

**DETERMINANTS OF LOAN FUNDS' PERFORMANCE OF IN LAIKIPIA  
COUNTY, KENYA**

**BY**

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## DECLARATION

This research dissertation is my original work and has not been submitted for any other academic award.

.....

Date...15/10/2023.....

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This research dissertation has been submitted for examination with my approval as the supervisor.

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## ABSTRACT

In this study, the performance of loan funds within Laikipia County, Kenya is investigated with particular attention given to the Laikipia County Enterprise Fund (LCEF) and the Laikipia County Revolving Cooperative Fund (LCRCF). The determinants of these fund's efficiency from a beneficiary perspective - in particular Small and Medium-sized Enterprises (SMEs) and cooperatives - are analyzed. This study sought to investigate these impediments focusing on both the supply and demand side. Three primary areas were evaluated: beneficiary traits, loan fund administration methods, and loan operation procedures processes. On the supply, Loan repayment rate, loan portfolio quality, loan fund sustainability and loan fund growth are used as indicators to operationalize the performance of the loan funds. The research seeks to understand the effect of beneficiary characteristics on loan fund performance. This quantitative research project involved the development a questionnaire to gather data from fund management and administration, Laikipia County SMEs. Descriptive statistics, correlation analysis, and regression model was used to establish the most influential factors on loan fund performance. The questionnaire's reliability and ethical considerations related to data collection and analysis was also assessed provided evidence-based insights that can inform decisions, enhance management and drive targeted policy recommendations for Laikipia County's Enterprise Fund and Cooperative Revolving Fund. These funds are essential in providing financial assistance for SMEs and cooperatives, thereby stimulating economic growth and empowerment in the region. The study findings showed that beneficiary characteristics have significant influence on performance of loan funds in Laikipia County. Moreover, loan management practices positively and significantly influenced loan funds performance. Likewise, loan operation procedures significantly affected performance of loan funds. A conclusion was made that loan service provider at the county need to understand beneficiary demographic characteristics based on education, borrower's experience and kind of business operated. In addition, loan management practices such as approvals, disbursements and default policies are integral in achieving optimal loan performance. The study concluded that loan operation procedures significantly and positively affected performance of loan funds. The study recommends that to review their vetting and screening process so that credit worth people are allocated financing through credit have credit worthiness attributes. The use of technology will make the loan management practices efficient and effective since many data can be pooled and worked within a shorter period of time. It is recommended that loan operation procedures are tailored to meet customer expectations especially on simplification of the processes. The study suggests use of secondary data in measuring performance of loans.

**Keywords:** *Laikipia County, beneficiary traits, loan fund administration methods, and loan operation procedures processes and Loan Funds*

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## **ABBREVIATIONS AND ACRONYMS**

**LCEF** – Laikipia County Enterprise Fund

**LCRCF**- Laikipia County Revolving Cooperative Fund

**MFIs**- Microfinance Institutions

**SMEs**- Small and Medium Enterprises

**SPSS** -Statistical Package for Social Sciences

**MLR**- Multiple Linear Regression

**CLR** – Classical Linear Regression



# CHAPTER ONE

## INTRODUCTION

### **1.1 Background of the Study**

Loan performance is crucial to any financial lending institution since it forms a significant part of its assets through income generated from earned interest rate (Edem, 2017). Loans in nature are highly risky assets that carries huge weight on profitability, liquidity as well as solvency. Performance of loans can be hampered by how borrowers honor their contractual obligation on repaying back in time thus putting more risk of default (Wachira, 2017). Therefore, to guarantee optimum loan performance institutions are supposed to have effective loan management practices, better ways assessing individual characteristics and adequate loan conditions in place to enable selecting appropriate beneficiary who is less risky (Gatimu *et al.*, 2018).

It is critical to understand that high loan repayments remain a concern and a challenging matter which has been persistent over time (Lochner, & Monge-Naranjo, 2016). This is occasioned by the degree of risk which a lender is subjected to whenever redistributing financial resources to a borrower at a cost. Scholars are in consensus that determinants of loan performance play a critical role that significantly affect loan performance. Borrowers with vast understanding of their enterprise activities are more likely to repay their loans on time thus enable realization of loan performance as desired of loans unlike the counterparts with inadequate experience in business (Bryan *et al.*, 2021). Loan performance varies across businesses depending on the profitability of business and how

these businesses are influenced by production factors. Individuals in the informal sector are highly risk as compared businesses in the formal sector thus performance of loans are likely to be hampered high degree of risk.

Provided the importance of loan performance and its overall impact on the sustainability of financial sector, increased level of nonperforming loans has given scholars and policymakers impetuous to assets determinants of loan funds performance. Studies have identified several array of factors that influence performance of loans in among credit financial institutions. According to Wood, and Skinner, (2018) determinant of loan performance can be grouped as institutional factors and individual factors. Yeboah, and Oduro, (2018) opined that individual characteristics and management system of financial institution play a critical role in loan payment process.

### **1.1.1 Loan Fund Performance**

Performance of loan is synonymous with strategies organizations put in place especially administrative activities which range from processing applications to making follow ups in repayment process. Nawai, and Shariff, (2020) argued that loan performance is determined by borrower characteristics, lender characteristics and nature of the loan. On the other hand, Shiferaw, and Abuye, (2019) pointed out that loan performance is largely determined by personal characteristics of the borrower, bureaucracies of the lender, loan conditions and management of credit in the maturity periods. Therefore, this study will consider the three critical variables identified by scholars and these include individual characteristics, loan management practices and loan operation procedures.

One of the fundamental practices that guarantee loan performance is an appropriate loan management practice (Bwoma *et al.*, 2017). By institutionalizing loan fund management procedures, it becomes possible to incorporate predictive variables that make up a range of qualifying requirements in order to achieve the intended result. This procedure determines the specifications of the loan product, the factors that weight the findings, and the risk factors that are relevant to each borrower (Locurcio *et al.*, 2021). The desired outcome in lending is lowering the non-performing loans beside the gross loans through effective credit management practices that include loan rationing, appraisal of clients, debt collection and loan monitoring among others (El-Maude *et al.*, 2017).

### **1.1.2 Determinants of Loan Fund Performance**

Loan management is a leading determinant which ensure quality of loans are maintained at high levels (Wood, & Skinner, 2018). It commences with granting a credit facility and only become complete once payment of the loan is made completely. Effective management of loan ensures that all the procedures are dully followed during repayment (Mafumbo, 2020). Adoption of loan management practices is key in prudent valuation of loans as well as ascertaining loan provisions (Ozili, & Outa, 2017). Lending institutions are supposed to have systems that categorize loans based on the risks that it poses to tenders.

Loan performance cannot be complete without factoring in the key stakeholder in the sector being the client who is defined by unique characteristics that play a critical role in performance of loans (Zheng *et al.*, 2021). When it comes to getting loans or benefiting from

them, borrowers need to possess certain qualities. It is imperative that borrowers with valuable assets are likely to access loans since they have a minimum risk of institution losing money (Wang *et al.*, 2021). Age, gender, education, marital status, experience, training, and the quantity of times the applicant has gotten a loan from the financial institution are among the demographic traits that comprise these attributes. Knowing someone's personality in regard to paying is crucial. There should be early agreement and mutual understanding regarding the repayment schedule and process.

Conditions that guides and regulates loan funds largely affect its operations. Unfavorable circumstances could increase the cases of default since its hampers the ability of individual to pay back the loan thus negating loan performance (Lentner *et al.*, 2019). Conditions that does not compel individuals to repay their loan as result of lack of seriousness can hamper loan performance. Lack of willingness from the borrowers could also hamper performance of loans and all these are tied to loan operation procedures practices (Mutamimah *et al.*, 2022). Loans that are given out without proper evaluation might end up being misused thus impede loan performance.

According to Gathoni, and Bayat, (2014) individual features like family size, educational attainment, size of loan requested and experience in enterprise business have significant influence on performance of loans awarded. Yibrie, and Ramakrishna, (2017) argued that individual characteristics, management practices and loan operation procedures are the essential pillars of performance and loan recovery. Möllenkamp, (2017) opined that loan grade is the most influential predictor of loan performance normally attached to loan

operation procedures that focus much on procedures and conditions of awarding out a loan. Thus, from these empirical investigations it can be deduced that individual characteristics, loan fund management practices and loan operation procedures are the key determinants of loan performance which this study intend to investigate.

Scholars in banking field are in consensus that loan performance is measured by the rate of defaulters (Durango- Gutiérrez *et al.*, 2023). The common name for loans defaulted is non-performing loans. Loan default is occasioned by unfavorable circumstances compromising the ability of the borrower to make payments (Abor *et al.*, 2022). Unexpected crises like death, illness, or layoffs on the part of the borrower, poor business performance, directing the cured credit to its unintended use, and inadequate monitoring of loan performance are among the common reasons for defaults, as are borrowers' unwillingness to make repayments and the financial institution's negligent follow-ups.

### **1.1.3 Laikipia County**

Small and micro enterprises (SMEs) and cooperatives in developing countries are highly reliant on access to credit for growth and development. In Kenya, these entities are integral to economic activity, offering employment prospects and opening up the door to more inclusive development (Mungai *et al.*, 2021). Consequently, Laikipia County Government has established two loan funds; the Laikipia County Enterprise Fund (LCEF) and the Laikipia County Revolving Cooperative Fund (LCRCF) – which are tailored to meet the financial requirements of SMEs and cooperatives. The objective of these funds is to enable local businesses by reinforcing their capacity to contribute to regional economic development.

The Laikipia County Revolving Cooperative Fund was set out in 2014 aimed at bettering livelihood of her residents. The fund only benefited registered members under a cooperative movement as enshrined in cooperative act. The fund started by dispersing 139 million shillings to 134 cooperatives. The fund charges 6% interest on the beneficiary groups for every shilling awarded as a loan payable annually and an extension of another year. These loans are given to cooperatives that are financial sound and have good credit score. The fund is managed by appointed administrator who work with other commercial banks and financial institutions operating in the county on strategic areas.

