by physical assets. In the event of late payments, they used a debt collection strategy based on digital collateral. The researchers contend that by making it easier for lenders to recover past-due loans, digital footprints, a new kind of collateral, might improve financial inclusion. By proving that technology advancements may benefit both inventors and adopters in the financial markets, the study contributes to the fintech literature. Additionally, they add to the debt literature by demonstrating how the collection of past-due debts might be facilitated by using digital footprints as one sort of non-physical collateral.

2.5.4 The Effect of Loan Collection Strategies on Repayment Performance of Revolving Funds

In economies like the USA, where credit plays a significant role in various sectors, debt collection has evolved into a well-organized industry. This study highlighted that creditors across the country often engage third-party debt collectors to recover loans. This practice has shown a positive correlation with creditor behavior, as it enables them to offer better terms and lower interest rates to customers who consistently repay their loans on time. This, in turn, serves as an incentive for borrowers to maintain good repayment behavior, resulting in a more robust and efficient finance industry compared to developing economies. Fedaseyeu (2015) examined the enforcement of debt collection and suggested that involving third-party debt collectors may deter opportunistic borrower behavior, where some borrowers only make payments when faced with aggressive collection tactics.

Jassaud and Kang (2015) explored the challenges in resolving non-performing loans in Italy and proposed a strategy to establish a market for restructuring distressed assets, which could support financial reforms for corporations. Their research aimed to ease the burden on banks by improving debt recovery and promoting the recovery of bad loans. The study analyzed the current state of non-performing loans in Italy and identified the reasons for the slow progress in resolving them. The researchers concluded that timely resolution of bad debts could improve the balance sheets of Italian banks and facilitate new lending activities. The strategies recommended for loan collection included removing financial obstacles for writing off bad loans, enhancing the insolvency framework, and promoting out-of-court workouts. These measures would enable banks to dispose of their non-performing loans and implement reforms that would encourage corporate restructuring. The study proposed the creation of a market for restructuring and selling non-performing loans as part of a comprehensive strategy to address the issue of unpaid loans. Additionally, a non-performing loan strategy should be formulated to help banks overcome obstacles that hinder the sale of bad debts. The research highlighted the strategies that financial institutions should adopt to minimize non-performing loans. Therefore, there is a need to examine the impact of loan collection policies on the repayment performance of revolving funds to further enhance the understanding of effective debt recovery measures.

Stijepovic (2014) utilized the Podgorica approach to analyze the recovery and reduction of nonperforming loans, aiming to mitigate the negative impact of such loans on the banking sector's loan portfolio. The Podgorica approach was designed to strengthen financial stability in the banking sector, support debtor recovery, and foster economic growth. The study revealed that lending institutions should thoroughly assess the financial situation of borrowers and consider the possibility of restructuring loans. Loan restructuring involves implementing financial, corporate, and business reforms. The financial restructuring plan includes evaluating the borrower's financial information, collateral valuation, and their ability to repay the total loans owed. Restructuring measures may involve extending the repayment period, reducing interest rates, decreasing the loan principal, renewing loans, and accepting additional collateral from third parties.The Podgorica approach also suggests exempting clients from VAT and income tax, reducing doubtful debts, and writing off loans with a high likelihood of non-performance. The study's experimental research concluded that effective results in loan restructuring were achieved through resolving all past due loans. Apart from financial and corporate reforms, lending institutions should implement business structures and contraction strategies. The study recommended strengthening the legal framework of lending institutions to enforce debt reforms, loan collection strategies, and company liquidation. Moreover, advisory centers should be established to educate loanees and facilitate communication with banks to resolve repayment problems before they escalate.Based on the study's recommendations, the current research will investigate loan collection strategies and their impact on repayment performance to gain a comprehensive understanding of effective debt recovery measures.

He et al. (2015) proposed a technique to identify and measure the implications of collection effects on client term loans. The study utilized a Markov chain model to quantify the magnitude of these collection effects. The quantification process involved two steps: firstly, conducting a Chi-square test to detect significant differences in the probability distribution when loans were collected or not; and secondly, performing regression analysis and t-tests to measure the extent of loan collection from customers. Data for the study was gathered through interviews with administrators from three automobile financing corporations, including the Chinese automobile loan financing firm. The study's key finding was that extending or renewing the terms of delinquent loans that were on the verge of defaulting proved to be a significant collection strategy. Extending the loan term involved allowing loanees to repay the defaulted amounts over a longer period without penalization and at a constant interest rate. Similarly, loan renewal meant issuing the loanees a new loan for the outstanding amount with new repayment terms and interest rates. Based on their results, the study recommended further research to investigate the effects of loan renewal and extension on defaulted loans. Therefore, in the current study, we will consider these strategies while examining the impact of loan collection techniques on repayment performance.

Bijak and Thomas (2015) modelled Loss Given Default (LDG) for unsecured retail loans using Bayesian methods. The study proposed a multi-stage model that would involve two-step approach to demonstrate the high peak of LDG. To model the LDG, the researchers adopted Bayesian methods which offered a more rational methodology with a single hierarchical model instead of using two separate approaches. The Bayesian method was employed together with frequentist approach to data on personal loans. Data was collected from a large UK bank on personal loans that were defaulted between 1988 and 1999. The study concluded that the Bayesian approach was free from drawbacks and was more logical in providing a detailed description of the retailed loans. Additionally, the model was significant in generating specific extrapolative distribution of LGD for each personal loan defaulted while the frequentist approach only gave exact estimates. The descriptive allocations provided information that could be used to approximate and test the amount of loans turned down. The Bayesian approach was recommended for modelling LGD retail loans since it is flexible compared to the frequentists and Cox proportional hazard model which have major drawbacks in predictive distributions. The study suggested that the approach should be modified further to include more informative priors in the case of studies with small sample sizes. The researchers evaluated a model that would be used to determine the loss of unsecured loans. There is need to determine the collection strategies that would be adopted to minimize the risks of unsecured loans, such as the revolving funds.

Kahn and Ward (2008) examined bank collection strategies by paralleling two micro-loan books using different strategies. The study adopted a behavior-based and arrears-based strategy. Two loan books from dissimilar business entities in a large bank that applied behavior-based and arrears-based collection strategies were analyzed. The sample sizes from both loan books were large enough to reflect the wider population and were matched through a rigorous approach to ensure that they were comparable in characteristics. The research was intended to measure variances in costs, cash flows, and collection outcomes based on the different strategies used. the results of the comparison were analyzed using statistical techniques. The study concluded that both collection strategies had no differences in write-off rates and exhibited similar associations between changes in credit risk and actual revenue. However, there were differences in the cash flow margins for the two strategies. The cash flows in behavior-based strategy were higher than those for arrears-based approach. It was evident that borrowers who were asked to repay in small amounts were more likely to pay compared to those who were pressured to reimburse huge amounts. The study recommended the use of behavior-based collections which increases cash flows at an inferior cost while reducing the possibility of a write-off. It was suggested that the current collection strategies ought to be re-evaluated in favor of behavior-based approach that is more effective. Therefore, there is need to assess collection strategies and their impact on repayment performance.

Some of the strategies applied in Ethiopia according to a study on the performance of project rehabilitation and loan recovery by Development Bank of Ethiopia include loan transfer to third parties. Additionally, lending funds to small groups of farmers recorded an optimistic and substantial impact on the rate of credit settlement (Brehanu & Fufa, 2008). This was done with the intention of solving non-performing projects, foreclosed, or written off. However, the success was limited as the study established that banks record that most projects are at default. Funds that have government undertones seem to have limited successful recovery strategies unlike commercial financial institutions, this is supported by a recommendation by Mungai (2009) suggested that the government should strengthen YEDF funds to enable proper and successful follow up and the early detection of defaulters.

The authorized and monitoring outline of revolving fund organizations is founded on the SMEs finance strategy guide which launches the guidelines within which all the monetary organizations, instruments, and market function in any given county. It integrates security laws, insurance, leasing factory, banking as well as the corresponding sectors of secondary guidelines and procedures. The outline sets out a comprehensive authorizing and monitoring basis that has to be successfully imposed to enhance market growth and competition. Nevertheless, this should be while subjecting monetary organizations and representatives to sound and suitable potential rules and regulations of behavior to guard creditors and clients as well as to guarantee a steady market.

Muthoni (2016) studied the institutional characteristics of microcredit default in Kenya and recommended the use of credit reference bureaus (CRB) to expose defaulters at the onset of a loan as well as listing those who have defaulted. This in turn should act as a deterrent to bad loans and reduce information asymmetry during the borrowers vetting process. This recommendation was similar to Gichimu (2013) who studied CRBs loan advancement and recovery of HELB students' loans. This study posited the use of CRBs has improved the loan assessment and loan recovery stages and is crucial in the improvement of the performance of this fund. Recently, these findings have been supported in the Finetech companies where a substantial connection was discovered to exist between the loan performance and adverse listing by CRBs (Kipsang, 2020). This underpins the importance of using CRBs as external resource that improves the performance of the loan thereby necessitating the study of this practice on the revolving funds in Kenya.

Boggs (2019) conducted a study on US student loans and debt levels and what strategies a legislature could do to facilitate loan collection. The collective debt in the US had accumulated to $1.5 trillion. This involves 42% of Americans who borrowed the money to attend college and 30% of those who were financed to obtain degrees. These debt levels raised concern in both the national and state governments, hence, a strategy for loan recovery was set. Some of the strategies are to emphasize the relevance of paying back the loan. Since students with more financial needs are more likely to apply for such loans, need-based grants policies can help reduce the rate of borrowing. The second policy set was to empower state-level data systems by recognizing where problems of affordability of fees arose and developing solutions. Thirdly, creating a student loan bill of rights was prioritized whose role was to advise the borrowers on loan repayment procedures and protect them from con lending institutions. The bill also focused on ensuring that all lending companies obtained proper government licenses and that they lived up to their task. Finally, the state raised awareness of repayment arrangements based on income. The majority of student loans were federal loans that could be paid back with the borrower's salary after graduation. By doing this, debtors could avoid default and often have a part of their debt erased after a certain period of payments. Before taking out loans, prospective students and their families benefited from being aware of these possibilities.

Kathure (2016) examined factors that impact Kenya's Higher Education Loans Board's ability to collect loans. The majority of the students benefit from Helb and the understanding that the debt had to be paid back solely to benefit other needy students was key. The repayment percentage of all debt granted was 60% hence, the default rate was 40%. The study's significance was postulated on finding why there was a high rate of default and thereafter strategizing on how to amend the repayment challenges. The research evaluated whether loan recovery was impacted by graduate job standing, follow-up, governmental policy, and credit features. Because the research concentrated on loan defaults and their causes, the Higher Education Loans Board profited from its results. Both a qualitative and a quantitative research strategy were used in the study. There were 120 members of the HELB personnel there. The study's sample size was 65 HELB workers. The research noted that lenders should levy fair surcharges to control the default risk. In addition, the report recommended that lenders used tradable assets as collateral rather than raising interest rates to cope with the liquidity risk. Loan tenure was found to be an issue that hindered repayment due to the short timeframe allocated to the students and thus, an increase in the tenure would increase repayment performance. Since HELB repayment was based on whether the candidate got a job after employment or not, the creation of more job opportunities by the government for graduates would increase the payment by a huge percentage. According to the research, the chance of poor loan performance increased with the amount of loan allocated. As a result, the number of loan candidates awarded was based on their capacity to repay.

Firestone and Rezende (2016) examined the consistency of lending institution risk parameters involving the syndicated loans and strategies placed to curb repayment default. Since most of the loans are held by many banks, syndicated loans offer a unique chance to examine variations in how banks assess risk. The study investigated variations in banks' assessments of the risk factors that determine the capital requirements regulation for syndicated loans. A discovery of considerable variation in the likelihood of default and loss given default (LGD) attributed by various banks to the identical loans using internal information from nine major U.S. banks. Although there are large differences among banks' PDs, only a small number consistently set their PDs above or below others in a statistically meaningful way. However, there were substantial variations in minimal regulatory capital due to the system, there were quantitative and valuable disparities in various banks' assessments of LGD. Since banks allocate lesser PDs to debts of their own, higher shares further supported the idea that incentives had an impact on risk factors. The results of the research demonstrated that bank credit in nine European nations was procyclical as a result of Basel II and III rules' risk-sensitive standards. Lending in such nations was adversely affected by the implementation of the uncertain capital adequacy regulation. The policy consequence was that regulators should prioritize creating a buffer ahead rather than dampening excessive cyclicality so that it might be utilized in stressful situations. The research discovered that while bigger banks are less likely to incur a significant negative jolt to existing capital, they are more likely to adjust their crediting levels in response to changes in capital requirement regulation under GDP-sensitive rules. Therefore, large financial institutions were found to be better lenders since they have a better mechanism of recuperation than smaller banks.