Laikipia County Enterprise Fund was established by Laikipia County Enterprise Fund Act, 2014 and is mandated to promote enterprise development by offering affordable credit to small and micro enterprise. This fund was operationalized in 2018 after some amendments were done on the original law. Promote enterprise among youth, women, persons with disabilities and needy persons. The fund is managed by an established board, loan funds is appropriated from county government fund, grants and gifts. Only 5% of the appropriated funds are meant for administrative purposes and other funds are available for SMEs as credit. Not more than 25% of the funds are utilized in capacity building, technical assistance and strengthening technology infrastructure among the beneficiaries. The county chief officer shall supervise the board that shall operationalize the fund. The operations of the fund shall be audited by the office of auditor generally every three years to ascertain if there is prudent use of resources.

Despite the strategic objectives behind these loan funds, there have been questions about their efficacy and efficiency in achieving the desired outcome. Performance of loan funds is influenced by a number of elements both at micro and macro scales. Specifically, characteristics of SMEs and cooperatives receiving the funding assume a crucial job. Micro determinants including the financial capacity, creditworthiness, repayment capability and business experience (Ariyo, 2016) of the borrowers all contribute towards how well the funds are implemented and whether they are repaid appropriately. The astute administration of these micro aspects is essential for success of loan funds and in order to obtain any tangible benefits from them. Again, the macroeconomic setting in which loan funds operate strongly influences their performance. Laikipia County's overall economic conditions, inflation rates and jobless levels shape the need for credit and the success of businesses applying for loans. Moreover, the regulatory framework, government policies and access to supportive infrastructure can be either helpful or a hindrance to loan fund operations (Ondiek *et al.*, 2019).

The value of recognizing the contributors of loan fund performance from the beneficiary point of view is immeasurable. The present research endeavors to analyze the causes affecting the practicality of loan funds for SMEs and cooperatives in Laikipia County. By spotting these determinants, this investigation seeks to add imperative insights to the already existing academic material on loan fund governance in rising economies. The outcomes may update policymakers and fund administrators on viable regions for

progression, resulting in the configuration of focused interventions that intensify access, competency, and general effect of loan funds.

Furthermore, this study indicates that small and medium-sized businesses and cooperatives contribute significantly to local economic development. Boosting job creation, improving community resilience, and encouraging entrepreneurship can be achieved by strengthening the financial support provided by loan funds. In Laikipia County, an empowered and thriving small and medium-sized business and cooperative sector contributes to economic growth.

The study examined the determinants of loan fund performance in Laikipia County from a beneficiary perspective. The goal is to offer practical recommendations and policy implications that can enhance the support provided to these vital entities by examining both micro and macro.

## **1.2 Statement of the problem**

SMEs and cooperatives are two business entities that coexist together for the betterment of each other (Muhumuza, 2017). They are crucial in promoting the economic expansion of the nation and generating jobs for young people. It is evident from empirical investigation that financing of SMEs by formal lending institutions has been a concern. Many traditional financial institutions such as commercial banks are skeptical on SMEs financial risks marred by many vulnerabilities ranging from lack of capacity to sound financial management (Khalid, & Nadeem, 2017). This has created financial seclusion of SMEs and

this call for need of enhancing financial inclusion through the formation of cooperatives that can be used as a channel of accessing credit in affordable means (Sekantsi, 2019). Despite Laikipia County government bridging gap by initiating the LCEF and LCRCF loan funds to increase financial inclusion.

The financial inclusion of SMEs is still low, as indicated by Kenya National Bureau of Statistics financial access report (2022) only 36% of the SMEs in Laikipia County accessed financial services from financial institution. The low access to credit financing in the County by SMEs despite being availed is a matter that may derail growth of businesses. The demand of credit has always been high and one of the factors that hampered this demand are the determinants of accessing credit. This is attributed to high number of SMEs listed as loan defaulters as indicated by CRB listing which stood at 65.1% and 19.2% have been regarded as debt distressed (KNBS, 2022). It is also evident that 56.3% of SMEs get financing from non-financial firms and only 36.4% acquire financing from formal financial institution. The concern on financial inclusion is attributed to the determinants of loan performance which SMEs have not conformed as indicated by the cases of default. Loan operation procedures is packaged with conditions such as providing collator making it difficult for other SMEs to access loans. According Mungai *et al.* (2021) loans are designed to bolster local businesses, strengthen productivity levels, and encourage entrepreneurship and lack of security hampers its access.

SMES play a critical role in socio-economic transformation of a county since it employs so many people and eliminates financial burden. For SMEs to realize a sustained and meaningful growth financing of their activities is important. However, poor loan

performance is likely to affect their activities adversely. Financing is essential in ensuring that all the activities that need to be accomplished by these entities are realized.

Möllenkamp (2017) found out that credit grade is the most influential factor on loan performance. According to Salifu et al. (2018), SMEs owners with postsecondary degrees had the best payback records, followed by those with only secondary degrees. Halle (2015) established that borrowers' habits, loan size, and perception of borrowers, sources of income, family size and purpose of saving influenced loan repayment significantly. According to Kiros et al. (2022), loan amount has a statistically minor impact on the borrowers' performance in repaying their loans, while the grace period and the speed of loan release have a statistically significant impact on loan payback by the borrowers. Muiruri and Wambua (2017) discovered that gender, education level, and family size had an impact on loan performance. Moreover, Nyangweso and Ombaka (2018) demonstrated that SMEs owned by women in Laikipia County had disparate loan performance depending on educational background, experience, and access to information.

Möllenkamp, (2017) only noted credit grade was the significant predictor of loan performance while Salifu *et al.* (2018) and Nyangweso and Ombaka (2018) identified education as the most significant predictor of loan performance. Halle (2015) and Kiros *et al.* (2022) identified various personal characteristics has the significant predictor of loan performance. This resulted to mixed findings thus created conceptual gap. Kiros, et al., (2022) and Muiruri and Wambua (2017) used secondary data while Möllenkamp, (2017), Salifu *et al.* (2018), Nyangweso and Ombaka (2018) and Halle (2015) used primary data resulting to methodological gap. Kiros, *et al.* (2022) study involved Islamic micro finances

that offer zero interest rate while Möllenkamp, (2017), Salifu *et al.* (2018), Nyangweso and Ombaka (2018) and Halle (2015) involved financial institutions that charge interest rate resulting to contextual gap.

### **1.3 Research Objectives**

#### **General Objectives**

To investigate and understand the factors that influence the performance of loan funds in Laikipia County, Kenya, specifically from the viewpoint of the beneficiaries, which include small and medium-sized enterprises (SMEs).

#### **Specific Objectives**

The primary objectives of this research study are as follows:

1. To investigate the role that beneficiary characteristics, play in determining the performance of loan funds in Laikipia County.
2. To examine the effect of loan fund management practices on the performance of loan funds in Laikipia County.
3. To analyze the influence of loan operation procedures on the performance of loan funds in Laikipia County.

### **1.4 Research Hypotheses**

The following research hypotheses guided this study:

**H<sub>01</sub>:** The beneficiary characteristics has no significant role on loan fund performance in Laikipia County.

**H<sub>02</sub>:** Loan fund management practices does not significantly impact loan fund performance in Laikipia County.

**H<sub>03</sub>:** Loan operation procedures does not significantly contribute to improved loan fund performance in Laikipia County.

### **1.5 Significance of the Study**

As a result of this study, both SMEs and cooperatives, as well as the fund management, stand to benefit from positive changes. Beneficiaries can gain crucial insight from this study into the determinants of loan fund performance that may directly influence their access to finances for enterprise growth. Identifying the elements that have an effect on loan fund performance shines a light on areas that could be improved. With a clearer view on the features that determine successful performance, beneficiaries shall have a better chance of obtaining funding and maximizing from loans. This research's conclusions shall serve as sound advice to help inform decisions being taken when going through the loan application process.

The findings of the study are highly valuable to fund management. It can provide them with recommendations to help refine their strategies, streamline loan processes, and optimize resource distribution. This knowledge could lead to improved loan fund performance, higher portfolio quality, and more sustainable funds. By probing the various determining factors of loan fund performance, managers can gain a better understanding of

which aspects could use improvement. Thus, evidence-based suggestions can be used to bring about enhanced efficiency and effectiveness in their operations.

Through this research, we aim to enhance the economic progress and development of Laikipia County by facilitating the growth and expansion of SMEs and cooperatives. It is also looking to bridge the gap between beneficiaries and fund management, creating an environment where support can be accessed and optimally utilized, as well as a relationship based on collaboration and mutual benefit.

In summary, this study's significance is twofold: it offers insights and recommendations to the beneficiaries, enabling them to improve their chances of obtaining funding and utilizing loan funds effectively, while also providing valuable information to the fund management for improving the performance of the loan fund and promoting sustainable financial support for local enterprises and cooperatives.

### **1.6 Scope of the Study**

This research focuses specifically on the determinants of loan fund performance from the beneficiary perspective of SMEs and cooperatives in Laikipia County, Kenya. The study examined beneficiary characteristics, loan fund management practices, and loan operation procedures as key factors influencing loan fund performance. It is important to note that the study's findings were limited to the context of Laikipia County and may not be generalizable to other regions or loan funds operating in different contexts. The target population was the 13,600 licensed SMEs in Laikipia County, in Kenya. The study was conducted from March 2023 to October 2023. It took a period of 6 months to undertake the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Any country's ability to access capital is essential to its economic development, but this is truer in developing nations where obtaining credit can be difficult. The introduction of county government loan funds has been crucial in easing some of the difficulties experienced by small and medium- sized businesses. It is crucial to comprehend how loan funds in Laikipia County are doing from the perspective of the beneficiaries. According to a study by

Muthee and Waweru (2018), the performance of loan funds is significantly impacted by the availability of funds, interest rates, loan repayment terms, and loan processing time. This study tries to pinpoint the elements that influence loan funds' performance and offer suggestions for enhancing their efficiency.

## **2.2 Theoretical review**

Three theories; agency theory, social capital theory, and institutional theory anchored analysis of loan fund performance and serve as the foundation for the study. Theoretical reviews on the factors affecting loan fund performance in Kenya offer a helpful framework for developing successful policies and interventions to increase beneficiaries', enterprises', and cooperatives' access to credit.

### **2.2.1 Agency theory**

Jensen and Meckling, (1976) advanced the agency theory and was premised on core principle of agency theory lies in its exploration of the inherent conflicts that arise between principals and agents when their objectives do not align. It delves into the relationship between principals (e.g., managers or fund administrators) and agents (cooperatives and SMEs) when they possess diverse goals and interests.