Kossof (2014) examined China’s non-performing loans on their history, current infrastructure, and the future of bad debt. High non-performing loan (NPL) rates among deposit money banks (DMBs) in various African nations have a history of impeding their ability to execute their traditional roles of mobilizing deposits and generating credit. Using a dynamic panel technique, this study looks at the factors that influence NPLs in eight African nations whereby data on NPLs are accessible for the years 2000 to 2016. All of the variables employed were determined to be incorporated at the order I(1) according to the findings of the root test, and a long-term link between the variables is shown by the Kao and Pedroni integration tests. The fixed random effects models, and the System GMM model, reveal a strong and positive association between NPLs and economic growth ratio, whereas a significant but unfavorable relationship was found between NPLs, inflation, and GDP growth rate. To maintain an efficient flow of loans to the productive sections of the economy and avoid bank failures, the paper advises African banks to be more conservative in handling their loan portfolios, particularly during times of banking sector liberalization and economic expansion. Non-performing loans are not a recent development in the banking industry. When the number of non-performing loans surpasses a certain threshold, it becomes a serious concern. The non-performing loans percentage often reflects both the overall health of the financial system and the reliability of lending activities held by deposit money institutions.

Nyahende (2013) carried out a study whose goal was to govern the achievements of scholars’ debts in funding advanced education in Tanzania. Numerous studies have examined the role of student loans in Tanzania's higher education funding system. Less evidence is available, however, on how to assess the effectiveness of student loans for funding higher education. Therefore, the goal of this research is to investigate the variables that indicate student loans' effectiveness in Tanzanian higher education finance. This study, which used data from a greater cross-section study in Tanzania, instituted that student loans are successful in funding higher education in Tanzania because they increase enrollment in institutions of higher learning. It also found that the Higher Education Students' Loans Board (HELB) is making adequate efforts to recoup loans given to recipients since 1994 and that the standards and guidelines for allocating loans are reasonable. The research suggests that variables other than successful student loan financing affect enrollment decisions. These aspects include political issues, economic considerations, family influences, and school effects. Therefore, these aspects must also be taken into account for a better understanding of Tanzania's effective student loan funding. The HESLB is advised to implement comprehensive economic management, as well as setting appropriate interest rates to encompass rising prices to preserve the asset worth of both the bank loan and wrapping managerial costs, and the existence of an adequate legal system to safeguard that students' loans are enforceable at law to mitigate default from loan recipients. This will improve repayment of already issued student loans since 1994. The effectiveness of the rules and requirements could be increased, for example, by adding economic criteria to assess the financial capacity of loan applicants, such as the provision of collateral security.

Okuni (2021) conducted a study to investigate the causes of non-performing loans and identify possible solutions that would improve loan performance in Real People Financial Services Uganda (RPFSU). The research employed a vivid survey methodology and obtained its data using questionnaires directed to approval administrators, general executives, customer services employees, collection managers, relationship executives, and the financial department. Data for the study was then analyzed using summary statistics. Results of the study established that there existed several factors which led to increased rates of loan violations. According to the findings, such factors included lack of violent credit collection strategies, unlikely customer ventures, and disunion of loan finances. Further, the study discovered that clients failed to repay their due debts since RPFSU did not pressure them nor take any legal action against those who completely evaded their loans. Conferring to the research discoveries, Uganda recorded a high number of commercial banks and other financial institutions being closed down following negligence of credit resources which disintegrated into non-performance loans and write-off loans. Therefore, the study suggested that RPFSU had to initiate solid loan collection practices such as ensuring that clients were constantly reminded of their loan due dates and introduction of penalties for due loans. The research also recommended other measures, including customization of credits to customers, active credit monitoring and clear recovery strategies for bad loan assets. However, the investigators suggested another research that would look into loan collection strategies employed by other financial institutions in other countries.

Yu and Liu (2015) researched Default Risk Management Strategies of Student Loans Based on the Evolutionary Game from the Behavior Perspective of Higher Education Institutions and Banks. The study employed a vivid research methodology and collected study data using questionnaires, which were distributed to different administrators from higher education. However, the study discovered that such strategies did not include incurring loan interests, favoring students more than the foundations and banks in the risk administration of federal student loans. The study's results established that higher education organizations had implemented loan collection methods that reduced the risks of loan evasion. According to research, the higher education sector collaborated with employers to ensure that graduates did not evade loan payments. Employers were provided with student loan records by which the amounts were deducted from their wages as agreed by the employers and the loan providers. Therefore, the study recommended that banks were to be allowed to increase their interest on student loans, with graduates who had higher default rates charged the highest rates. Further, the study suggested that banks had to employ legal actions to collect loans from students who took longer to repay their loans. According to the investigators, acting according to the law would ease loan collection process, thus, refining the evasion risk management of national student credits. However, the researchers were not satisfied with the data collection method used. Hence, they suggested another study conducting interviews with higher education and bank officials to acquire more accurate data.

Seudib et al., (2020) conducted a study on extenuating loans non-performance, best practice perspective of banks in Bono East of Ghana. The research aimed to establish credit management and loan collection strategies of various financial organizations within the Bono east region of Ghana. To achieve the objectives, the study had to investigate how credit evaluations were carried out, monitored, and collected. An expressive research methodology was adopted, and interviews were carried out to obtain data from employees of different banks. Following the study results, it was established that there existed appropriate approaches which were applied in collecting arrears from loan clients. According to the research, such strategies included the development of clear payment guidelines for debtors and issuing printed notices to credit customers. Conferring to the researchers, when clients received constant reminders on the payment rules and deadlines, they most likely paid off their debts on time. Also, the study findings established that banks used the collaterals presented by loan clients to cover the debts when customers defaulted on their loans. It was further noted that most loan clients did not present security during loan applications, which made it hard for banks to recover the debts. Therefore, the study recommended that financial institutions' management had to implement loan risk management strategies that would eliminate the approval of loans that recorded high chances of evasion and also ensure that loan clients presented security before accessing the loans. According to the study, such implementations would make the loan collection process more manageable, reducing the risks of default credits. Since this study only focused their research on Banks in Bono East of Ghana, there was a need to carry out a similar study with other banks that would cross-check the establishments of this study.

Research by Sheehan (2011) studied practical solutions for non-performing loans. The study focused more on debt collection strategies applied by various financial organizations. To successfully carry out the investigation, the study interviewed loan officers from the loan collection departments of various institutions. The study's results established that verbal persuasion was among the most used approaches. According to the research, most monetary organizations offered training to their loan officers and other employees on persuasion skills. The study also revealed that loan lenders had to show interest in understanding the debtors' situations instead of using power to force the clients to settle debts without giving them time to give explanations. Such an approach contributed to high rates of recovered debts. Also, Loan recovery managers implemented a method where they carried out Hidden Assets in Reserve (HAIR) after loan lenders discovered that many clients had started to transfer assets to other persons as a way of preventing banks from recovering them in case of loan evasion. Therefore, the study recommended that there was a need for monetary institutions to device debt collection strategies which ensured maximum collection credits as soon as due dates approached. The investigators also suggested the need for another study that would use other data collection methods to increase the outcomes' precision.

A study by Thomas et al., (2007) examined the modeling LGD for unsecured personal loans to establish the factors that contributed to loan default and recommend proper collection strategies that would reduce credit default rates. The study established that loan evasion mainly resulted when either loan clients or loan officers failed to meet their financial responsibilities (Frye 2004). According to the study, loss given default (LGD) was the amount of exposure lost following loan evasion. Regarding unpaid loans which were not yet evaded, LGD was just an arbitrary variable. The study's results discovered that most financial organizations had a collection department equipped with all appropriate tools used in the loan collection process. Conferring to the study establishments, the debt collection department applied several strategies which ensured that debts were successfully collected. Such measures included contacting loan clients by mobile or letter to plan for immediate loan repayments. Additionally, the researchers discovered that other financial institutions collected loans from clients using credit agents, in-house collection, or selling off the debts. Lenders sent credit agents to negotiate debt payments with loan customers and would report back with the agreed payment terms. On the other hand, lenders would visit their clients in their houses to collect their loans and set up a payment date for clients who could not pay their debts instantly. However, the study suggested that monetary organizations had to implement a strategy that would aid in untying loan collection strategies from defaulters' will and capabilities to repay the debt. Since the study did not address why monetary organizations preferred one collection method to the others, another research was necessary to investigate the considerations made in using either in-house collection, credit recovery agents, or selling off of loans.

Engede (2015) researched on strategies used by Higher Education Loans Board (HELB) in loan recovery from beneficiaries in Kenya. The aim of the study is to establish the specific recovery strategies used by HELB to recover loans from their beneficiaries. The study adopted a case study design. The target population were the departmental heads employed in the seven HELB departments. Population sampling was done using purposive sapling method to select interviewees and to select the area of study. Data was collected through interviews and found that loan tracking control system, consistent contacting, early warning system and follow up methods were used in debt recovery. These strategies enable the HELB organization to retrieve most debts which enable them to fund other students. However, the study noted challenges that lead to default. Low paying jobs, unemployment of the beneficiaries, and brain drain are some of the challenges faced by the organization during loan recovery. The study recommends that more recovery strategies should be put in place to collect debts from graduates working in diaspora, self-employed or working in the Jua Kali sector. The immigration sector can be used to enforce laws to graduates working in the diaspora to pay their HELB loans. Graduates working in the jua kali sector and those running their own businesses can be pursued to repay the loans. There is a study gap on ways to identify graduates with their own businesses and those employed in jua kali and how to help unemployed graduates get jobs to enable them to pay their debts.

Research conducted by Wandera (2017) sought to establish the factors influencing the performance of loan collection by commercial banks through outsourcing of non-performing loans to private firms. A descriptive research design was used in the study. Random sampling was used to select the sample size where 48 respondents from Barclays Bank were selected and 11 respondents from Quest Holdings Limited. Primary data was collected using questionnaires and conducting interviews. Data was analyzed by used of SPSS and Microsoft excel into tabulations, percentages, means and other measures of central tendency. The study concludes that the success of loan collection in private collection companies is associated with adequate training before being assigned to work. The loan collectors gained experience overtime, therefore the research advices to keep and sustain the in the company because in improves the overall finance performance. Private collection firms have better access to information of borrowers than bank collection departments thus have better collection strategies from lost clients' contacts. It is recommended in this research that banks should hire private collection companies due to its well experienced and trained officers and their access to improved technologies.

Mburu et al., (2020) conducted a study on credit management practices and loan performance. The objective of the research was to evaluate the effect of credit management practices on loan performance of commercial banks in Kenya. The researchers examined the effect of client appraisal strategies, loan collection policies and lending policies on loan performance of Kenyan commercial banks. The study adopted 5Cs Model, explanatory research design and research philosophy for loan collection analysis. Census approach was adopted to select the sample size of 44 commercial banks. The study utilized structured questionnaires to collect primary data and reviewed bank loan records to provide secondary data. The researchers used descriptive and inferential statistics through SPSS Version 22 for data analysis. The study's findings revealed that there was a positive significant effect between loan collection policies and lending policies on loan performance, however, there was no significant effect between client appraisal and loan performance of Kenyan commercial banks. Credit management policies adopted in an institution largely influence its loan performance. Therefore, Kenyan commercial banks need to constantly review and upgrade loan collection policies, lending policies and client appraisal policies so as to potentially identify and reduce credit risk factors in the institution. This will help the institution to keep up with the emerging technologies, reduce the rate of non-performing loans and adopt credit- risk management practices that will improve its profitability.

Danstun and Harun (2019) sought to establish the effect of credit collection policy on portfolio at risk of microfinance institutions in Tanzania. This study adopted a cross-sectional survey design. Sample size of 219 respondents was selected through random sampling from three regions in Tanzania. The research adopted linear regression model for data analysis. The research results revealed that there a significant positive relationship between loan interest rates and portfolio at risk of microfinance institutions, however, there is a negative relationship between increment in repayment time and loan sizes with portfolio at risk of microfinance firms. To ensure sustainability of loan portfolios this paper recommends that interest rates need to be reconsidered. The microfinance firms in Tanzania need to consider improving on the extension period of loan repayments and loan size that effectively cater for the clients' needs. This in turn encourages and improves the clients' ability to repay the loans and positively influences the firm's financial performance and decrease its risk of portfolio.