This concept assumes particular significance when assessing the effectiveness of loan funds in catering to small businesses and cooperatives in Laikipia County. By examining the role of fund managers as principals, it becomes evident how these individuals might prioritize

their own interests over the welfare of those they are meant to serve. Over the years, agency theory has been continually expanded to consider various angles of the principal-agent dynamic in a range of contexts, including loan funds (Jensen & Meckling, 1976).

Notably, the scope of this concept has broadened beyond the conventional corporate setting and is now used to examine relationships in financial institutions and organizations providing financial services. Furthermore, especially in regard to loan funds, it has been modified to assess how well interests are matched between fund managers and beneficiaries as well as how management practices impact fund performance.

Various studies have adopted agency theory to investigate topics related to loan fund performance and governance. Sarker and Swain (2016) analyzed how agency conflicts influenced microfinance institutions' efficiency, while Karlan and Zinman (2010) examined the part of governance measures in enhancing community-based loan funds' achievement. These investigations demonstrate that agency theory can help comprehend the difficulties and possibilities associated with loan fund performance as well as the alignment of interests between stakeholders.

Prominent authors such as Jensen and Meckling (1976) and Karlan and Zinman (2010) have implemented agency theory in the context of institutional loan performance. Their significant work has laid the groundwork, while granting us valuable knowledge of loan fund management and its ramifications for beneficiary outcomes.

The purpose of this research is to analyze the determinants of loan fund performance in Laikipia County by utilizing agency theory. This enabled us to uncover any agency conflicts or moral hazards that can impede the successful management of the funds. Understanding how agency matters have an effect on loan fund performance is necessary so that we can create and introduce governance measures and managerial practices which can reduce conflicting interests, while guaranteeing a long-term, effective operation of the loan funds for the advantage of small businesses and s in Laikipia County.

### **2.2.2 Social capital theory**

Portes, (1998) developed social capital theory which was premised on concept that underscores the significance of social relationships, networks, and social norms in fostering cooperation, trust, and collective action within a community or organization. With regard to the performance of loan funds in Laikipia County from the SMEs' and cooperatives point of view, it is clear how beneficiary-administrator social connections can have a clear impact on the efficiency and success.

Social capital theory has grown to consider various features, including bonding social capital (links between individuals within a group), bridging social capital (links between different groups), and linking social capital (connections to outside institutions or networks). Regarding loan fund performance, the concept has been extended to examine how beneficiaries' and fund managers' trust and social networks can influence loan repayment

rates, availability of loans, and sustainability of the loan fund.

Research has leveraged social capital theory to explore the impact of trust and social networks on financial services, loan fund management and credit access for small enterprises. For example, Beck *et al.* (2015) analyzed the role of social capital in enhancing microfinance group cohesion and repayment behavior, while Hossain (2018) studied its influence on credit access. These studies indicate that social capital theory can explain the dynamics of social interactions as well as their effects on loan fund performance.

Scholars such as Beck, Perera, and Rahman (Beck *et al.*, 2015) have utilized social capital theory to explore how it affects microfinance group lending. Meanwhile, Hossain (2018) applied the same concept to their research on credit access for small enterprises in Bangladesh. These investigations have shed light on the role of social connections in relation to financial inclusion and loan fund success.

The uptake of loan depends on social capital between customers and the lender defined by norms and social network. An adequate social network employed Laikipia County fund is essential in bringing customers on board thus expanding customer portfolio. By employing social capital theory in the evaluation of the factors influencing loan fund performance in Laikipia County, this research aims to elucidate how social relationships, trust, and network ties between beneficiaries and fund administrators can influence loan fund results. The theory can unmask how collaboration, communication, and data exchange stemming from social capital contributes to an increase in repayment rates while increasing

access to funds for beneficiaries. By acknowledging the part played by social capital in managing loan funds, this research aspires to recommend stratagems designed to augment social links and reinforce social capital which could eventually bolster the capability and durability of loan funds for small businesses and cooperatives in Laikipia County.

### **2.2.3 Institutional theory**

DiMaggio and Powell, (1983) posited institutional theory which was founded on sociological and organizational concept that elucidates the impact of social norms, rules, and structures on organizations and individuals. With respect to the determinants of loan fund performance in Laikipia County from the beneficiary perspective of Small and Medium-sized Enterprises (SMEs) and cooperatives, it offers significant insight on how institutional pressures can shape management practices and the end results.

Since its initial conception, the theory has advanced to include various facets, including normative, regulative, and cognitive dimensions. Normative components involve social values and beliefs which guide organizations' decisions; regulative aspects cover formal rules and regulations to be followed; or cognitive features associated with shared assumptions within a society or market.

Additional applications have been made to investigate how complying with industry standards and socially accepted norms can affect loan fund management outcomes. Institutional theory has been used to explore how it influences multiple organizational settings, such as financial services and loan fund management.

For instance, Bouwen (2013) studied institutional pressures' bearing on microfinance institutions' use of social performance practices. Battilana & Dorado (2010) took a similar approach in exploring how institutional logics might affect the conduct of microfinance organizations. These studies show that institutional theory can help provide an understanding of what drives loan fund management practices and results.

Two renowned authors, Bouwen (2013) and Battilana and Dorado (2010), have incorporated institutional theory into their research of financial services and loan fund performance. Their utilization of this framework has yielded important information concerning the impact of institutional pressures on loan funds and their results.

Loan performance depend on administration of rules and regulations that guide the repayment process. Setting up of rules and regulations that guide loan applications and repayment process is important actualizing targets. Further, it aims to ascertain how adhering to industry standards, legal regulations, and social expectations affects operations and decision-making. In recognizing these factors' impact on loan fund performance, it is hoped strategies may be formulated that align practices with existing norms and regulations, thus improving sustainability and effectiveness for SMEs and cooperatives in Laikipia County.

### **2.3 Empirical review**

The performance of loan funds in Kenya's Laikipia County results from a number of factors that can hamper their ability to fulfill objectives. This study seeks to evaluate the

impact of these factors on loan fund performance from the standpoint of beneficiaries; enterprise and cooperatives. Loan funds are an important part of economic development as they facilitate growth in small and medium-sized enterprises (SMEs) and cooperatives.

The performance of loan funds is determined by their ability to meet the needs of borrowers and achieve their intended goals. Loan disbursement, repayment rate, default rate, and loan amount are the primary indicators of loan fund performance. In the empirical review, the objectives of the research and their impact on the loan fund's performance are examined.

### **2.3.1 Beneficiary Characteristics and Loan Fund Performance**

According to empirical studies, characteristics of loan recipients have a significant impact on loan performance (Berger and Udell, 2002). In Laikipia County, Kenya, small and medium-sized enterprises (SMEs) and cooperatives are significant beneficiaries of loan funds. In this section, we examine the role beneficiary characteristics play in determining the effectiveness of loan funds in the county. The study only focused on general characteristics of the beneficiary without specifying them.

In their study on loan repayment determinant factors among smallholder farmers in Laikipia County, Muiruri and Wambua (2017) discovered that gender, education level, and family size had an impact on loan performance. Male farmers had a higher likelihood of paying back their loans than females, which may be due to the belief that they have more financial potential. They also discovered that those with a higher education level were more

likely to make repayments because they had a better comprehension of the loan agreement and better money management skills. The study further showed that smaller households were likelier to complete repayments than larger ones. The study focused only on demographic individual features and failed to mention economic features which are key establishing the capability of individual in awarding a loan.

The study conducted by Nyangweso and Ombaka (2018) demonstrated that SMEs owned by women in Laikipia County had disparate loan performance depending on educational background, experience, and access to information. Women with more education were more probable to pay back their loans; this may be due to their improved financial management knowledge. Additionally, women who held more business experience were likely to reimburse their debts since they had a better comprehension of the market and could spot profitable prospects. Also, those who had access to data concerning loan terms and economic possibilities tended to have higher repayments rates. The study was narrowed to women as the unit of analysis excluding men thus creating methodological gap.

Ndungu and Waweru (2019) investigated the influencing factors of loan repayment in agricultural cooperatives from Laikipia County. It was found that access to credit, group size, and level of education had a major impact on loan performance. Those cooperative members who had higher levels of education were much more likely to repay their loans, which is believed to be due to improved financial management skills and better understanding of the loan agreement terms. Access to credit was also discovered as having a substantial effect on payment success. Smaller groups proved more reliable for loan repayment compared to larger

ones, probably because there was less bureaucracy and other group issues at play. The study only targeted agricultural cooperatives thus limited scope which may result to some biasness.

To summarize, the key determinants of loan fund performance in Laikipia County, Kenya are gender, educational background, and business experience, and household size, access to information, credit availability, and group size. This implies that loan fund managers should be cognizant of these characteristics when developing loan products and assessing prospective borrowers' creditworthiness.

### **2.3.2 Loan Fund Management and Loan Fund Performance**

As a beneficiary perspective, the management of loan funds is crucial to determining their performance. Numerous studies have examined the nexus between loan fund management and loan performance, highlighting the significance of effective management practices in achieving successful outcomes.

The repayment rate of a loan is an important factor in loan fund management. Wanjohi *et al.* (2018) found that loan repayment rate is significantly correlated with loan performance among small and medium enterprises in Kenya. According to the study, businesses with high repayment rates tend to have better loan performance outcomes, including larger loan amounts, longer loan periods, and lower interest rates. The study failed to elucidate loan management practices which harnessed performance.

Disbursement is another critical component of loan fund management. Wafula and Namusonge (2015) found that timely loan disbursements were associated with better loan performance outcomes among small and medium enterprises in Kenya. Loan repayment rates and overall loan performance were higher for businesses that received their loans promptly, according to the study. The study failed to acknowledge the importance supervision in loan management practices.

Furthermore, loan fund managers' practices such as loan monitoring and evaluation have been proven to be influential in the success of loans. A research by Kariuki *et al.* (2019) on the determining aspects of SMEs agribusiness loan performance in Kenya revealed that loan monitoring and evaluation made a notable difference. It was found that companies which were monitored and evaluated regularly managed their loans better, in terms of higher amounts, longer durations and lower interest rates.