Dai et al., (2022) experimented on digital footprints as collateral for debt collection. Data was collected from personal loans from Fintech lender in China. The study uses a study case design to investigate the borrowers' information on digital footprint or social networks before making follow ups. A sample size of 236, 967 personal loan applications is used for data analysis. The research adopted a descriptive statistics analysis approach to carry out comparison between variables. The researchers use a difference-in-difference approach to match borrowers, those with and those that have no digital footprints, to form matched samples. Propensity score matching approach reveal that loan characteristics and borrower characteristics influence loan collection process. The research found out that there is increased repayment with collection calls to borrowers with digital footprints than borrowers without digital footprints. There is a positive significant relationship between the use of borrowers' digital footprint with debt collection.

The information found in fintech lender on borrowers' digital footprints device has a potential to improve the clients' repayment ability by 26.5% delinquent loans. The researchers conclude that lenders can use information contained in borrowers' digital footprints to reinforce loan collection for clients who fail to repay their loans. The borrowers' digital footprint provides information on borrowers' social capital and their physical locations. The paper recommends that use of borrowers' digital footprint as an enforcement method can aid in collection of delinquent loans and thus, enhance financial performance of the firms.

2.5.5 Effect of Borrower Characteristics and Repayment Performance of Revolving Funds

Borrower attributes such as level of education, gender and age were analyzed to determine their impact on loan repayment (Eze & Ibekwwe, 2007). This study posited that higher education and young age are positively related to high loan repayment performance. The study made these conclusions because the data analyzed showed that young people were more likely to innovate, while higher education ensured better utilization of borrowed funds. Moreover, educated borrowers pay better while female borrowers have a higher repayment performance because the women are culturally inclined to pay unlike their male counterparts. Million et al. (2012) in their investigation regarding factors contributing to credit settlement performance, established that education was an essential element in loan settlement. It was easier for an educated client to employ contemporary technologies, execute agricultural practices following cropping calendar, and administer resources accordingly. According to the study, such elements enhanced production, hence leading to improved loan repayment.

Ren (2001) conducted a study on the systematic evaluation of Chinese microfinance institutions, which had quickly expanded since 1994, modeled on the Grameen model, and involved an unusual large-scale government effort, by analyzing household survey results from three microfinance program locations. They evaluated the empirical arguments supporting effective microfinance initiatives that targeted the underserved, operated well financially, and provided positive program outcomes (impact). Governmental initiatives scored badly in all three categories, in contrast to nonprofit ones. Ren proposed more flexibility in credit contract conditions, particularly payback timelines, given the distant location and emphasis on farming activities in China's underdeveloped regions.

Bhandari (2022) examined how the planet was threatened by poverty. Poverty could put the rest of the globe in peril when it evolved to a severe form anywhere in the world. It was found to be the main cause of crime and the most severe kind of violence. Through tiny income-generating ventures, microfinance was created to aid marginalized and underprivileged individuals and end poverty. The borrowers needed funds to fulfill their dreams, even if it was only a modest amount, and microfinance became crucial in the situation. Small company owners that used microfinance could get the supplies they needed to launch their enterprise. Through microfinance initiatives, services, and regulations, both regional governments and international organizations worked to end poverty. With this idea, Bangladesh has served as the main host country for microfinancing. In Bangladesh, Grameen Bank (GB) helped a lot of individuals who were living in poverty. However, the effectiveness of microfinance was still up for debate in research. When microfinance was utilized appropriately and repaid to the lender within the agreed-upon timeframe and amount, it could significantly reduce poverty. Without loan default, the integrity of the whole system was in doubt. Using binomial logistic regression, the survey identified the variables influencing loan default among GB borrowers. The findings demonstrated that some elements were critical for loan default and needed to be taken into consideration before lending.

Abebe (2012) conducted a study in Ethiopia's Oromia Regional State where the Busa Gonofa Microfinance Institute (BG MFI) was involved in development efforts. BG primarily offered lending services to the underprivileged in rural and urban areas, young people without access to land, smallholder farmers, and low-income individuals who were able to engage in income-generating enterprises. The company had two goals: maximizing return on investment and helping its target customers become more prosperous. This study's goal was to analyze and pinpoint the socioeconomic variables influencing how well Busa Gonofa Microfinance's Ziway branch customers repay their loans. Data were principally gathered via structured interviews from 118 randomly chosen customers (49 defaulters and 69 non-defaulters) to accomplish this goal. Additionally, secondary data were acquired from the BG MFI record. Descriptive statistics, such as mean, frequency, and percentages, were utilized to analyze the data and characterize the socioeconomic traits of the debtors. The socio-economic characteristics that affect loan repayment were also examined using a binary logistic regression approach. The regression included some sixteen independent variables. Eight of these factors were determined to be very relevant to the likelihood of default. Family size, revenue from other sources, ownership of livestock, length of membership, loan diversion, loan oversight and surveillance, loan use education, and participation in social rites are some of these factors. Loan diversions, family size, and participation in social rituals all had a substantial negative impact on loan payback rate, but the other five significant factors all had a significant favorable impact. Therefore, taking into account these aspects was essential since they provided the information that would help the researchers take actionable steps to improve the repayment of loans in the study region. Additionally, it would provide lenders and decision-makers guidance on how and where to focus their energies to reduce loan defaults.

John (2013) research evaluated the variables influencing the microcredit repayment performance in Dar es Salaam, Tanzania. For the majority of smallholder credit programs, loan repayment has proven to be a substantial issue. Most microcredit programs had issues with loan recovery, which were related to some circumstances, including natural disasters. Observational research was conducted at the Tujijenge Tanzania Limited, an MFI in the Kijitonyama-Makumbusho district of Dar es Salaam. The analysis of variables influencing the microfinance sector's repayment performance in Dar es Salaam, Tanzania, was the overall goal. 100 randomly chosen respondents were given structured questionnaires to complete during both casual and formal interviews. Simple Excel tables, graphs, and regression analyses were used to evaluate the data and identify the variables influencing Tanzania's repayment performance. According to the study's results, 68.9% of the variables influencing loan payback were connected to the degree of family yearly income, education, labor force size, assets, and loan amount taken out. The majority of borrowers were women, according to the research, and 64 of the respondents believed that a 4-percent-per-month or 48-per-annum interest rate was reasonable. The research found that the quantity of the client's loan, the makeup of the family, the size of the workforce, the degree of education, and the yearly income of the household had favorable effects on loan repayment performance. Therefore, the value of household assets harmed loan repayment. The research recommended: (a) interest rates be cut; (b) loan officers and customers both get business education; and (c) the government, along with the Bank of Tanzania, evaluate the financial policy that allowed micro investors to obtain loans.

Bayat (2014) studied the small-scale enterprises (SSEs) in Nairobi's Kariobangi Division, one of Kenya's most vibrant informal business hubs. His research sought to determine the key factors influencing loan payback in SSEs. Data were mostly gathered through questionnaires from 50 randomly chosen respondents to accomplish this goal. Data on the socioeconomic traits of the borrowers were examined using descriptive statistics. The research discovered a favorable association between personal traits including educational status, family size, loan amount requested, and company experience of the participants with loan payback. Loan repayment was inversely correlated with age, interest rate, and gender change.

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Bwalya and Njangiru (2020) researched on utilization of technology and sustainability of the youth development fund in the Copperbelt and Lusaka province in Zambia. The study's main objective was to establish whether the level of education influenced the sustainability of Youth Enterprise Development Funded Projects and loan repayment. A survey methodology was adopted for this research, and data were obtained from interviews with youths who were part of the projects. From the study verdicts, it was established that Youth Enterprise Development Fund highly benefited youths from Zambia and that the level of education of the fund's beneficiaries influenced their credit repayment. According to the study results, youths who had achieved high levels of education were more innovative and able to establish more profitable and lasting projects. Thus, such projects would record high returns within a short period, enabling the owners to repay the loans within the given period. Nevertheless, the study recommended that youth development administrators hold frequent conferences and training for their loan customers, which would help address the skills divergence with the labor market. However, the investigators also recommended another research examining the subordinate impacts of organizations already using the youth enterprise development fund.

Gicheru (2014) studied determinants of loan repayment among the women enterprise fund borrowers in Murang'a county. The investigation adopted a research methodology, and the data was obtained using questionnaires. The research findings indicated that specific borrowers' characteristics influenced loan repayment and default. According to the study, such elements included the level of education, marital status, and family size of the debtor. The results further established that borrowers who had attained the highest levels of education were in a better position to repay their loans on time since they could quickly secure permanent employment or use their skills to establish income-generating projects. Elsewhere, married women from Murang'a county were more likely to repay their credits since it was possible to ask for financial favors from their husbands. Further, the study results revealed that women with small families were better off paying their debts since they did not have many responsibilities in providing for their children. However, the research established that women's enterprise funds in Murang'a granted very minimal funds to borrowers. Therefore, the study recommended that the organizations had to increase the loan limits they granted to women clients. Further, the study suggested that supplementary research had to be conducted to investigate the factors considered in giving credit to women.

Elliehausen et al., (2007) studied the effect of credit counseling on subsequent borrowers. The research obtained its data through questionnaires that targeted individual counseled and uncounseled debtors, then compared the results. According to the research findings, counseling was positively connected with the change in loan repayment. According to the study, clients who accessed counseling improved their credit records by ensuring early repayment of their loans. The investigation also revealed that client counseling enlightened them on the importance of honoring debts and keeping a clean credit record. Since the researchers discovered that credit counselors mostly provided debt consolidation guidance to borrowers, the study suggested that more strategic approaches had to be adopted that would increase the debtor's loan profile. Such policies would include moving credit card balances into a home equity loan. However, the researchers recommended another study that would look into other factors contributing to borrowers' credit profiles, such as age and level of education.

Charles and Mori (2017) studied the loan repayment performance of clients of informal lending organizations. The investigation aimed to establish how the borrowing records of clients affected their loan repayments. An expressive research methodology was employed, and the data was obtained using questionnaires. The study results established that characteristics of borrowers, such as credit history, affected their loan repayment. Despite discovering that most customers had multiple debts, the study determined that customers who were frequently granted loans were in an excellent position to repay them on time. According to the investigation, recurrent lending contributed to establishing a solid relationship between the lender and client and helped build trust. However, the study recommended that financial organizations consider terminating lending services with clients who were not trustful and recorded loan defaults. Since this research only obtained data from a sample of individuals, it suggested another study that would use a more precise data collection method to target more people.

Chong et al., (2010) investigated the demographic factors and repayment performance of Kuching's non-bank financial institutions (NBFI) customers. The study aimed to establish whether demographic factors influenced loan repayment of the NBFIs in Kuching, Sawarak. The study obtained its data through questionnaires from the existing credit customers. Results of the study established that the business owner's distance from the creditor's office affected the debtor's credit repayment. According to the study establishments, the closer the lender’s office, the higher the possibility of defaulters repaying their credits. The study further revealed that when the lender was closer to the loan client, it was easier for the creditor to monitor the borrower's corporate which contributed to the debtors paying their loans on time. Therefore, the study concluded that a unit rise in distance increased the probabilities of a debtor evading their loans. However, the study recommended that NBFIs consider debates with trustworthy debtors that would inspire loan customers to repay their credits on time, reducing their attitude of running away from repaying their loans. The study further recommended another study that would investigate other factors which affected loan repayment, such as the total income sales of the borrower.

Davis et al., (2019) evaluated the borrower’s characteristics on repayment performance. The study assessed 150 items involving structured, critical analysis to determine their methodological strengths and weaknesses. The main objective of this study is to analyze the customer borrowing behavior and how these behaviors significantly influence the ability to repay the loans. The researchers utilized quantitative and qualitative research methods using rapid evidence assessments which is an approach to the systematic review. To review contextual information, the study assessed several factors that include: socio-economic factors, psychological factors, financial literacy, and individual-level factors. Each factor has a significant influence on the repayment ability of the clients. The researchers established that there was an evidence of poor repayment performance against poor borrowing. However, the research came up with mitigation factors of poor borrowing behavior. They concluded that, the type of and level of assets that a client has, income sources and how the income is spent, financial literacy, influence by eternal forces such as credit market and personal discipline on borrowed (using loan for the intended purpose only), improve the repayment performance of revolving funds.