Additionally, an investigation conducted by Kyalo *et al.* (2019) concluded that technology-based loan fund management systems had a large impact on small and medium enterprise loan performance in Kenya. They found that those who implemented these systems displayed superior repayment rates and improved loan performance overall. The study focused only on technology as a significant component that is required in loan management practices but failed to highlight other important factors that are left out of the study.

In light of this, loan fund management practices can be decisive when it comes to the performance of loan funds from the viewpoint of SMEs and cooperatives. As such, factors

like loan repayment rate, timely loan disbursement, loan monitoring and evaluation and technology-enabled systems should all be taken into consideration. Ultimately, the adoption of these effective practices could help to improve overall outcomes.

### **2.3.3 Loan operation procedures and Loan Fund Performance**

Loan operation procedures encompass procedures and activities that enable the disbursement of loans, the management of loan accounts and the collection of loan repayments. The efficiency and results-orientation of such operations are considered to be some of the major elements in influencing the success or failure of loan funds in Laikipia County, particularly when it comes to Small & Medium Enterprises and cooperatives. This section provided an empirical examination of literature examining how loan operation procedures influence the performance of loan funds in Laikipia County.

Mwiti's (2016) study on loan default among SMEs in Kenya emphasized the importance of the loan application process as a critical factor in loan performance. It highlighted that stringent collateral requirements and an intricate, extended process deterred many SMEs from applying in the first place, and those who did secure loans were unable to meet repayment conditions, resulting in greater default rates. Streamlining such procedures could be instrumental in increasing accessibility and reducing difficulties for small businesses. The study only focused on the negativity side on why loan procedures are put in place but failed to highlight the positive side.

A study by Nyambura *et al.* (2019) on the determinant factors of loan default among

clients and in Kenya found that loan disbursement procedures have a big impact on repayment behavior. Delays in disbursement and lack of information regarding the repayment schedule resulted in high default rates, which emphasizes the importance of efficient loan disbursement and clear communication about repayment schedules to ensure timely payments.

As part of their study on the factors that influence of loan defaults among small and medium-sized businesses in Kenya, Kariuki and Waititu (2019) found that poor loan management practices, such as inadequate loan monitoring, inadequate loan appraisal procedures, and inadequate follow-up on loan repayments, significantly contributed to high default rates. The study recommended lenders adopt robust loan management practices that ensure effective monitoring of loan accounts and prompt follow-up on loan repayments.

Gichunge and Mukuru (2019) also found that loan operation procedures, particularly loan disbursement procedures, greatly influence loan performance among dairy cooperatives in Kenya. In comparison to cooperatives with slow and inefficient loan disbursement procedures, cooperatives that provided fast and efficient loan disbursement services had lower default rates and higher loan repayment rates.

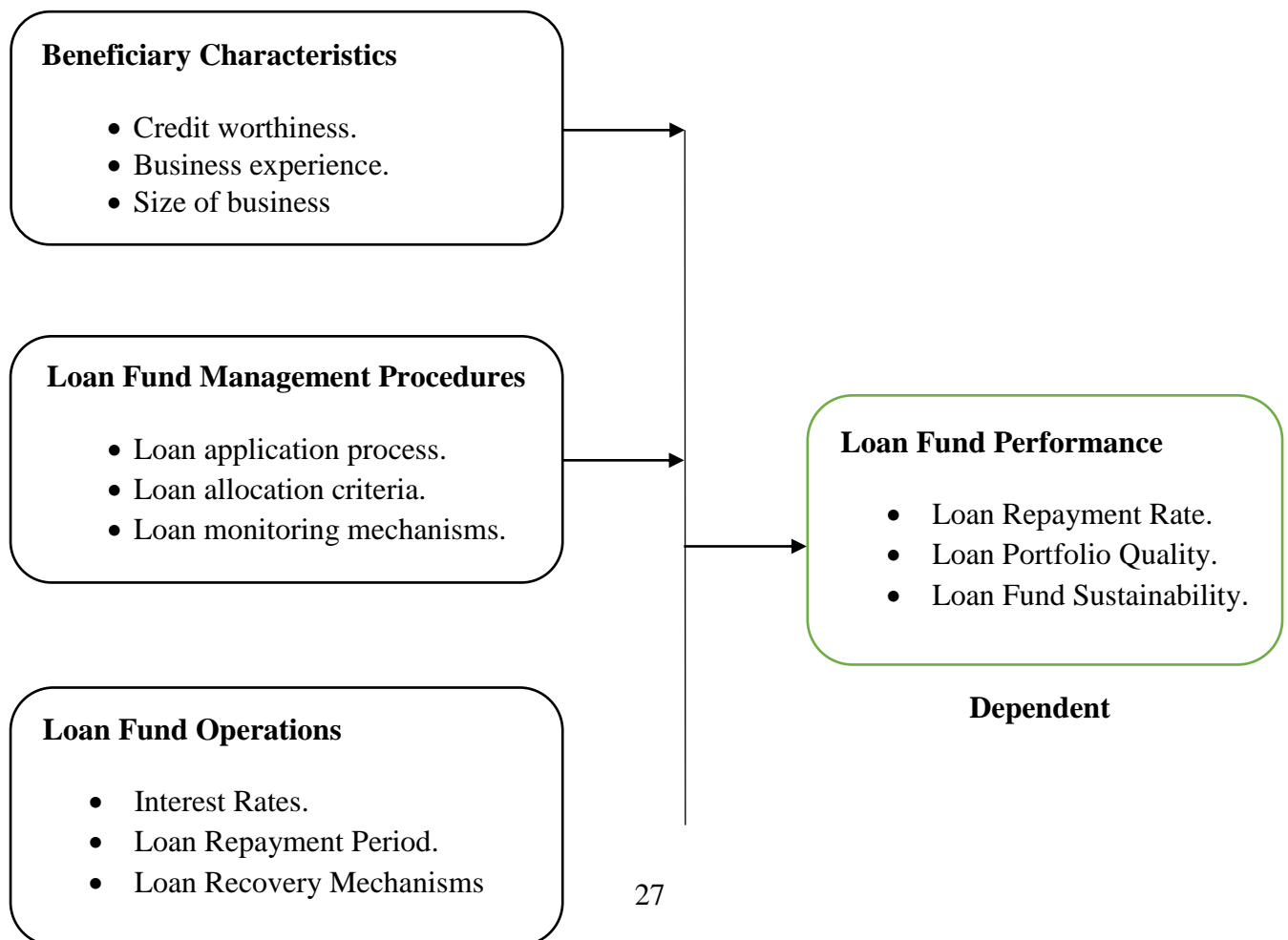
In summary, loan operation procedures are a key factor in the success of loan funds in Laikipia County as perceived by SMEs and cooperatives. Streamlining these operations to make them more convenient, swift and efficient should be the priority for lenders. This ensured timely repayments, as well as reduce any potential defaults through proper communication of repayment schedules.

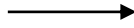
## 2.4 Research Gaps

Several studies analyzing performance of loan funds only focused on the beneficiary characteristics and loan management practices as variables and loan operation procedures was not underscored which this study put more emphasize on it. (Berger & Udell, (2002), Muiruri and Wambua (2017): Ndungu and Waweru (2019) and Wanjohi *et al.* (2018). Moreover, all the studies only focused on commercial banks and other related institutions while this study was the first one targeting loans advanced by county government pointing a contextual gap.

## 2.5 Conceptual Framework

The study variables were conceptualized as presented in figure 2.1.





**Independent Variables**

**Figure 2.1 Conceptual framework**

**Table 2.1 Operationalization of variables**

<b>Variable</b>	<b>Indicator</b>	<b>Measure</b>	<b>Reference</b>
Beneficiary Characteristics	<ul style="list-style-type: none"> <li>• Credit Score or Credit Rating.</li> <li>• Business experience.</li> <li>• Annual Revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Rating assigned to the beneficiary's creditworthiness based on their past financial behaviour and repayment history (e.g. FICO score).</li> <li>• Number of years in operation.</li> <li>• total revenue generated by the beneficiary SME or in a specific time period.</li> </ul>	Muiruri and Wambua (2017), Nyangweso and Ombaka (2018) and Ndungu and Waweru (2019).
Loan fund	<ul style="list-style-type: none"> <li>• Processing</li> </ul>	<ul style="list-style-type: none"> <li>• The time</li> </ul>	Wanjohi <i>et al.</i>

management	<p>Time.</p> <ul style="list-style-type: none"> <li>• Collateral Requirements.</li> <li>• Frequency of Follow-ups.</li> </ul>	<p>taken from application submission to loan approval or disbursement.</p> <ul style="list-style-type: none"> <li>• The assets or guarantees required by the loan fund managers to secure loans, indicating the risk appetite of the fund and the accessibility of loans to beneficiaries.</li> <li>• The frequency with which loan fund managers conduct follow-ups with beneficiaries to assess loan utilization and repayment progress.</li> </ul>	<p>(2018), Wafula and Namusonge (2015) and Kariuki <i>et al.</i> (2019).</p>
Loan operation procedures procedures	<ul style="list-style-type: none"> <li>• Nominal Interest Rate.</li> <li>• Loan Tenure.</li> <li>• Default Rate</li> </ul>	<ul style="list-style-type: none"> <li>• The rate charged on loans reflecting the cost of borrowing for beneficiaries.</li> <li>• The duration within which beneficiaries are required to repay their loans, influencing their ability to manage</li> </ul>	<p>Mwiti's (2016), Nyambura <i>et al.</i> (2019) and Kariuki and Waititu (2019).</p>

		<p>cash flows.</p> <ul style="list-style-type: none"> <li>• The proportion of loans that remain unpaid by beneficiaries within a specific period, indicating the effectiveness of loan recovery mechanisms.</li> </ul>	
Loan fund performance	<ul style="list-style-type: none"> <li>• Loan Repayment Rate.</li> <li>• Loan Portfolio Quality.</li> <li>• Loan Fund Sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• The percentage of loans repaid by beneficiaries within a specific period (e.g., quarterly or annually).</li> <li>• The ratio of non-performing loans to the total loan portfolio, expressed as a percentage.</li> <li>• The ratio of total loan disbursements to total loan repayments, expressed as a percentage.</li> </ul>	<p>Durango- Gutiérrez, <i>et al.</i> (2023) and Abor <i>et al.</i> (2022)</p>

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter explains the research methods utilized in this study, which looked at the determinants affecting loan fund performance from the perspective of cooperatives and small and medium-sized businesses (SMEs) in Laikipia County from the standpoint of the SMEs. This chapter provides an overview of the research design, target population, sample size and sampling strategies, data collection tools, data collection processes, data processing and visualization, research instrument dependability, and ethical issues.