Gebremedhin (2008) sought to establish the impact of revolving credit fund in Northern Ethiopia. The World Bank delivers revolving credit funds to the poor farmers through government institutions and cooperatives. The study collected both primary and secondary data from 20 members and 60 non-members of a multipurpose cooperative, and from relevant institutions respectively. The research utilized descriptive statistics during data analysis, using frequency distribution. The derived percentages were used to evaluate the institution and the socio-economic factors of the farmers. T and Chi-square tests were used in the research to test the correlation between dependent variables and explanatory variables of the research. The researchers employed multiple and logistic regression model to analyze factors influencing average annual income of credit beneficiaries and their repayment performance. Empirical model was used to test statistical significance of different explanatory variables. The research findings showed that 54 percent of the sample used the loan on the intended purpose, and this resulted to 80 percent of non-loan defaulters. The study concluded that variables such as age, off farm income and extension services greatly affected the customer's loan repayment performance.

A study conducted by Wachilonga (2018) sought to find the effect of finance determinants on loan repayment performance of Youth Enterprise Development Fund Board beneficiaries in Trans-Nzoia County. A descriptive survey research design was used to examine a sample size of 438 respondents. Primary data was collected using pre-structured questionnaires administered to the respondents by trained research personnel. The data was summarized using descriptive statistics. To examine the relationship between the types of payers and financial performance, Chi-Square, cross tabulation, and analysis of variance was used in the research. However, due to multiple outcomes resulting from dependent variables, the researcher used multinomial logistic regression model. The key research results of the study showed that there was significant difference between the three categories of payers at ($p<0.05$) level with financial literacy, portfolio characteristics scores, cost of funds scores and risk tolerance scores. Alternatively, it was noted that there was no significant difference between the three types of payers with portfolio diversification and their loan management strategies. This research recommended frequent reviewing of financial products and minimizing the cost of accessing loans to improve the repayment performance and to increase revolving funds.

Njangiru et al., (2014) conducted a study on the effect of borrower characteristics to government funded micro-credit initiatives in Murang'a County. The objective of the research was to evaluate loan repayment and sustainability concerns of government micro-credit institutions in Murang'a County. The researcher examined the effect of borrower characteristics on micro-credit repayment performance. Data collection was done using questionnaire and scheduled interview on a sample size of 307 groups.

Clustering and simple random sampling was used to select the sample size. Descriptive survey design was used to analyze descriptive data by use of charts and tables in this study. Logit regression model, Chi-square and analysis of variance were used to analyze qualitative data. The research findings revealed that there was a statistically significant result. Irregular income streams resulted to issues of high risk and high interests and uncertainty of repayment. The researcher recommended that micro-credit institutions in Murang'a County should develop systems that promote regular income flows and expenditure of loans to avoid uncertainty and improve repayment performance.

Ssekiziyivu and Nabeeta (n.d) researched on borrowers' characteristics, credit terms and loan repayment among clients of MFI's. The aim of the study was to evaluate the relationship between borrowers' characteristics, credit terms and loan repayment performance among clients of MFI's in Luwero District, Kampala. Sampling was done using simple random sampling to obtain the sample size where 266 respondents were selected from 24 SACCOs. The research was conducted using a cross sectional research design, which utilized descriptive, correlation, factor analysis and regression approaches. Package for social science (SPSS) was used to analyze the collected data. The research findings shown a significant correlation between credit terms and loan repayment but there was insignificant correlation between borrowers' characteristics and loan repayment. The implication of the study is that evaluation of borrowing decision before obtaining the loan helps the borrowers to use the loan effectively and therefore improve the repayment performance. The research recommended routine monitoring and group screening by lenders to trigger desired financial behavior of clients during and after loan disbursement to customers to reduce chances of defaulting, cancellation, and penalties that have a negative effect on loan returns.

Ssekiziyivu et al., (2017) investigated the influence of borrower's characteristics and credit terms on the repayment performance of Microfinance institutions in the rural areas of Uganda. The research work employed a cross sectional and correlational research design. A trial size of 73 microfinance institutions was selected via simple random sampling technique. Data was collected through questionnaire surveys of the sampled MFIs. Ordinary least squares multiple regression model was applied in investigating the effects of borrower characteristics on repayment performance. The study established that borrowers' characteristics, such as age have no noteworthy association with payment performance of loans. Parameters, such as readiness and timeliness to repay and easiness in payment revealed borrower characteristics do not influence repayment performance. The study suggested that SACCOs or MFIs should not rely much on borrower characteristics such as age, marital status, income levels, and assets possessed when issuing loans to rural applicants. The study recommended further studies to be carried out on the effect of borrowers' characteristics using a large sample size and longitudinal research design to determine behavioral changes over time. There is a need to determine the association that exists between characteristics of loanees and repayment performance to add on the existing knowledge.

Mungai (2009) analyzed loan repayment and sustainability issues of government's revolving funds in Murang'a County. A positivist research philosophy and cross sectional descriptive survey design were adopted for the work. The researcher used simple random sampling technique to determine a sample of 307 participants who comprised 16 constituency credit officers and 291 youth and women groups. Structured questionnaires with open and close ended questions and interview schedules were used to collect data.

Tables and figures were adopted to summarize descriptive data. The research work established that there existed a substantial connection between borrower characteristics and the sustainability of government revolving funds. High illiteracy levels, loan diversion, and spouse influence were established to have an insignificant impact on the sustainability of government revolving funds as most groups viewed the funds as grants and failed to pay. The study recommended that spouses should be invited to sign for loans and confirm the collateral given for acquiring loans to minimize loan diversion and cheating. Additionally, an awareness campaign on the revolving funds should be conducted to improve sustainability and loan repayment. The current study will evaluate the influence of borrower characteristics on repaying loans to compare with the findings of this study.

Mungai et al. (2015) analyzed the impact of technology on the sustainability of government revolving funds in Murang'a County, Kenya. The researchers adopted a positivism research philosophy in this work. Simple random sampling technique was adopted to choose a sample of 307 respondents including 16 constituency loan officers and 291 groups. Data was collected through interview schedules and questionnaires. Descriptive statistics were summarized using tables and figures while data was evaluated using correlation and regression analysis. The researchers concluded that technology did not influence the repayment and sustainability of loans. Lack of training and technological knowledge, such as utilization of smart cards and biometrics affected loan repayment and sustainability of the revolving funds. Also, irregular income streams and uncertainty of repayment capacity by the rural borrowers affected loan repayment. The study recommended strengthening of management systems to facilitate updated loan repayment statements, ensure follow-up of loanees, and act early in case of defaults.

Therefore, since the study examined the impact of technology on the sustainability of revolving funds, there is need to study the effects of borrower's characteristics on the repayment performance of revolving funds.

Mungai and Sma (2017) examined the effects of socio-economic functions of micro-credit groups to the sustainability of government revolving funds in Murang'a County, Kenya. A cross sectional survey research design and a positivism philosophy was adopted by the researchers. A logit model was adopted to survey the sustainability of government revolving funds. The researchers adopted a simple random sampling technique to select a sample of 307 participants including 16 constituency loan officers and 291 groups. Data was collected through structured questionnaires and interview schedules. The study applied a bivariate and content analysis to describe and illustrate data. Descriptive statistics were used for data analysis while tables and figures summarized data. The research work concluded that socio-economic functions, including age, education, marital status, earnings, size of land, and economic activities had a significant relationship to the sustainability of government's revolving funds. The study recommended for the empowerment of youths and women by providing jobs without many restrictions and removal of exploitative tariffs by the county governments. Based on this study's findings, there is need to determine the relationship between borrower's characteristics and repayment performance of revolving funds.

Oyare (2006) conducted a case study of Youth Enterprise Development Fund to evaluate the factors that affected loan repayment performance by Kenyan youths. The study employed a probity model to conduct a regression analysis and determine the factors that influenced loan repayment performance. Secondary data was obtained from client files in financial institutions. Descriptive statistics, such as mean, standard deviation, minimum, and maximum were adopted for data analysis. The researcher established that males had a high repayment rate compared to females, hence a positive association existed between gender and loan repayment performance. Additionally, loan amount, training and follow-up, and business stage during funding positively affects loan repayment performance. However, age, loan type, and nature of business invested did not substantially impact the repayment performance of loans. The study recommended that financial institutions should be assessed effectively so that they provide business training and follow-up programs for funded investments. The study recommended further research using primary data to determine the factors affecting repayment performance which this study will evaluate.

2.6 Summary of Literature Review on Revolving Funds Repayment Performance.

Onyeagocha et al., (2012) in their research on factors influencing credit repayment performance in Southeast State of Nigeria, assumed that credit size had an adverse connection with settlement rate. The research established that the higher the size of the credit to customers, the higher the settlement rate. These circumstances seemed to be highly questionable since the total amount to be refunded was quite higher and if the credit was from development growth-oriented organizations with backed interest rate and lower chance of recurrent credits, the pressure or inclination of such customers would be to delay settling their loans. The researchers further claimed that the higher the credit size, the lower was the settlement rate for the customers. Still, the study discoveries highly differed from this supposition, specifying that the higher the size of the credit to customers, the higher the credit settlement rate. This also seemed to be highly unlikely since the sum to be paid back was bigger and if the credit was from a growth-oriented organization with subsidized interest rate and low chance of recurrent loans, the pressure or inclination of such customers would be to adjourn their credit repayment.

Amenya et al., (2011) in their study on challenges facing YEDF in Nyaribari Chache Constituency in Kenya, discovered that most young people do not have sufficient knowledge on how to access the YEDF. Additionally, most schemes were poorly administered, leading to low settlement rates. Maina (2012) also established that elevation of entrepreneurship among young individuals for self-employment in Ongata Rongai is disrupted by loan remoteness and unattainability following low settlement rates by already sponsored groups. Sangwe et al., (2011) in their research on level of readiness to start businesses among youth and women entrepreneurs in Nairobi, established that entrepreneurial preparedness among the entrepreneurs who benefitted from both women and youth fund was still low. Furthermore, 48% of the respondents had less than 50 % chances of business accomplishment due to low marketing skills, and therefore, affecting credit settlement rates.

Nganga (2010) in a study on analysis of factors influencing implementation of YEDF in Westlands Constituency in Kenya, proclaimed that government exertions were insufficient in handling the problems faced by the youth. According to the investigation, insufficient marketing skills recorded a negative impact on credit settlement and hence, success of the fund. Therefore, the research concluded that financial administration, business planning and efficient entrepreneurial skills were the key elements to a successful project performance.

Mugira (2012) in an investigation regarding factors affecting repayment of the YEDF in Kasarani Constituency in Kenya, discovered that very small loan amounts were allocated the youth, which was not enough for them to establish any income project, hence failure to service their loans which led to low credit settlement rates The study further established that it took a long time for loans to be distributed. Correspondingly, Odera et al., (2013), in a study on effect of YEDF on youth enterprises in Siaya County, established that low loan settlement was associated with poor incomes, the longtime projects took to mature and lack of continuity in the groups, therefore, project failure.

To improve their financial status and performance, revolving funds in Kenya could strive to reduce loan losses and administrative costs. Revolving funds do not need touchable security, monetary or material possessions since they are classified as a non-traditional source of funding. Loans are obtained from money derived from revolving funds. Credits are made to loan clients depending on average practical loaning practices. As credits are repaid by the debtors, the money is returned to the revolving fund to create more loans. Governments worldwide have approved that the policy of offering loans to poor businesspersons is the most efficient way of dealing with poverty. Revolving fund credits are made to high-risk loan customers at concessionary standings. Revolving funds frequently control their investment through joint loaning with private creditors. Debtors acquire education in market operations and growth.

2.7 Research Gap

Sungunya (2018) studied the effect of credit risk management strategies on WEF loan performance in Nakuru, specifically the appraisal procedure, recovery procedures, savings and interest' rates. The study established that there exists a constructive connection between interest rates and investments, while the other elements record a trivial relation. Though, Mungai (2015) speculated that there is a connection between revolving fund organizations operation practices and the finances sustainability. The study further established a connection between customer characteristics and government revolving funds sustainability in Muranga County. Further, borrower characteristics have given contrasting results from different studies, thereby giving rise to the need for further evaluation.