#### **3.2 Research design**

Research design is a guide, road map that guides the researcher in answering the outlined research objectives and statement of the problem (Bell, Bryman & Harley, 2018). The causal research design was adopted in this study. Causal research design seeks to determine how one set of variables termed as independent variable affects another set of variables, termed as dependent variable. It can answer what, where, how, when and what questions, though it does not answer the why questions (Erickson, 2017).

Descriptive research design is appropriate when investigating relationships among variables. Contrasting the experimental research, in this design, the researcher observes and measures study population without undertaking any experimental tests.

### **3.3 Target population**

The population elements were the borrowers in the Laikipia County enterprise Fund. The target population was the 13,600 licensed SMEs in Laikipia County, in Kenya. This unit of observation were managers and administrators of the SMEs that benefited from The Laikipia County Enterprise Fund.

### **3.4 Sample and Sampling procedure**

Sampling is a process where a number of subjects is selected from population to represent since they are assumed to have similar characteristic (Schindler *et al.* 2011). This process is a deliberate move of picking certain cluster of people to represent the largest group and conclusion is drawn. The key criteria used to define a sample is the accuracy in which the selected group can represent the population by having similar features.

This study adopted stratified random sampling in selecting sample of SMEs that were engaged in the study. Laikipia West, Laikipia East, and Laikipia North formed the strata of the study. The selected group represented the licensed SMEs that operate in Laikipia County. The formula proposed by Yamane (1967) was used to compute and identify the SMEs and is calculated as;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

$n$  = sample size

$N$  = population size

$e$  = the level of precision

1 = Constant

Where:

$n$  = sample size

$N$  = population size

$e$  = the level of precision  
1 = Constant

This formula assumes a degree of variability (i.e. proportion) of 0.05, the level of precision of 5% and a confidence level of 95%.

Sample size for;  $n = 13600 / \{1 + 13600(0.05)^2\}$

= 388.5714 = 389 SMEs

$n$  = 389 SMEs

**Table 3.1 SMEs Sampled population**

<b>Cluster Area</b>	<b>Population</b>	<b>Sample</b>
Laikipia West	3381	97
Laikipia East	8704	249
Laikipia North	1515	43
<b>Total</b>	<b>13600</b>	<b>389</b>

The study investigated 389 SMES distributed across Laikipia County as presented in

Table 3.1.

### **3.5 Data collection instrument**

Specifically developed for this study, a structured questionnaire was used to collect data. The questionnaire included both closed-ended and Likert-scale questions to gather quantitative data on various determinants of loan fund performance. To ensure the questionnaire's validity and reliability, it was pretested.

### **3.6 Data collection procedure**

Data was collected through a combination of self-administered questionnaires and face-to-face interviews. The questionnaires were distributed to the selected SMEs, and respondents were instructed on how to complete them. In addition, a subset of participants participated in face-to-face interviews to gain a deeper understanding of their perspectives and experiences.

### **3.7 Data Analysis and presentation**

The data collected for this research on the determinants of loan fund performance in Laikipia County from the beneficiary perspective of SMEs and was analyzed using descriptive statistics and SPSS analysis to investigate the determinants of loan fund performance in Laikipia County from the perspective of SMEs.

Data presentation utilized percentages, mean, median, and frequency tables. The primary data analysis model to be employed is the Multiple Linear Regression (MLR) analysis. MLR allowed us to assess the relationships between the dependent variable, loan

fund performance, and the independent variables, which include beneficiary characteristics, loan fund management, and loan operation procedures.

A multiple regression test was undertaken to explore determinants loan performance that include individual characteristic, loan fund management practices and loan operation procedures in Laikipia County. Person correlation was employed to determine the strength of correlation between the predictor variables and the outcome variable which ranges between  $\pm 1$ . Where is  $r = +0.7$  and above it indicates a very strong correlation;  $r = +0.5$  to below  $0.7$  is a strong correlation;  $r = 0.3-0.49$  is a moderate correlation while  $r = 0.29$  and below indicates a weak correlation. Where  $r = 0$  it indicates that there is no correlation. The multiple regression model to be estimated is;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Y = performance of loans in Laikipia County

$\beta_1 \dots \beta_4$  are regression coefficients to be estimated.

$X_1$  = beneficiary characteristics

$X_2$  = loan fund management practices

$X_3$  = loan operation procedures

e = error term

Overall model significance was verified by ANOVA. In this case, a critical tabulated f value was compared with a calculated f value. The study relied on critical f value of 0.05 to establish whether the overall model is statistically significant or not. Each coefficient regression values were checked singularly in order to determine whether each explanatory variables influence the dependent variable. The study used a critical p value of 0.05 to

determine the overall significance of the model.

### **3.8 Diagnostics**

Diagnostic tests were undertaken to ascertain the validity of the study results and data used to estimate the statistical models. These tests were carried out before the actual analysis of data is done Harlow *et al.* (2016). From the study results, the relationship between the dependent variable and the independent variable should satisfy the assumptions of linearity, normality, autocorrelation and multicollinearity tests Henwood (2014).

Normality tests were carried out to ascertain the consistency in the distribution of data (Yazici & Yolacan, 2007). This study employed Kolmogorov Smirnov test to check normality tests. For a p value  $<0.05$ , it means the data is not normally distributed and for a p value  $>0.05$ , the data is normally distributed.

The study adopted the Variance Inflation Factor (VIF) to determine level of multicollinearity (Alin, 2010). Multicollinearity represents a condition where two or more predictor variables are found to be highly linearly related (Montgomery *et al.*, 2015). The scales of Variance Inflation Factor that was used are VIF  $<5$ ; there is no multicollinearity; when VIF  $\geq 5$  there is presence of multicollinearity.

Linearity assumes a straight-line relationship between the predictor variables and the criterion variable. This was assessed by examination of a scatter plot of all the independent

variables against the dependent variable to determine if there is a straight-line relationship. Regression analysis can be used to present accurate results if the relationship between the dependent and the independent variables is linear (Osborne & Waters, 2002).

Durbin-Watson test was used to test for autocorrelation. The Durbin-Watson test results range from 0 to 4. Values close to 2 suggest less autocorrelation, values close to 0 suggests greater positive correlation and values close to 4 suggest negative correlation (Solutions, 2018).

### **3.9 Research instrument reliability**

A pilot-test of the questionnaire was conducted with a small group of respondents to assess its coherence and clarity to ensure the reliability of the research instrument.

### **3.10 Ethical considerations**

The chosen SMEs received an introduction letter from the university explaining the aim of the research. This was required to guarantee that the data collection effort was legal and had the approval of the appropriate authorities. Furthermore, the National Commission for Science, Technology, and Innovation (NACOSTI) granted the researcher a research permission, which was shown to the respondents as confirmation that the information gathered was solely for academic purposes. This also includes requesting and receiving from KCA University an ethical letter. As a result, the researcher complied with behavior norms concerning the study subjects' rights. A research ethics committee was also set forth guidelines and regulations for the conduct of the research.

After being made aware of the study's purpose and the confidentiality of the data gathered, each respondent gave their informed consent. Cooper and Schindler (2011) state that ethical research practices guarantee respondents' voluntary engagement and prevent damage from occurring to them. To ensure that their personal information remained private, the respondents were told not to include their names or contact information in the questionnaire.

The confidentiality of the individual respondents' personal information was maintained, and no names or other identifying information was obtained by the researcher during the study. Additionally, the researcher made sure that the respondents gave their informed consent. In order to do this, care was made to guarantee that no participant would be forced to participate in the study, and the researcher aimed to utilize the least amount of time and resources possible to get the necessary data. Confidentiality and privacy were respected, as advised by Houghton et al (2010). Additionally, neither the researcher's interaction with the subjects at inappropriate times or locations nor any inducements were given to them.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

#### 4.1 Introduction

The aim of this study was to investigate and understand the factors that influence the performance of loan funds in Laikipia County, Kenya, specifically from the viewpoint of the beneficiaries, which include small and medium-sized enterprises (SMEs). This section presented outcomes ensuring discussions on the factors that influenced loan funds performance in Laikipia County. The section presented demographic finding of the study. Descriptive finding of the study was presented and discussed. Inferential finding of the study that investigated relationship of variables was presented and discussed.

#### 4.2 Response Rate

The study sampled 389 SMEs owners operating in Laikipia County to give their views regarding the factors that influenced performance of loan funds disbursed by devolved county government and results of response rate are presented in table 4.1.

**Table 4.1: Response rate**

<b>Respondents</b>	<b>Administered</b>	<b>Response</b>	<b>Non-response</b>	<b>Percentage response</b>
SMEs owners	389	327	62	84.1

The response rate for SMEs owners was 84.1 percent. This response rate is adequate for analysis. According to Mugenda (2004) a response rate of above 50% is considered

adequate while a response rate above 70% is viewed as excellent. The response rate of 85.1% is considered excellent thus this response is appropriate for analysis.

#### 4.2.1 Reliability Test

The study used Cronbach in testing reliability of the study. Using appropriate statistical techniques, such as Cronbach's alpha, the internal consistency of the questionnaire items was also assessed based on the pilot test results. The reliability test results are as shown in table 3.2.

**Table 4.2 Reliability test**

Variable	Cronbach's Alpha	Conclusion
Beneficiary characteristics	.792	Reliable
Loan fund management	.803	Reliable
Loan operation procedures	.716	Reliable
Loan performance	.810	Reliable

The findings in Table 4.2 depicted that reliability test output was above the lower limit of acceptability of 0.7 alpha. The alpha coefficient of beneficiary characteristics was 0.792, loan fund management was 0.803, loan operation procedures was 0.716 and loan performance was 0.810. The Cronbach alpha coefficients were more than 0.7 and so the instrument was suitable to be used in collecting data (Cronbach, 1951).

#### 4.3 Demographic Analysis

The study assessed demographic characteristics of the SMEs are presented in Table 4.3.

**Table 4.3 Demographic Results**

<b>Sample</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>SMEs</b>	<b>Gender</b>		
	Male	180	55.0
	Female	147	45.0
	<b>Total</b>	<b>327</b>	<b>100.0</b>
	<b>Level of Education</b>		
	Certificate	156	48.1
	Diploma	95	28.6
	Degree	51	15.7
	Post Graduate	25	7.6
	<b>Total</b>	<b>327</b>	<b>100</b>
	<b>Duration in Business</b>		
	Below 5 years	145	44.4
	6-10 years	115	35.2
	11-15 years	53	16.1
	Above 16 years	14	4.3
	<b>Total</b>	<b>327</b>	<b>100</b>
	<b>Working Experience</b>		
Below 5 years	165	50.4	
6-10 years	105	32.1	
11-15 year	70	21.4	
Above 16 years	30	9.1	
<b>Total</b>	<b>327</b>	<b>100</b>	

Based on the finding in Table 4.3, 55% of the customers interviewed are male while 45% are female. The society has always been dominated by male category of the population but this gap is closing down as time progresses. It is evident from this study that both genders are almost equal.

On the basis of education, 48.1% of the customers are certificate holders while 28.6% have diplomas and 15.7% have degree. It was also noted that 7.6% of the customers have

post graduate education qualification. Majority of customer have certificate as the maximum education qualification. Education is essential in cultivating literacy skills that are important in making decision when borrowing a loan. Thus, there is likelihood that with many people having certificate may hamper performance of loan funds.

On the basis of position in the organization, the study interviewed all the managers and administrators of this SMEs. This imply that majority of the respondents were finance mangers thus more insights were shared that helped the study with recommendations. Managers have wealth of experience on how the industry has been operating and information that was disseminated informed the study progressively. Manager authority instruments at disposal and information shared are likely to be authentic.

On the basis of duration of business, it was noted that 44.4% of the customers have been in business for a period not exceeding five years while 35.2% have been in business for a period of 6-10 years and 6.1% have worked for a period of 11-15 years. In addition, 4.3% of the customers have been in business for a period of over 16 years. On the other hand, study deduced that 50.4% of the staff have been in work for a period of less than 5 years while 32.1% of the staff have been in service for 6-10 years and 21.4% have been in service for a period of 11-15 years while 9.1% have been in business for over 16 years. This imply that majority of the customers have been in business for shorter period as compared to majority of the staff that have worked for longer periods. Sustainability of SMEs are always a matter of concern as compared to loan fund providers that is formed to exist for perpetually.

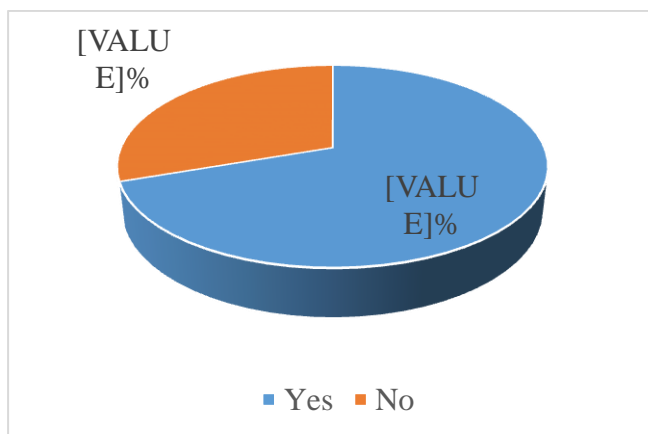
#### **4.4 Descriptive Analysis**

The study specifically investigated role that beneficiary characteristics, examined impact of loan fund management practices and analyze the influence of loan operation procedures on

performance of loan funds in Laikipia County. The study used frequencies, percentage, means and standard deviations to assess statements regarding various statements.

#### 4.4.1 Fund Management Factors

Loan management practices is crucial in identifying predictive factors that is essential in defining outcomes. Identification process is always complex and requires well defined parameters and adjustment of weighted results. This study assessed various aspects of fund management using percentages, means and standard deviation. The investigation commenced with an enquiry on the duration it takes for loan funds to be disbursed and finding is presented in figure 4.1.



**Figure 4.1 Duration of Loan Disbursement**

When respondents were asked about duration on loan approval and disbursement, 69.7% of the respondents were of the view that loans approval and subsequent disbursement does long while 30.3% were of the contrary view. This imply that many of the loan funds providers have set a convenient approvals and disbursement mechanism in place. Complex approvals and disbursement procedures may discourage clients from seeking services. It is

important for loan funds to simplify their loan approvals and disbursement procedures to increase their competitiveness and match the most established players in the market.

Loan repayment is a critical principle in credit system. Failure of loan repayment might hamper sustainability of loan funds. The study sought the views of various players regarding factors that can affect repayment of loans and finding is presented in Table 4.4

**Table 4.4 Factors Affecting Loan Repayment**

Below is a list of some firm features that affect the possibility of loan repayment among SMEs and cooperatives

	Frequency	Percent
Loan disbursement procedure	103	31.4
Default policies	116	35.5
Monitoring and evaluation	51	15.6
Implementation of technology	37	11.4
Other	20	6.1
<b>Total</b>	<b>327</b>	<b>100</b>

It was found that 35.5% of the respondents attributed default policies as factor that determine loan repayment procedure while 31.4% respondents cited loan disbursement procedure as crucial factor that determine loan repayment process and 15.6% alluded that loan repayment process is determined by monitoring and evaluation. Moreover, 11.1% of the respondents noted that implementation of technology is likely to affect loan repayment process and 6.1% cited other factors such economic performance and social factors as essential when it comes to loan repayment process.

This imply that default policies set on loan funds is likely to influence repayment. Credit financing is important in spurring growth of business. Equally, it is important to setting up rules and guidelines that regulate repayment since many of the clients who were

initially excluded by financial institutions for being highly vulnerable on credit may take advantage of it.

This investigation assessed various statements regarding loan management and how it influenced performance of loan funds using mean and standard deviation and finding is presented in Table 4.5.

**Table 4.5 Descriptive findings of Loan Management Practices**

<b>Statement</b>	<b>SD (%)</b>	<b>Disagree (%)</b>	<b>neutral (%)</b>	<b>Agree (%)</b>	<b>SA (%)</b>	<b>Mean</b>	<b>Std</b>
The information requested by the Fund from the loan applicant is readily available	13.2	13.8	12.3	28.3	32.3	3.63	1.47
The information requested by the fund accurately predicts the repayment ability of the loan applicant	6.8	8.0	11.0	43.7	30.4	3.71	1.43
The performance of the fund in form of performing loans affects the amount of loans to customers	10.3	16.8	9.9	36.9	26.0	3.59	1.37
The amount of information provided by the applicant affects loan repayment	11.1	11.4	14.1	28.0	35.4	3.55	1.50
The speed of loan approvals in the fund affects customers loan repayment	9.9	11.1	10.9	38.3	29.9	3.58	1.41
The amount of loan advanced affects customers loan repayment	8.0	10.9	8.9	46.1	26.1	3.94	1.33
The loan repayment period affects customers loan repayment	12.6	9.6	9.9	37.9	30.0	3.88	1.39

Key: SD=strongly disagree, SA=strongly agree and Std= standard deviation

The study's results, which show a mean of 3.63 and a standard deviation of 1.47, showed that a large number of credit officers and operators of SMEs agreed that the information the fund required from the loan application is easily accessible. Furthermore, a large number of respondents believed that the data the fund asked accurately predicted the

loan applicant's capacity to repay the loan, as shown by the mean of 3.71 and standard deviation of 1.43. It is important for clients understand all available information before taking credit. Likewise, it is vital for financial institutions to disclose all the information to clients that will aid decision making.

Furthermore, as indicated by the mean of 3.59 and standard deviation of 1.37, a number of respondents concurred that the fund's success in terms of making loans to clients influences the total amount of loans made to them. Furthermore, as indicated by the applicant's mean of 3.55 and standard deviation of 1.50, the amount of information provided has an impact on loan repayment. Financial institutions are supposed to verify information provided by clients before making a decision of disbursing loans. Lack of adequate information regarding the credit history of client may increase chances of default. When clients are not able to repay their loans within the obligatory period then chance of increasing non-performing loans becomes high.

The study deduced that several respondents were of the view that speed of loan approvals in loan funds affect customers' loan repayment as indicated by mean of 3.58 and standard deviation of 1.41. Moreover, many of the respondents opined that amount of loan advanced affects customer loan repayment as shown by mean of 3.94 and standard deviation of 1.33. Finally, finding of this study noted that many of the respondents were of the view that loan repayment period affects customers loan repayment as shown by mean of 3.88 and standard deviation of 1.39. The approvals of loans especially advancing them quickly may be considered a favorable factor in spurring business. This is considerable important if the amount disbursed is determined based on the ability of the client to repay the loan. Moreover,

the study enquired to what extent these factors affected loan repayment process and finding is presented in Table 4.6.

**Table 4.6 Extent of Factors affecting Loan Repayment**

<b>To what extent do the fund factors affect loan repayment</b>			
	<b>Frequency</b>	<b>Percent</b>	
No extent	41	12.6	
Little extent	35	10.8	
Moderate extent	26	8.1	
Great extent	138	42.0	
Very great extent	87	26.5	
<b>Total</b>	<b>327</b>	<b>100</b>	

The finding of the study established that 42% of the respondents agreed that that factors cited in the study affected loan repayment by a great extent while 26.5% of the respondents were of the view that these factors affected their loan repayments by a very great extent and 12.6% of the respondents noted that these factors did not affect loan repayment at all. Moreover, 10.8% of the respondents were of the view that highlighted factors affected loan repayment by a little extent while 8.1% of the respondents noted that these factors affected loan repayment process by moderate extent. This imply that factors highlighted in the study affected loan repayment by a larger extent since many of the respondents opined that way.

#### **4.4.2 Individual Borrowers' Factors**

Individual characters affect loan performance for instance education, family size and income. Literacy level is key in decision making of individual. The study assessed how individual characteristic affected performance of loan funds using percentages, mean and

standard deviation. The study commences with an investigation into an age of a borrower in determining possibility of loan repayment and finding is presented in figure 4.2.