From the literature review, research conducted on default of revolving funds is due to the lack of effective recovery strategies. Unsuitable client appraisal strategy, loan monitoring strategies, loan recovery implementation strategies, loan collection strategies, and borrower characteristic give rise to incidences of low recovery, high defaults, thus lowering settlement performance of the revolving funds. The above factors affect the repayment performance of the revolving fund. A study on the variables is yet to be done on the revolving funds in Kenya. Hence, this research aims to bridge this gap by identifying the loan recovery strategies that should be integrated to enhance the settlement performance of the revolving fund.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section highlighted the general research methods used in the study. The research methodology described the design, target population, sampling method, sample size, sampling procedure, research instruments and piloting of the study, validity, and reliability of research instruments. Also, it presented data collection procedures, operationalization of variables, data analysis, and the ethical considerations observed in conducting the research.

3.2 Research Design

Research design enables the researcher to allocate limited resources according to priorities to fulfil the objective. Kothari (2004) categorized the parts of a research design as sampling, observation, statistical, and operational. The kind of research design adopted for any study depends on the sample size, target population, nature of data, and purpose for the study. Mugenda and Mugenda (2003) posits that no single design can be mutually exclusive, but it can be combined with others to give maximum outcome.

Blumberg et al., (2011) outlined three types of research designs which include experimental, descriptive, and explanatory research designs. The research work embraced a combined design that included a descriptive and correlation research designs to analyze the connection between recovery strategies and repayment performance of revolving funds in Kenya.

Saunders et al., (2012) argued that descriptive research design defines the characteristics of study parameters of the data collected. The correlation research design was suitable for establishing the association among diverse variables of the recovery strategies on repayment performance of the revolving fund in Kenya. The design was selected since the complete description of the elements being studied minimizes the probability of bias during sampling and data collection and allows the researcher to collect data from a significant population in a reasonable way Cooper and Schindler (2008).

3.3 Target Population

The study was conducted within the 47 counties of Kenya. The target population consisted of WEF and YEDF officers who were in a position to give the necessary information and data pertaining to all the variables for the study.

Table 3.1 Target Population

Target Population	Participants	Percentage
WEF officers	47	14%
YEDF officers	290	86%
Total	**337**	**100%**

3.4 Sample and Sampling Procedure

3.4.1 Sampling Procedure

The study adopted two sampling techniques, namely probability and stratified random sampling. Stratified sampling was adopted because it allows equal representation of each sub element within the target population Iliyasu and Etikan (2021). Furthermore, stratified random sampling enables the researcher to have full control of all elements in the population to ensure they are equally covered and represented in the samples size.

The selected sample size is perceptive and reflects members of the target population who are well-informed about the topic of study and willing to share any relevant information required from them Tongco (2007). As such, stratified sampling adopted aided in identifying the people who provided the information required based on their knowledge, involvement, and experience. The key informants for the study were the women fund officials in the counties and the youth officers in the various constituencies in Kenya.

3.4.2 Sample Size

A sample is as a subset or group comprising members selected from the population. Quinlan (2011) argued that the decision regarding the choice of working with a sample size or an entire population depends on the population size, the time available for the research, and the purpose of the study. In this study, a descriptive sample was selected from fund officials. The study adopted the Krejcie and Morgan formula to identify the sample size. Krejcie and Morgan formula gave a sample size of 181 that was adequate to provide enough accuracy to base decisions on the findings with confidence.

$$S = \frac{X^2 N P (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}$$

Where:

S = required sample size

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

N = the population size

P = the population proportion (assumed to be 0.50 since this would give the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.050)

Source: Krejcie and Morgan, 1970

$$S = \frac{3.841^2 * 337 * 0.5\ (1 - 0.5}{0.05^2\ (337 - 1) + 3.841^2\ 0.5\ (1 - 0.5)}$$

$$S \cong 181$$

As a result, the study used a sample size of 181 respondents distributed across the 47 Counties, which is 4 officers per county.

3.5 Data Collection Instruments

A data collection instrument is a device that is used to obtain information from a selected group about specific research objectives. This study adopted open and closed questionnaires for data collection. A questionnaire is a data collection instrument that designs questions in a formal manner so that they can prompt the desired feedback from participants. Questionnaires are one of the most inexpensive instruments used to gather quantitative data and information from a large audience. The questionnaire was preferred due to its efficiency, affordability, and ease of use in administration. A questionnaire ensures that data is quantified, and thus it can be used to measure change or relate to other research. A questionnaire is more valuable over time since the data collected is quantitative allowing easy analysis.

3.5.2 Validity of Research Instruments

Validity is the significance and accuracy of conclusions made from a study based on the research findings Borg and Gall (2008). One of the ways used to increase the likelihood of validity of results is to conduct a pilot survey. A content validity is conducted by opinions' experts by determining whether the instruments used adequately cover the topic under study and if they can be improved through expert judgement. To ensure validity of the instruments, the content of the questions was structured in alignment with the variables. Data was collected from dependable sources and the researcher ensured that the language used on the questionnaire was simple to shun any form of vagueness and misinterpretation. Additionally, the researcher sought assistance from the supervisors and other experts from the faculty of business studies to improve content validity of the research instrument.

3.5.3 Reliability of Research Instruments

Reliability is the degree of consistency and the extent to which outcomes are free from sampling error or the same results or data when repeatedly administered. The study used two methods to test reliability of instruments: equivalence and internal consistency test. Test of equivalence was conducted by pre-testing questionnaires with a sample of theoretically comparable participants who were not involved in the study. Internal consistency of the research instrument used Cronbach's Alpha which is calculated using the formula below.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

The researcher administered five questionnaires to test the reliability. Cronbach's Alpha Coefficient (2004) was used to determine the reliability of the instrument by describing the relationship between instruments in terms of the content in questionnaires, form of wording sequence, and layout during the pilot and actual study. Zaiontaz (2013) suggested that reliability of 0.7 is enough to predict tests or hypothesize measures of a construct. The study recommended a minimum of 0.7 for explanatory work and a standard reliability of 0.90 for advanced practice to be applied. In this study, a score of 0.7 and above indicated reliability of the instrument.

3.6 Methods of Data Collection

The researchers utilized semi-structured questionnaires as the most appropriate data collection instruments (see Appendix III). The self-administered questionnaires were employed to gather primary data from the participants. The questionnaires were distributed to the respondents, who filled them out, and later collected by the researchers. Additionally, the researchers obtained an introduction letter from Kirinyaga University and a research permit from the National Commission Science, Technology, and Innovation (NACOSTI) to enable them to collect data for the study.

3.7 Tests of Statistical Assumptions

3.7.1 Measure of collinearity

The researchers assessed the presence of multicollinearity among the study variables using two methods: Tolerance and Variance Inflation Factor (VIF). The VIF values were compared to a cutoff value of 10, as suggested by Neter et al. (1996), to determine if multicollinearity exists. According to the rule of thumb proposed by Gujarat and Porter (2010), if the VIF of an independent variable exceeds 10, it indicates collinearity. Based on this criterion, the researchers examined the VIF values of the independent variables to check for collinearity. They also ensured that the tolerance statistic for all variables was above 0.100. This evaluation allowed them to assess the strength of the linear relationship with any of the predictor(s) in the model.

3.8 Operationalization of Variables

Table 3.2: Operationalization of Study Variables

Independent	**Parameters**	**How to Obtain**	**Description**

Variable			
	Amount paid. (Y)	Respondent indicated the amount repaid	Amount in Kshs.
Client appraisal strategy	Number of business assessment visits (X1)	Respondent indicated number of visits before qualification for a loan	Number of visits
	Number of Financial skills trainings done (X2)	Respondent indicated number of hours the training was done before the loan was given	Number of hours
Loan monitoring strategies	Number of monitoring visits (X3)	Respondent indicated how often they make a visit after the loan is given	Number of visits
	Number of Arrears Report (X4)	Respondent indicated arrears report received	Number of reports generated and frequency
Loan recovery implementation strategy	Financial commitment by top management (X5)	Respondent indicated amount allocated	Amount in Kshs.
	Number of employees involved (X6)	Respondent indicated employees engaged in loan collection	Number of employees
	Number of credit risk management	Respondent indicated how often they are	Quarterly, Half yearly

	trainings (X7)	trained	
Loan collection strategies	Third Party services policy (X8)	Respondent indicated whether there is a policy on third party services	If Yes=1, if No=0
	Number of CRBs involved. (X9)	Respondent indicated number of CRBs involved	Number involved
	Number of debt collectors engaged. (X10)	Respondent indicated number of debt collectors engaged	Number involved
Moderating variable Borrower characteristics			
	Age (X11)	Respondent indicated the importance of age on commitment to pay using a Likert scale as follows.7=strongly disagree and 1=strongly agree. If the average score is between 1-4 it is considered important and if it is 5-7, not important	Age=1 if it is important and age =0 if otherwise

	Marital Status (X12)	Respondent indicated the importance of marital status on commitment to pay using a Likert scale as follows.7=strongly disagree and 1=strongly agree. If the average score is 1-4,it is deemed important and if it is 5-7,as unimportant	Marital Status=1 if important, is =0 if otherwise
	Family Size (X13)	Respondent indicated the importance of family size on commitment to pay using a Likert scale as follows.7=strongly disagree,1=strongly agree. If the average score is 1-4, it is considered as important,5-7 as unimportant	Family size =1 if important and = 0 if otherwise

3.9 Methods of Data Analysis

The study utilized both descriptive and inferential statistics, specifically regression and correlation analysis, to analyze the data. Statistical Package for Social Science (SPSS) software was employed for data analysis, as it is a powerful tool for statistical data analysis. Descriptive statistics, such as frequencies, percentages, means, and standard deviation, were used to present the characteristics of the data and provide a summary of the variables under study.For measuring the linear relationship between two variables, the Pearson correlation coefficient was used. This coefficient ranges from -1 to 1, where the sign indicates the direction of the relationship and the absolute value indicates its strength. A higher absolute value suggests a stronger association between the variables.

The significance of the variables and correlations was tested at a significance level of 0.05. If the p-value is less than 0.05, the correlation is considered significant, indicating a linear relationship between the variables. On the other hand, if the p-value is greater than 0.05, the correlation is deemed not significant, indicating no linear relationship between the variables.To assess the relationship between recovery strategies (client appraisal strategies, monitoring strategies, loan recovery implementation strategies, loan collection strategies, and borrower characteristics) and repayment performance, a multiple linear regression model was employed. This model allows for the examination of how these independent variables collectively predict the repayment performance of revolving funds in Kenya.

3.9.1 Model Specification

The correlation model used is shown below;

Corr (x,y)=Cov (x,y)/(stdDev(x).StdDev(y): where

X and y are the independent and dependent variables respectively.

To analyze the effect of independent variables on dependent variable, the following regression model was adopted. The model stipulates that repayment performance is dependent on recovery strategies.

Model 1

$RP = \beta_o + \beta_1 CAS + \beta_2 LMS + \beta_3 LRIS + \beta_4 LCS + \varepsilon i$

Where:

RP = Repayment Performance of the revolving fund

β_o = Constant

B_1, B_2, B_3, B_4 = Regression Coefficient of the independent variables

CAS = Client Appraisal Strategies

LMS = Loan Monitoring Strategies

LRIS = Loan Recovery Implementation Strategies

LCS = Loan Collection Strategies

εi = Error term which is normally distributed with a mean of zero and variance of one

The study aimed to seek the effect of the moderating variable. Kenny (2013) noted that moderation indicates a variables effect to change the reported outcome. In this study, the borrower characteristics was the moderating variable. The model was modified as follows to test the effect of the moderating variable as suggested by Kenny (2013).

Model 2

$RP = \beta_o + \beta_1 CAS + \beta_2 LMS + \beta_3 LRIS + \beta_4 LCS + \beta_5 M + \varepsilon i$

Where:

RP = Repayment Performance

β_o = Constant

B_1, B_2, B_3, B_4, B_5 = Regression Coefficient of the variables

CAS = Client Appraisal Strategies

LMS = Loan monitoring strategies

LRIS = Loan Recovery Implementation Strategies

LCS = Loan Collection Strategies

M = Moderating Variable (Borrower Characteristics)

εi = Error term which is normally distributed with a mean of zero and variance of one.

3.10 Ethical considerations

The study addressed the ethical issues that would arise by ensuring high confidentiality levels of the collected information. The demographic information gathered was classified as general data and only used for the purpose of this study. The study avoided plagiarism and faulty data to ensure integrity of the data gathering procedures. The researcher acknowledged and cited all sources of information. The respondent's permission to participate in the study was sought to ensure information is given without coercion. The researcher sought approval from Kirinyaga University Board of Postgraduate Studies and Ethics Committee and later seek a research permit from the National Council for Science and Technology (NACOSTI) before proceeding with the data collection and analysis.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter consists of data analysis, presentation, and interpretation of the research findings. Data analysis captures both descriptive and inferential statistics. Data is presented in tables and appropriate interpretation in relation to the variables under study is given.

4.2 The Response Rate

In the study, a sample population of 181 was examined from a target population of 337. A total of 181 respondents filled and returned the questionnaires. They included the 134 Youth Officers from various constituencies and 47 Women Enterprise Fund Officers in the county level. The response rate was 54.896 % of the total population. Mugenda and Mugenda (2003) and Saunders et al., (2007) argued that a response rate of 50% and above is sufficient for a study and therefore response rate 54.896% for this study was fair.

4.3 The Characteristics of the Respondents

4.3 .1 Demographic Information

Demographic information was collected and results are shown in the Table 4.1 below.

Table 4.1: Designation

	Designation	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	youth officer	134	73.2	74	74
	WEF officer	47	25.7	26	100
	Total	181	98.9	100	

Total	**183**	**100**

The results in Table 4.1 indicates that majority of the respondents 74% were the Youth Officers and 26% were Women Enterprise Fund Officers.

Table 4.2: Respondents Experience

	Years worked	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	4	2.2	2.2	2.2
	3	22	12	12.2	14.4
	4	36	19.7	19.9	34.3
	5	23	12.6	12.7	47
	6	21	11.5	11.6	58.6
	7	35	19.1	19.3	77.9
	8	9	4.9	5	82.9
	9	4	2.2	2.2	85.1
	10	10	5.5	5.5	90.6
	11	4	2.2	2.2	92.8
	12	3	1.6	1.7	94.5
	14	9	4.9	5	99.4
	20	1	0.5	0.6	100
	Total	**181**	**98.9**	**100**	

The results in Table 4.2 show that majority of the respondents have experience of 7 and below years, while the rest of respondents have experience between 8-20 years worked. This comprised of a cumulative percentage of 77.9% of officers with experience of 7 years and below. These results imply that the majority of the officers have less to medium experience and thus may not provide adequate information to the loan applicants.

4.4 Client Appraisal Strategies

The client appraisal strategies sought to establish the number of visits, frequency of training, before loan disbursement, type of training, and duration of training.

Table 4.3: Frequency of Training before Loan Disbursement

	Time trained	Frequency	Percent
Valid	1	24	13.1
	2	58	31.7
	3	61	33.3
	4	25	13.7
	5	9	4.9
	6	4	2.2
	Total	181	98.9

Results in Table 4.4's findings, 33.7% of respondents approved of borrowers receiving three training sessions prior to loan distribution. The second group of responders, who made up 32% of the total, said this happened twice before the loan was disbursed. With a cumulative percentage of 79%, the respondents demonstrate the importance of at least three training courses.

When we take the average of the two, we may claim that it takes three instances before loan disbursement becomes customary. This supports a study by Matridi et al. (2015) that found the failure of an Indonesian government-instituted revolving fund to improve and expand the country's social economy was caused by a lack of knowledge about the procedures for recovery or payback.

Table 4.4: Business Assessment Visits

No. of visits		Frequency	Percent	Valid Percent	Cumulative %
Valid	1	33	18	18.2	18.2
	2	82	44.8	45.3	63.5
	3	32	17.5	17.7	81.2
	4	17	9.3	9.4	90.6
	5	12	6.6	6.6	97.2
	6	4	2.2	2.2	99.4
	7	1	0.5	0.6	100
	Total	**181**	**98.9**	**100**	

According to Table 4.3's findings, 45.3% of respondents believe that two company visits are sufficient to determine a borrower's ability to repay a loan. One visit was sufficient for almost 18% of respondents, while just 9.4% said that five or more visits were required.

Table 4.5: Type of Training

	Type of training	Frequency	Percent
Valid	Group formation	98	53.6
	Financial literacy	58	31.7
	Business skills	25	13.7
	Total	**181**	**98.9**

The results in Table 4.5 shows that 54.1% of the respondents give group formation training to the borrowers and assume they have financial literacy and business skills.32% of the respondents give financial training which is below 50% hence considered not adequate. The study suggests that group formation and financial training are crucial as take up a cumulative 86,2%. 13.8% of the respondents, far below 50% offer business skills training. A fund introduced by Government of Indonesia known as an Acceleration of Development Village Program (P3DK) to help repair and develop social economy failed due to lack of public awareness in recovery and repayment of the revolving fund. Matridi et al., (2015).

Table 4.6: Duration of Training Before Disbursement

Duration of training		**Frequency**	**Percent**
Valid	0-10	121	66.1
	20-above	31	16.9
	3	28	15.3
	4	1	0.5
	Total	**181**	**98.9**

The results in Table 4.6 shows that 66.9% of respondents indicated that 0-10 hours were enough for training while 17 1% said 20 and above hour are adequate.15.5% of the respondents indicated that 3 hours for training borrowers are enough for training before money is disbursed. The general view is that training is key in loan repayment performance.

4.5 Loan Monitoring Strategies

This part examined duration before default is considered, number of monitoring visits, frequency of demand letters, and arrears report generated.

Table 4.7: Duration Before Default is Considered

Duration for default		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	0-3	136	74.3	75.1	75.1
	4-6	42	23	23.2	98.3
	7	3	1.6	1.7	100
	Total	**181**	**98.9**	**100**	

The duration before default is considered was examined to understand the internal classifications and consideration of default loans. The results in Table 4.7 shows that 75.1% of respondents which is group 1 indicated that for a loan to be considered as defaulted it should have remained unpaid for a period of 0-3 months while 23.2% of the respondents in group 2 indicate that if a borrower fails to repay the loan for a period between 4-6 months, it is automatically considered as defaulted.

Table 4.8: Number of Monitoring Visits

No. of monitoring visits		Frequency	Percent
Valid	1	29	15.8
	2	76	41.5
	3	52	28.4
	4	16	8.7
	5	5	2.7
	6	3	1.6
	Total	181	98.9

The number of monitoring visits were examined to understand the WEF and YEFD administrative efforts to reduce default rate. The results in Table 4.8 show that 42% of the respondents indicate that 2 monitoring visits are adequate whereas 28.7% of the respondents indicate that 3 monitoring visits are enough.16% of the respondents also indicate 1 monitoring visit is required.

Table 4.9: Demand Letters Frequency

No. of demand letters		Frequency	Percent
Valid	1	73	39.9
	2	62	33.9
	3	28	15.3
	4	13	7.1
	5	5	2.7
	Total	**181**	**98.9**

To comprehend the administrative efforts made by WEF and YEFD to lower the default rate, the frequency of demand letters was also looked at. According to Table 4.9's findings, 40.3% of respondents believed that one demand letter to a borrower serving as a follow-up tool was sufficient.Two demand letters are enough to follow up, according to 34.3% of respondents, while 15.5%, 7.2%, and 2.8% of respondents say it's best to send three or more.

Table 4.10: Arrears Reports Generated

No. of arrears reports		**Frequency**	**Percent**
Valid	0-5	58	31.7
	6-10	100	54.6
	10-above	23	12.6
	Total	**181**	**98.9**

To comprehend the administrative efforts made by WEF and YEFD to track arrears and reduce the default rate, the arrears reports created were also studied. According to Table 4.10's data, 55.2% of respondents believe that six to ten arrears reports must be produced in order to fully understand the payback performance.According to 32% of respondents, 0–5 reports can provide an accurate picture, while 12.7% of respondents believe that 10–15 reports are necessary for management to take action against those who are late on or fail to make payments.

Bichanga and Aseyo (2013) in their study on the causes of loan default within micro finance institution in Kenya found that if the lender does not monitor the loan utilization by the borrowers, then the rate of default is high.

4.6 Loan Recovery Implementation Strategies

Table 4.11: Collection Budget

	Kshs.	Frequency	Percent
Valid	100000	131	71.6
	500000	44	24
	500000- above	6	3.3
	Total	**181**	**98.9**

The results in Table 4.11 show that 72.4% of the respondents indicate that budget for loan recovery strategies should be Kshs. 100,000 while 24.3% of the respondents indicate Kshs. 500,000 and 3.3% indicate kshs.500000 and above.

Table 4.12: Loan Recovery Department Employees

No. of employees		**Frequency**	**Percent**
Valid	0	8	4.4
	1	155	84.7
	2	13	7.1
	3	5	2.7
	Total	181	98.9

The results in Table 4.12 show that 85.6% of the respondents indicate that there are one staff per department. 4.4% of the respondents affirm that some departments don't have not even one hindering loan recovery.

Table 4.13: Collection Employees Training Frequency

No of trainings	Frequency	Percent

Valid	0	1	0.5
	1	130	71
	2	24	13.1
	3	16	8.7
	4	8	4.4
	5	1	0.5
	6	1	0.5
	Total	181	98.9

Table 4.13's findings reveal that 71.8% of respondents believe loan officers only receive one training session on debt collection. According to Aryeetey (2005), factors like a small loan portfolio, administrative issues, improper coordination on loan processing, excessive interest rates, and slow repayments hinder the growth of microbusinesses in third-world nations.

4.7 Loan Collection Strategies

Table 4.14: Number of Credit Reference Bureaus

No. of CRBs		Frequency	Percent
Valid	0	172	94
	1	8	4.4
	2	1	0.5
	Total	181	98.9

The results in Table 4.14 show that 95% of the respondents indicate that the defaulters are never listed in CRB hence poor repayment by the borrowers.

Table 4.15: Number of Debt Collectors Involved

No. of debt collectors		Frequency	Percent
Valid	0	181	100
	1	7	0
	3	1	0
	Total	181	98.9

The results in Table 4.15 shows that 95.6% of the respondents indicate that there are no debt collectors in place hence no one to enforce repayment.

Table 4.16: External Organization Involved

		Frequency	Percent
Valid	yes	32	17.5
	no	148	80.9
	2	1	0.5
	Total	181	98.9

According to Table 4.16's findings, 81.8% of respondents said that no external organizations were involved in debt collection. The use of CRB to expose defaulters at the beginning of a loan as well as listing those who have defaulted was suggested by Muthoni (2016) in his study of the institutional characteristics of microcredit default in Kenya.

4.8 Moderating Variable- Borrower Characteristics

Table 4.17: Age and Commitment to Pay Loan

	Frequency	Percent

Valid	strongly disagree	51	27.9
	disagree	12	6.6
	somewhat disagree	15	8.2
	neutral	15	8.2
	somewhat agree	15	8.2
	agree	29	15.8
	strongly agree	44	24
	Total	181	98.9

The results in Table 4.17 show that 28.2% of the respondents strongly disagreed that age affects loan repayment while 6.6% of the respondents also disagreed that age affects loan repayment. Eze and Ibekwwe (2007) posited that higher education and young age are positively related to high loan repayment performance.

Table 4.18: Marital Status and Commitment to Pay Loan

		Frequency	Percent
Valid	strongly disagree	46	25.1
	disagree	20	10.9
	somewhat disagree	19	10.4
	neutral	11	6
	somewhat agree	17	9.3
	agree	34	18.6
	strongly agree	34	18.6
	Total	181	98.9

The results in Table 4.18 show that 25.4% of the respondents strongly disagreed that marital status affected loan repayment while 6.1% are neutral. When you average the respondents who have disagreed are 46% less than those who have agreed 47%.

Table 4.19: Family Size and Commitment to Pay Loan

		Frequency	Percent
Valid	strongly disagree	48	26.2
	disagree	14	7.7
	somewhat disagree	17	9.3
	neutral	7	3.8
	somewhat agree	31	16.9
	agree	24	13.1
	strongly agree	40	21.9
	Total	181	98.9

The results in Table 4.19 show that 44% of the respondents disagreed that family size affect commitment to pay loan.3.7% are not sure while 53% agree that family size has some effect on repayment performance.

4.9 Inferential statistics

Table 4.20: ANOVA I

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93166.63	13	7166.664	112.633	.000
	Residual	10625.91	167	63.628		
	Total	103792.5	180			

The**e** results in Table 4.20 indicate that the F test result was F (13,167) 112.633, with a significance of 0.000. The F-statistic is a test of significance for the entire regression model. Therefore, the regression model is significant because p-value is < 0.05.