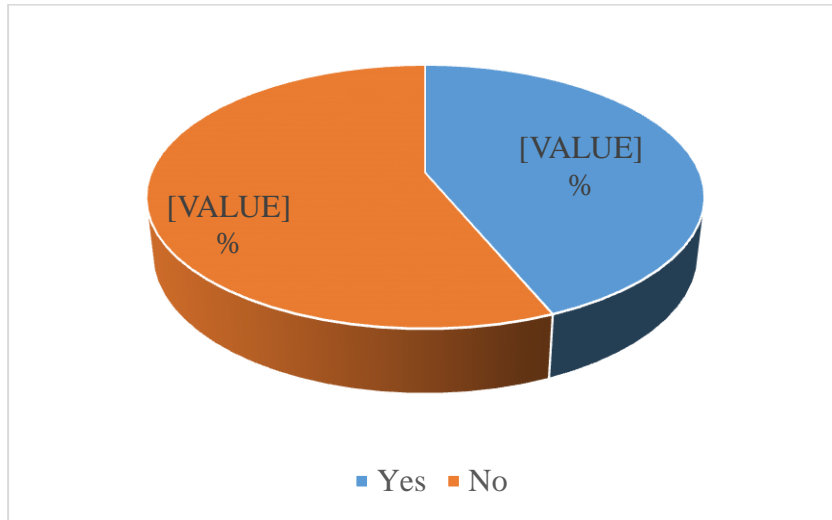


Figure 4.2 Age of Borrower

When the respondents were asked about age of the borrower affecting repayment, 56.3% of the respondents were of the view that age of the borrower does not affect repayment while 43.7% of the respondents were of the view that age affected loan repayment. This imply that age does not affect loan repayment. The study assessed individual factors affection loan repayment and finding is presented in Table 4.7.

**Table 4.7 Individual factors**

**What are the major individual borrowers' factors affecting their loan repayment behavior and ability?**

<b>Factors</b>	<b>Frequencies</b>	<b>Percentage</b>
Age	27	8.3
Gender	5	1.6

Education Background	84	25.6
Nature of business operated	69	21
Borrower's experience	99	30.3
Amount of loan taken	31	9.4
Other	12	3.8

The finding in table 4.7 indicated that 30.3% of the respondent opined that borrowers experienced determined access to loan, 25.6% of the stakeholders agreed that education background is an essential factor that determine loan while 21% of the individual who participate in the interview opined that nature of business affected loan performance.

In addition, 9.4% of the respondents acknowledged that quantity of loan taken is likely to be a critical factor that will affect loan performance while 8.3% of the respondents showed that age a factor to consider in loan repayment. Finally, 1.6% of the respondents opined that gender affected loan repayment while 3.8% cited other factors not included in this study. This imply that individual behavior is crucial in determining loan repayment. The background of an individual credit history is very important in assessing compliance and default possibilities.

#### 4.4.3 Loan operation procedures

The study assessed various processes that affect loan repayment process and the findings are presented in Table 4.8.

**Table 4.8 Loan operation procedures**

<b>What loan operation procedures affect the level of loan repayment</b>		
	<b>Frequency</b>	<b>Percentage</b>
Interest rates charged on the loan	157	47.9
Collateral requirements	98	29.8
Loan appraisal procedures	30	9.3

Monitoring and follow ups	33	10.2
Other	9	2.8
<b>Total</b>	<b>327</b>	<b>100</b>

Based on the finding in Table 4.8, 47.9% of the respondents were of the view that interest rates affected loan repayments while 29.9% cited collateral requirement as one of the key factor that affect loan repayment process and 10.2% noted that monitoring and follow ups. Moreover, 9.3% of the respondents were of the view that loan appraisal procedures affected level of loan repayment process while 2.8% of the respondent noted there are factors that affect loan repayment process. Interest rates are important in loan repayment, cost of borrowing will determine how many people can purchase loans. High cost loan are likely to deter people from borrowing and affordable loans are likely to attract investors. Loans providers are always faced with a challenge of offering affordable loans and sustaining it. There has to be balance of offering competitive interest rates that will be sustainable in the long run. The study assessed extent to which loans operation procedures affected repayment process and finding is presented in Table 4.9.

**Table 4.9 Extent to which loan operation procedures affect Repayment**

<b>To what extent do loan operation procedures have an effect on loan repayment among customers</b>		
	<b>Frequency</b>	<b>Percent</b>
No extent	50	5.3
Little extent	68	10.8
Moderate extent	75	12.9
Great extent	83	45.4
Very great extent	51	25.6
<b>Total</b>	<b>327</b>	<b>100</b>

The finding of the study revealed that 45.4% of the respondents agreed that loan

operation procedures affected loan repayment to a great extent while 25.6% were of the view that loan operation procedures affected loan repayment by a very great extent. Moreover, 12.9% of the respondents noted that loan procedures affected repayment process by moderate extent while 10.8% were of the view that loan operation procedures affect loan repayment by a little extent and 5.3% of the respondents noted loan operation procedures does not affect loan repayment. Loan operation procedures are mechanisms put in place to facilitate access of loans. Complex and bureaucratic procedures are likely to hamper repayment process while tailored loan operation procedures are likely to encourage beneficiaries to repay so that it become easier to get more loans. Statements on loan operation procedures that affected performance of loan funds were assessed using mean and standard deviation and finding is presented in Table 4.10.

**Table 4.10 Loan operation procedures**

<b>Statement</b>	<b>strongly disagree</b>	<b>disagree</b>	<b>neutral</b>	<b>agree</b>	<b>strongly agree</b>	<b>Mean</b>	<b>Std</b>
Interest rates charged are affordable	7.3	9.8	8.3	43.1	31.5	4.05	1.37
Interest rates charged are negotiable depending on the client convenience	9.5	11.9	10.4	36.4	31.8	3.92	1.46
Loan repayments are normally flexible depending on individual previous records	10.4	10.1	8.3	37.3	33.9	3.84	1.47
Loan repayments can be extended as long as client remain committed	9.5	10.7	12.2	36.7	30.9	3.70	1.41
There is a robust recovery mechanism	11.0	10.7	12.8	36.4	29.1		

The finding of the study revealed that many respondents agreed that interest rates charged are affordable as indicated by mean of 4.05 and standard deviation of 1.37. On the other hand, it was found out that interest rates charged are negotiable depending on the client convenience as indicated by mean of 3.92 and standard deviation of 1.46. Likewise, majority of the respondents agreed that loan repayments are normally flexible depending on individual previous records as shown by mean of 3.84 and standard deviation of 1.47. The cost of borrowing is vital in determining demand of loan funds. With increased demand as a result of affordable cost of borrowing chances of negotiating interest rates decline thus normalize loan repayments. This will also reduce cases of default and encourage high level of conformity.

Further, according to the study, most respondents (mean of 3.7 and standard deviation of 1.41) agreed that loan repayments might be postponed as long as the client remained committed. Furthermore, as seen by the mean of 3.94 and standard deviation of 1.42, it was discovered that many respondents agreed that the business had a strong recovery mechanism. In dynamic world no one can predict how economy can perform. At times poor performance of an economy can affect how businesses services their credit. It is prudent for financial institutions to devise a flexible means when servicing a loan including extension in case prevailing economic conditions may not favor growth then need for adjustment is key.

#### **4.4.4 Performance of Loan Funds**

Loan performance is important on all players that participate in this business. Significant income of financial institutions is derived from interest rates charges as a cost of

borrowing. Loans in nature are highly risky assets that carries huge weight on profitability, liquidity as well as solvency. The study assessed performance of loan funds using mean and standard deviation and finding is presented in Table 4.11.

**Table 4.11 Descriptive Results Loan Performance**

<b>Statement</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std</b>
Clients are repaying their loans on time	12.3%	9.9%	10.1%	38.4%	29.3%	3.95	1.44
Non-performing loans have increased over time	19.9%	18.3%	18.0%	23.5%	20.2%	3.06	1.42
Cases of defaulting have increased since when the loans where disbursed	11.1%	9.9%	10.5%	39.3%	29.3%	3.96	1.42
The loan funds have been continuously disbursed to those clients who shown interest and qualify	10.6%	11.7%	8.0%	39.2%	30.5%	3.75	1.48
The loan portfolio have recorded steady growth since its inception	6.3%	10.1%	9.0%	44.8%	29.9%	3.83	1.45

Based on the finding in Table 4.11, many of the respondents agreed that clients are repaying their loans on time as indicated by mean of 3.95 and standard deviation of 1.44. Likewise, several of the respondents were of the view that non-performing loans have increased over time as indicated by mean of 3.06 and standard deviation of 1.42. In addition, majority of the respondents were in consensus that cases of defaulting have increased since when the loans where disbursed as depicted by mean of 3.96 and standard deviation of 1.42.

Loan operation procedures are supposed to streamline loan repayment. The loan procedures are essential in guiding on how loan is repaid and what are the implications of delaying repayment. Procedures that are concise and favorable are likely to reduce cases of default and non-performing loans.

Most of the respondents opined that loan funds have been continuously disbursed to those clients who have shown interest and qualify as depicted by mean of 3.75 and standard deviation of 1.48. Likewise, many of the respondents agreed that loan portfolio have recorded steady growth since its inception as shown by mean of 3.83 and standard deviation of 1.45. Loans disbursed to individuals who have a good record of repayment are likely to enhance growth. Credit principle is designed in a way that it induces demand by increasing its intake and sustain itself.

Loan performance is crucial to any financial lending institution since it forms a significant part of its assets through income generated from earned interest rate. Loans in nature are highly risky assets that carries huge weight on profitability, liquidity as well as solvency. Performance of loans can be hampered by how borrowers honor their contractual obligation on repaying back in time thus putting more risk of default. Therefore, to guarantee optimum loan performance institutions are supposed to have effective loan management practices, better ways assessing individual characteristics and adequate loan conditions in place to enable selecting appropriate beneficiary who is less risky

#### **4.5 Correlation**

The correlation matrix was undertaken to determine the nature and strength of association between the independent variables (beneficiary characteristics, loan fund management practices and loan operation procedures) and the dependent variable

(performance of loan funds). This study employed Person correlation was employed to determine the strength of correlation between the predictor variables and the outcome variable which ranges between  $\pm 1$ . Where is  $r = +0.7$  or greater implies a very strong correlation;  $r = +0.5$  to less than  $0.7$  is a strong correlation;  $r = 0.3-0.49$  implies moderate correlation while  $r = 0.29$  and below implies a weak correlation (Danacica, 2017). The finding is shown in Table 4.12.