Table 4.21 Regression Coefficients

				No of obs.		181
				F(13,167)		112.633
				Prob>F		0
				R squared		0.898
				Adj R squared		0.89
				Root MSE		7.977
Co-efficient				Durbin Watson		1.62
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19.254	3.396		-5.67	0.000
	Business assessment visits	5.473	1.002	0.287	5.465	0.000
	frequency of training before loan disbursement	2.715	0.843	0.13	3.221	0.002
	Type of training for borrower	7.548	1.461	0.227	5.168	0.000
	Borrower training hours	1.194	0.92	0.038	1.298	0.196

requirement					
loan default period consideration	-2.348	1.274	-0.047	-1.843	0.067
loan monitoring visits	2.327	1.017	0.102	2.287	0.023
Demand letters frequency	2.842	1.018	0.124	2.79	0.006
Number of follow up Arrears reports generated	9.952	1.495	0.266	6.658	0.000
Loan collection Budget allocation	-1.953	1.159	-0.043	-1.685	0.094
HR Loan Recovery Department	1.28	1.365	0.025	0.938	0.350
Credit risk Management training for employees	-2.174	0.979	-0.085	-2.22	0.028
CRBs services sought	2.587	2.997	0.027	0.863	0.389
number of debt collectors engaged	-3.889	2.577	-0.047	-1.509	0.133

Th**e** results indicate that R-squared is equal to 0.898 while adjusted R-squared is equal to 0.89. This implies that there is high degree of goodness of the regression model. It also means that over 89% of the variation in the dependent variable can be explained by the regression model. The F test result was F (13,167) 112.633, with a significance of 0.000. Consequently, the hypothesis that all the regression coefficients in the model are zero is rejected. Therefore, a significant relationship exists between repayment performance and explanatory variables in the regression model. RMSE which is the square root of the variance of the residuals or the standard deviation of the unexplained variation. This was low given that it is below 0.500, which was an indication that there is high degree of goodness of fit of the regression model.

Results shows that business assessment visits (X1) have a positive and significant effect on the repayment performance of revolving funds, (coefficient 5.473, P-000). It implies that if business assessment visits (X1) increase with one visit other factors kept fixed, repayment performance increases 5.473 times.

Frequency of training before disbursement (X2) has a positive and significant effect on repayment performance of revolving funds, (coefficient 2.715, P-0.002). It means that rate of repayment performance will increase with 2.715 for every one training increased all other factors kept fixed

Type of training offered before disbursement (X3) has a positive and significant effect on repayment performance, (coefficient 7.548, P-000). It implies that, rate of repayment performance will increase to 7.548 with an increase of one extra type of training all other factors kept fixed.

A study by Mburu et al. (2020) found that client appraisal had no significant effect on loan performance of commercial banks in Kenya which contradicted a study by Enoch (2021) which found that client appraisal had a positive effect on repayment performance of Micro Finance bank in Adamawa Estate, Nigeria.

4.9.1 Loan Monitoring Strategies

The results show that number of monitoring visits (X4) has a positive and significant effect on rate of repayment performance, (coefficient 2.327, P-0.023). This means that rate for repayment performance increases by 2.327 with an increase of one monitoring visits all other factors kept fixed.

The results show that number of arrears report (X5) has a positive and significant effect on rate of repayment performance, (coefficient 2.842, P-0.02) This means that, rate of repayment performance of revolving fund will increase 2.842 times, with an increase of one arrear report all other factors kept fixed.

Akibo (2013) studied and found that supervision and advisory visits had negative and significant association with the dependent variable. It was significant when all other factors were held constant which contradicts Deininger &Liu (2009) who did a study and found that monitoring and loan recovery arrangements are highly significant both statistically and economically.

4.9.2 Loan Recovery Implementation Strategies

The collection budget, (X6) had a negative effect and not significant to the rate of repayment performance, (-1.953, P-0.094). It implies that an increase of collection budget by one shilling the rate of repayment performance decreases by 1.953, all other factors kept fixed.

The number of employees employed to collect arrears, (X7) had a positive effect and not significant on the rate of repayment performance, (coefficient 1.28, P- 0.350). It means that an increase in the number of employees for collection with one, the rate of repayment performance increases 1.28 times.

4.9.3 Loan Collection Strategies

The results show that the credit risk training (X8) had a negative effect and not significant on the repayment performance (coefficient -2.174, P- 0.28). It means that if credit risk training is increased by one, the rate of repayment performance decreases 2.174 times when all other factors are kept fixed.

The 3rd party services, (X9) had a positive effect and not significant on the repayment performance, (coefficient 2.587, P-0.389). It means that an increase in 3rd party service providers by one, increases repayment performance 2,174 times, all other factors held constant.

Number of external debt collectors involved (X10) had a negative effect and not significant on rate of repayment performance (coefficient -3.889, P-0.133) meaning, increase in number of external debt collectors by one, decreases the rate of repayment performance by 3.889 times.

Table 4.22: ANOVA II

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93445.09	16	5840.318	92.565	.0000
	Residual	10347.45	164	63.094		
	Total	103792.5	180			

The F- Test results showed that the model was good since the P-value is less than 0.05. Therefore, at 5% level of significance, I rejected the null hypothesis and concluded that at least one explanatory variable has a significant linear relationship with the repayment performance of the revolving funds.

Table 4.23: Regression Coefficients- Full Regression Model

	No of obs.	181

				F(16,164))		92.565
				Prob>F		0
				R squared		0.9
				Adj R squared		0.89
				Root MSE		7.943
Co-efficient				Durbin Watson		1.622

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-21.334	3.566		-5.983	0
	Business assessment visits	5.542	0.999	0.291	5.547	0
	frequency of training before loan disbursement	2.521	0.866	0.12	2.911	0.004
	Type of training for borrower	7.722	1.474	0.232	5.241	0
	Borrower training hours requirement	1.006	0.922	0.032	1.091	0.277
	loan default period consideration	-2.461	1.275	-0.049	-1.931	0.055
	loan monitoring visits	2.043	1.027	0.09	1.989	0.048
	Demand letters frequency	3.018	1.02	0.132	2.958	0.004

Number of follow up Arrears reports generated	9.594	1.5	0.257	6.397	0
Loan collection Budget allocation	-1.731	1.162	-0.038	-1.49	0.138
HR Loan Recovery Department	1.501	1.381	0.029	1.087	0.279
Credit risk Management training for employees	-2.037	0.98	-0.08	-2.08	0.039
Number of CRBs engaged	2.51	2.996	0.026	0.838	0.403
number of debt collectors engaged	-3.437	2.625	-0.042	-1.309	0.192
Q18a. Age and commitment to pay loan	0.232	0.287	0.023	0.809	0.42
Q18b. Marital status and commitment to pay loan	0.259	0.326	0.025	0.796	0.427
Q18c. Family size and ability to pay loan	0.21	0.319	0.021	0.658	0.511

The findings presented in Table 4.23 indicate the impact of borrower characteristics on the repayment performance of revolving funds in Kenya. The business assessment visits showed a positive and significant relationship with repayment performance, with a coefficient of 5.542 (P-0.000). Similarly, the frequency of training before loan disbursement had a positive and significant effect, with a coefficient of 2.521 (P-0.004). The type of training before loan disbursement also had a positive and significant influence, with a coefficient of 7.722 (P-0.000). These results suggest that client appraisal strategies play a vital role in determining the success of loan repayment in revolving funds in Kenya.

On the other hand, the loan default period showed a negative relationship and was found to be insignificant (coefficient -2.461, P-0.055), implying that it may not have a significant impact on repayment performance. However, loan monitoring visits had a positive and significant effect on repayment performance, with a coefficient of 2.043 (P-0.000). The frequency of demand letters, although positive, was found to be insignificant (coefficient 3.018, P-0.048), suggesting that it may not strongly influence repayment performance. Finally, arrears report results were found to have a positive and significant impact on repayment performance, with a coefficient of 9.594 (P-0.00).

All individual characteristics have positive effect and not significant to the repayment performance. Age (X11) (coefficient 0.232, P-0.42), Marital status (X12) (coefficient 0.259, P- 0.427), and Family size (13) (coefficient 0.21, P-0.511). It implied that age, marital status, and family size had a positive relationship but not a commitment to pay any loan. the results contradicted with Eze & Ibekwwe (2007) who posited that they are positively related to high loan repayment performance.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter provided the summary, conclusions, and recommendations of the data findings on the effects of recovery strategies on the repayment performance of the revolving funds in Kenya. The summary is centered on the statistical findings from chapter four. Each summary, conclusion, and recommendation is based on the research objectives.

5.2 Summary of the Findings

The overall objective of this study was to examine the effect of loan recovery strategies on repayment performance of revolving funds in Kenya. The study adopted a combined research design that included a descriptive research design and correlation / explanatory research design to analyze the relationship between recovery strategies and repayment performance of revolving funds in Kenya. A population of 47 WEF and 290 YDEF officers was chosen to determine a sample size of 181 respondents. Stratified sampling was adopted since it ensures each subgroup within the population receives proper representation within the sample. This study adopted the questionnaire for data collection because it was efficient, cheap, and easy to administer. A pilot study was carried out to test reliability of the questionnaire and to ensure that the questionnaire will give consistent observations free of variable errors. Data was collected by the use of semi-structured questionnaires which were the most appropriate data collection instruments. Data analysis was conducted with the aid of Statistical Packages for Social Science. The study utilized both descriptive and inferential statistics, ANOVA and Chi-Square, and the results were presented using frequencies, percentages, means, and standard deviation. The findings for the specific objectives of the study are discussed below.

5.2.1 To Establish the Effect of Client Appraisal Strategies on Repayment Performance of Revolving Funds in Kenya.

The entire client appraisal technique significantly and favorably impacted Kenya's revolving fund repayment performance. Business assessment visits (X1) had a positive and significant effect on the repayment performance of revolving funds (coefficient 5.473, P-000), the frequency of training before disbursement (X2) had a positive and significant effect on the repayment performance of revolving funds (coefficient 2.715, P-0.002), and the type of training provided before disbursement (X3) had a positive and significant impact on the repayment performance of revolving funds. These findings are shown in Table

The study concludes that client appraisal strategies have a significant impact on the repayment performance of revolving funds in Kenya, rejecting the null hypothesis. These findings align with a similar study conducted by Enoch (2021) in Nigeria, which also found a positive effect of client appraisal on the repayment performance of a Micro Finance bank in Adamawa Estate. However, it should be noted that the results differ from the findings of Mburu et al. (2020) in Kenya, where client appraisal was not found to have a significant effect on the loan performance of commercial banks.

5.2.2 To Determine the Effect of Loan Monitoring Strategies on Repayment Performance of Revolving Funds in Kenya.

The study's results demonstrated that loan monitoring strategies had a positive and significant impact on the repayment performance of revolving funds, indicating their significant role in ensuring timely repayments. Specifically, the number of monitoring visits (X4) and the number of arrears reports (X5) both had positive and significant effects on repayment performance in Kenya, with coefficients of 2.327 (P-0.023) and 2.842 (P-0.02) respectively. Consequently, the null hypothesis that monitoring strategies had no significant effect on repayment performance was rejected.

These findings are in line with a study by Deininger and Liu (2009), which also found monitoring and loan recovery arrangements to be highly significant both statistically and economically. However, the results of this study contradict those of Akibo (2013), who found a negative and significant association between supervision and advisory visits and the dependent variable. It is important to note that these factors remained significant even when other factors were held constant in the analysis.

5.2.3 To Determine the Effect of Loan Recovery Implementation Strategies on Repayment Performance of Revolving Funds in Kenya.

The overall results indicated that loan recovery implementation strategies were not significant to the repayment performance. However, repayment performance is about the moral hazard of the borrower. The results of this objective showed that collection budget (X6) had a negative effect but was not significant to the rate of repayment performance (coefficient-1.953, P-0.094). Similarly, the number of workers employed to collect arrears (X7) had a positive effect and not significant on the rate of repayment performance (coefficient 1.28, P- 0.350). The study. Therefore, accept the Null Hypothesis that loan recovery implementation strategies have no significant effect on repayment performance and reject the alternative hypothesis that loan recovery implementation strategies have significant effect on repayment performance.

The study findings concurred with Sungunya (2018) who did a study on effects of recovery procedures on repayment performance of revolving funds in Kenya and found that there existed an insignificant effect on repayment performance of WEF in Nakuru.

5.2.4 To Establish the Effect of Loan Collection Strategies on Repayment Performance of Revolving Funds in Kenya.

The study findings indicated that loan collection strategies have little significance on the repayment performance of revolving funds in Kenya. Specifically, credit risk training (X8) showed a negative effect that was not statistically significant on the repayment performance (coefficient -2.174, P-0.28). Third-party services (X9) had a positive effect but were also not statistically significant on the repayment performance (coefficient 2.587, P-0.389). Similarly, the number of external debt collectors involved (X10) had a negative effect that was not statistically significant on the repayment performance (coefficient -3.889, P-0.133). As a result, the study accepted the Null Hypothesis, indicating that loan collection strategies do not significantly impact the repayment performance of revolving funds in Kenya.

This study's findings align with the research conducted by Gichimu (2013) on credit reference bureaus, loans advancement, and recovery performance by the Higher Education Loans Board of Kenya. Gichimu recommended further research to determine the effect of using credit reference bureaus' services on the repayment of non-performing loans in financial institutions.

5.2.5 To Establish the Moderating Effect of Borrower Characteristics on the Relationship Between Loan Recovery Strategies and Repayment Performance Of Revolving Funds in Kenya.

The results revealed that moderator effects, which are borrower characteristics have positive effect but were not significant to the repayment performance. Age (X11) (coefficient 0.232, P-0.42), marital status (X12) (coefficient 0.259, P- 0.427), and Family size (X13) (coefficient 0.21, P-0.511) implied that individual characteristics had a positive relationship but not a commitment to pay any loan. I therefore accept the null hypothesis that borrower characteristics have no significant moderating effect on the relationship between recovery strategies and repayment performance of revolving funds in Kenya. However, the results contradicted with Eze and Ibekwwe (2007) who posited that higher education and young age are positively related to high loan repayment performance.

5.3 Conclusions

This study concluded that there exists a strong positive relationship between client appraisal strategies and repayment performance of revolving funds in Kenya. Client appraisal refers to the process of assessing a loan applicant's repayment ability. Client appraisal is a necessary strategy in managing credit by determining the characteristics of customers seeking loans. Client appraisal strategies enables a lender to ascertain that the financial institutions will get the money back from its clients. When the credit worthiness of potential borrowers is positive, they have a high likelihood of repaying the loan on time. Likewise, failure to assess a client's ability to repay a loan result in defaults. Aliija and Muhangi (2017) established that client appraisal strategies had positive effect on the credit performance of micro finance institutions in Uganda. The findings concurred with Enoch (2021) and Mulyungi and Mulyungi (2018) who confirmed a positive relationship between client appraisal and repayment performance.

This study concluded that loan monitoring strategies had a significant and positive impact on the repayment performance of revolving funds in Kenya. The implementation of effective loan monitoring strategies ensures that repayment is made promptly, thereby reducing potential losses. By monitoring loans, financial institutions can protect their investments and identify warning signs that may indicate a client's inability to repay. This allows the institutions to take corrective actions before the situation worsens. Credit monitoring plays a crucial role in helping financial institutions assess a borrower's ability to meet their repayment obligations, as highlighted by Kipsang (2020). Additionally, Deininger and Liu (2009) also found that monitoring and loan recovery arrangements had a statistically significant effect on repayment performance.

The study findings concluded that loan recovery implementation strategies were not significant to the repayment performance of revolving funds. The various debt recovery strategies used by financial institutions include training the relationship officers, securing loans, visiting customers, and informing them to pay loans Migwi (2013). Debt recovery strategies are significant in shaping an organization’s future, but they should be efficient and maximize resources at the possible lowest cost. This study established that the collection budget had negative effect on the rate of repayment performance. Besides, information asymmetry and moral hazard which are only known to the borrower determines their capacity to repay the loan. This study’s findings are similar to Sungunya

(2018) who found an insignificant relationship between loan recovery implementation strategies and repayment performance.

In conclusion, this study found that loan collection strategies had an insignificant effect on the repayment performance of revolving funds in Kenya. The debt collection strategies, including credit risk training, third-party services, and the involvement of external debt collectors, were observed to have a negative and insignificant impact on repayment performance. The effectiveness of these debt recovery strategies depends on the resources allocated to their implementation. When the loan collection strategies require substantial resources, their impact on repayment performance may be limited. This study's findings are in line with the research conducted by Gichimu (2013) on credit reference bureaus, loans advancement, and recovery performance by the higher education loans Board of Kenya. Gichimu recommended further research to determine the effect of using CRBs services on the repayment of non-performing loans in financial institutions.

The study's conclusion indicates that the moderator effect of borrower characteristics had a positive but insignificant impact on repayment performance. Although age, marital status, and family size were found to have a positive influence on repayment performance, they did not significantly increase the borrower's commitment to repay the loan. Previous studies have shown mixed results, with some researchers like Mungai (2009) finding no positive relationship between marital status and loan repayment, while others like Sigei (2017) have highlighted the importance of family size in influencing loan repayment. Similarly, Eze and Ibekwwe (2007) have reported that higher education and young age are positively related to higher loan repayment performance. However, in this study, the moderator effects were not found to significantly impact the repayment performance of revolving funds.

5.4 Recommendations

The study's findings underscore the significance of governments implementing suitable client appraisal strategies to identify eligible borrowers and minimize financial losses. Additionally, financial institutions should provide training to their credit staff to equip them with the essential knowledge needed to conduct effective appraisal processes. Furthermore, sensitizing borrowers about the importance of maintaining accurate business records for credit acquisition purposes is crucial for financial institutions.

Indeed, the study highlights the significance of loan monitoring strategies in influencing repayment performance of revolving funds. As a result, financial institutions are advised to implement effective loan monitoring strategies to reduce defaults and losses. Securing loans through appropriate collateral and conducting regular visits to borrowers to assess their arrears report can positively impact repayment performance. By proactively monitoring loans and promptly addressing potential issues, financial institutions can enhance their overall loan recovery rates and ensure a more sustainable lending environment.

The study suggests that adopting effective loan recovery implementation strategies is crucial to enhance repayment performance. Financial institutions can utilize credit scorecards as a tool to monitor and recover loans, and to assess a borrower's creditworthiness. Relying solely on employees to collect arrears may not significantly impact the client's repayment performance. Instead, fostering good customer relations can help reduce bad debts and mitigate significant financial losses, as repayment performance is influenced by moral hazard and information asymmetry. By implementing these recommendations, financial institutions can improve their loan recovery rates and ensure a more stable and successful lending environment.

Furthermore, it is recommended that the government should collaborate with external debt collectors, such as Credit Reference Bureaus, to ensure borrowers' compliance in repaying loans. Credit Reference Bureaus can provide lenders with crucial client information, enabling them to make informed decisions. Moreover, private agencies can assist in loan processing and determining appropriate loan amounts for borrowers. To achieve successful loan recovery, management should establish a clear policy on recovery and specify penalties for defaulters, thereby encouraging good repayment performance. These measures can contribute to improved loan recovery rates and overall financial stability in the lending sector.

5.4.1 Recommendations for Further Studies

This study aimed to investigate the impact of client appraisal strategies, loan monitoring strategies, loan recovery implementation strategies, and loan collection strategies on the repayment performance of revolving funds in Kenya. Based on the findings of this research, it is recommended that further studies be conducted to explore additional recovery strategies that could enhance repayment performance and ensure full loan recovery. Additionally, since the analysis of individual characteristics showed a positive but insignificant effect on repayment performance, it is suggested that future research should focus on exploring the influence of other borrower characteristics, such as gender, on repayment performance. Given the significance of debt recovery strategies in determining repayment performance, it is also important to study the role of external debt collectors to assess their impact on repayment performan

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APPENDICES

Appendix I: Introduction Letter

Joyce Wambura Kinyua,

P.O Box 143 -10300,

Kerugoya.

<u>REF: Permission to carry out an academic research</u>

My name is Joyce Wambura Kinyua a PhD student at Kirinyaga University. As part of the requirement for the course, I am carrying out research on effects of recovery strategies on repayment performance of revolving funds in Kenya.

I have designed a questionnaire for data collection. I request your participation in this study by responding to the questionnaire. Any information and data collected will be kept confidential and only be used for academic purposes of this research. The study results will be made available to you upon request. I will be looking forward to your positive response.

Thanks for your cooperation.

Yours Faithfully,

Joyce Wambura Kinyua

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APPENDIX II NACOSTI RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 961559

Date of Issue: 30/March/2021

RESEARCH LICENSE

This is to Certify that Ms.. Joyce wambura KINYUA of Kirinyaga University, has been licensed to conduct research in Kirinyaga on the topic: EFFECTS OF RECOVERY STRATEGIES ON REPAYMENT PERFORMANCE OF REVOLVING FUNDS IN KENYA for the period ending : 30/March/2021.

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Appendix III: Questionnaire

Section A: Background Information

Kindly answer the questions by ticking appropriate position.

1. What is your position among the following designations?

   Youth Officer () WEF Officer ()

2. Kindly indicate the number of years you have worked with the Fund …………………….

Section B: Client Appraisal Strategies

3. Indicate the number of business assessment visits required before a borrower qualifies for a loan.

   …………………………

4. Indicate the number of times that a borrower is trained on financial skills before he/she qualifies for a loan

   ……………………………..

5. Kindly give the type of training given to the borrower. …………………………………..

6. Kindly indicate the duration of the time required for the training before a borrower qualifies for a loan.

   ……………………………………….. Hours

Section C: Loan Monitoring Strategies

7. After how many months is a loan considered to be at default?

   ……………………………………………….

8. Indicate minimum number of monitoring visits required after a borrower acquires the loan.

   ………………………………………………

9. Indicate the frequency of demand letters issued to defaulters. ……………………………………………………….

10. Indicate number of arrears report generated for follow up purposes per year.

………………………………………………………………..

Section D: Loan Recovery Implementation Strategies

11. Kindly indicate the amount of money allocated specifically for loan collection in Kshs…………………

12. How many employees are there in the loan recovery Department?

………………………………

13. Kindly indicate number of credit risk management trainings the loan officers undergo per year.…………………

Section E: Loan Collection Strategies

14. Is there a clear and detailed policy guiding the funds collection?

Yes () No ( )

15. If yes, Kindly indicate number of CRBs engaged.

………………………………..

16. Indicate the number of debt collectors engaged.

…………..

17. Are there other external organisations or institutions involved in the collection? [ ] Yes [ ] No

If yes, kindly name them………………………………………………………

…………………………………………………………………………………….

Section F: Borrower Characteristics

18. Kindly indicate to which extent you agree with the following statements concerning the borrower, using a scale of 1-7 where 7= strongly disagree and 1 = strongly agree.

	Strongly disagree	**disagree**	**Somewhat disagree**	**neutral**	**Somewhat agree**	**agree**	**Strongest agree**
Age is important in commitment to pay loan							
Marital status influences commitment to pay							
Family size influences ability to pay							

Section G: Repayment Performance of The Fund

The table below contains the indicators of the repayment of the fund. Kindly provide the figures for the measure indicated.

Year	Name of the Fund	Name of the Region	Loan Disbursed	Loan Repaid
2015				
2016				
2017				
2018				
2019				
2020				

19. What would be your recommendation on revolving fund institution services?

i) --

ii) --

iii) --

iv) ---

v) ---

Appendix VI: Uwezo Fund Status Report

UWEZO FUND DATA- FY. 2019/2020 and 2020/2021

1. Disbursement

	FY. 19/20		FY. 20/21	
Category	**Amount (kshs)**	**No. of Groups**	**Amount (kshs)**	**No. of Groups**
Youth Groups	94,594,500	976	157,064,100	1,671
Women Groups	325,622,500	3,060	489,684,400	4,589
PWD Groups	9,126,500	106	17,730,000	192
Total	**429,343,500**	**4,142**	**664,478,500**	**6,452**

2. Repayment

Yearly collections (repayment)		
FY. 2019/2020	173,692,056	
FY. 2020/2021	243,834,965	

Cummulative repayment as at 30th June, 2021	**2,357,792,984 (38%)**

Source: UNESCO brief

Appendix VII: Morgan's Table

Determining Sample Size from a Given Population

Population Size	Sample Size	Population Size	Sample Size
10	10	300	169
20	19	400	196
30	28	1,500	306
40	35	2,000	322
50	44	3,000	341
60	52	4,000	351
70	59	5,000	357
80	66	6,000	361
90	73	7,000	364
100	80	10,000	370
150	108	20,000	377
200	132	50,000	381
250	162	100,000	384

Source: R.V Krejcie and Morgan (1990)