**Table 4.12 Analysis of the Determinants between Performance of Loan Funds**

<b>Correlations</b>		<b>Loan performance</b>	<b>Loan management practices</b>	<b>Beneficiary characteristics</b>	<b>Loan operation procedures</b>
Loan performance	Pearson Correlation	1.000	.434**	.218**	.423**
	Sig. (2-tailed)		0.000	0.000	0.000
	N	327	327	327	327
Loan management practices	Pearson Correlation	.434**	1.000	0.1	.177**
	Sig. (2-tailed)	0.000		0.072	0.001
	N	327	327	327	327
Beneficiary characteristics	Pearson Correlation	.218**	0.100	1.000	.193**
	Sig. (2-tailed)	0.000	0.072		0.000
	N	327	327	327	327
Loan operation procedures	Pearson Correlation	.423**	.177**	.193**	1.000
	Sig. (2-tailed)	0	0.001	0	
	N	327	327	327	327

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 4.12 findings shows that there is a positive moderate and significant association between loan management practices and performance of loan funds ( $r=0.434$ ,  $p=0.000$ ). The computed p value of  $0.000 < 0.05$  means that the association between loan management practices and performance of loan funds is statistically significant. This finding implied that strengthening loan management practices improves performance of loan funds. The null hypothesis of the study stated that fund management practices positively impact loan fund performance in Laikipia County. The study failed to reject the null hypothesis since the p value was less than 0.05 affirming that there is a significant correlation between fund management practices and performance of loan fund. Aspects of loan management include credit reporting, analysis, classification, and rating. It entails a methodical process for using, deploying, upgrading, disposing of, and managing assets in the most economical and profitable manner feasible. Therefore, regulations implemented by an organization to oversee its credit sales are referred to as loan management. Financial institutions' success or failure is influenced by loan administration. Loan management practices such as approvals, disbursements and default policies are integral in achieving optimal loan performance.

Effective management of loan processes are crucial to performance of loan funds. Repayment is key in loan management and its handling to a larger extent is vital. Several aspect of loan management are tailored as per customer expectations repayment rates tend to have better loan performance outcomes, including larger loan amounts, longer loan periods, and lower interest rates. The finding of this study agreed with a study by Wafula and Namusonge (2015) that observed that loan repayment rates and overall loan performance

were higher for businesses that received their loans promptly during the disbursement process.

It also concurred with a study by Kariuki *et al.* (2019) that concluded that loan monitoring and evaluation made a notable difference and this was translated to loan funds performance. It also concurred with a study by Wanjohi *et al.* (2018) which found out that repayment is essential part in loan management practices that play a crucial role in loan funds performance. Further according to Wanjohi *et al.* (2018), loan repayment rate is significantly correlated with loan performance among small and medium enterprises in Kenya.

The study findings further indicated that there exist a positive and significant association between beneficiary characteristics and performance of loan funds ( $r=0.218$ ,  $p=0.000$ ). The calculated p value of  $0.000 < 0.05$  means that the association between beneficiary characteristics and performance of loan funds is statistically significant. This signified that assessing beneficiary characteristics is key in avoiding individuals with questionable past and may default thus affecting performance of loan funds adversely. The null hypothesis of the study stated that beneficiary characteristics significantly influence loan fund performance in Laikipia County.

The study failed to reject null hypothesis since the p value was less than 0.05 affirming that there is a significant correlation between beneficiary characteristics and performance of loan funds. Borrowers with vast experience in business have high propensity to repay their loans on time thus enable realization of loan performance as desired of loans unlike the counterparts with inadequate experience in business. Loan performance varies

across businesses depending on the profitability of business and how these businesses are influenced by production factors. Individuals in the informal sector are highly risk as compared businesses in the formal sector thus performance of loans are likely to be hampered high degree of risk.

Beneficiary characteristics play an important role in determining the effectiveness of loan funds. Gender, education and family size play a key role in performance loan funds. For instance, in gender male are more likely to repay their loans due to the perception of wealth dominance across this segment.

Loan procedures and repayment need informed decision making. Literacy is essential in assessing procedures that are supposed to be followed applying loan. Individuals with more education were more probable to pay back their loans; this may be due to their improved financial management knowledge. The finding of this study agreed with a study finding by Nyangweso and Ombaka (2018) that established that educational background, experience, and access to information significantly influenced performance of loan funds. It also concurred with a study by Muiruri and Wambua (2017) discovered that gender, education level, and family size had an impact on loan performance. Moreover, Berger and Udell, (2002) observed that beneficiary characteristics play a crucial role on effectiveness of loan funds. Additionally, Nyangweso and Ombaka (2018) women with more education were more probable to pay back their loans; this may be due to their improved financial management knowledge.

Finally, Pearson correlation finding indicated that there exist a positive and significant association between loan operation procedures and loan fund performance ( $r=0.423$ ,

p=0.000). The computed p value of value of 0.000 <0.05 means that the association between loan operation procedures and loan fund performance is statistically significant. Study hypothesis indicated that efficient loan operation procedures contribute to improved loan fund performance in Laikipia County. The study failed to reject null hypothesis since the p value was less than 0.05 indicative that there is significant correlation between loan operation procedures and financial performance of loan funds.

Loan operation procedures encompass procedures and activities that enable the disbursement of loans, the management of loan accounts and the collection of loan repayments. The efficiency and results- orientation of such operations are considered to be a major factor in determining the success or failure of loan funds. Streamlining such procedures could be instrumental in increasing accessibility and reducing difficulties for small businesses. Delays in disbursement and lack of information regarding the repayment schedule hampers repayments that leads to increased non-performing loans.

Loan operation procedures were found to be a crucial enabler to loan funds performance. Loan commence from application point of view, a simplified application process will attract more people to apply for loans and this increases rating of a given loan product. The application process is supposed to be clear and provide the interested parties with adequate information. Streamlining such procedures could be instrumental in increasing accessibility and reducing difficulties for small businesses. Thus, enhancing of robust loan operation procedures is critical in improving performance of loan funds.

Given the importance of loan performance and its overall impact on the sustainability of financial sector, increased level of nonperforming loans has given scholars and policymakers impetuous to assets determinants of loan funds performance. Studies have

identified several array of factors that influence performance of loans in among credit financial institutions. According to Wood, and Skinner, (2018) determinant of loan performance can be grouped as institutional factors and individual factors. Yeboah, and Oduro, (2018) opined that individual characteristics and management system of financial institution play a critical role in loan payment process.

The finding of this study agreed with a study by Mwiti's (2016) which found out that loan application process as a critical factor in loan performance. Moreover, a study by Nyambura *et al.* (2019) observed that loan disbursement procedures have a big impact on repayment behavior thus play a critical role in loan funds performance. It further concurred with a study by Gichunge and Mukuru (2019) which established that loan disbursement procedures, greatly influence loan performance among dairy cooperatives in Kenya.

#### **4.6 Diagnostic Tests**

In order to establish whether the collected data was fit to be analyzed and draw further conclusions on the relationship among the study variables. Various diagnostic tests were undertaken and this include linearity, normality, autocorrelation and multicollinearity tests.

##### **4.6.1 Normality Test**

Kolmogorov test analysis was done for the investigation. To evaluate if the data was suitable for regression analysis, Kolmogorov was used. When the P-value was higher than 0.05, it indicated that the data was normally distributed and suitable for regression analysis. P values less than 0.05, on the other hand, indicated that the data was not reliable for regression model estimation since they were not regularly distributed. The output is as shown in Table

4.13.

**Table 4.13 Normality Results**

Variable	Kolmogorov-Smirnov Statistic	df	Sig.
Beneficial Characteristics	0.196	327	0.845
Loan Management Practices	0.230	327	0.862
Loan operation procedures	0.381	327	0.573

From the finding in table 4.13, all the computed P-value from the normality test result (0.842, 0.862 and 0.573) were  $> 0.05$  indicating that the data set in the study followed normal distribution and subsequent inferential analysis could be carried out.

#### 4.6.2 Test of Linearity

Prior to performing regression analysis, compare means were used to test for linearity and graphically demonstrate whether there was a linear or curvilinear connection between two continuous variables. Only linear relationships between dependent and independent variables allow for the proper estimation of such relationships using regression models. The linearity results of the relationship determinants of performance of loan funds are indicated in Table 4.14.

**Table 4.14 Linearity Results**

			Sig.
	Between		
	Groups	(Combined)	0.000
Performance of Loan Funds * Beneficiary Characteristics		Linearity Deviation from Linearity	0.006
	Between		
Performance of Loan	Groups	(Combined)	0.619
			0.000

Funds * Loan Management Practices		Linearity	0.007
		Deviation from Linearity	0.680
	Between Groups	(Combined)	0.000
Performance of Loan Funds* Loan operation procedures		Linearity	0.004
		Deviation from Linearity	0.390

Based on the Anova results in Table 4.14 above, value sig deviation from linearity was  $0.619 > 0.05$  for beneficiary characteristic against performance of loan funds. The results imply that there is linear relationship between beneficiary characteristic and Performance of loan funds. It was also established that there was a linear relationship between loan management practices variable against Performance of loan funds sig value deviation from linearity was  $0.680 > 0.05$ . Loan operation procedures and Performance of loan funds attracted deviation from linearity of  $0.390 > 0.05$  implying presence of linearity relationship. The linearity test results indicated that the data set was exhibiting linear pattern hence linear regression modeling could be conducted.

#### 4.6.3 Autocorrelation Test

The study to investigate whether data suffered from autocorrelation. Durbin Watson test was undertaken and the finding is presented in table 4.15.

**Table 4.15 Autocorrelation Test Finding**

Model	Durbin-Watson
1	2.112
a Predictors: (Constant), loan management practices, loan operation procedures, beneficiary characteristics	
b Dependent Variable: Performance of loan funds	

From the finding revealed in table 4.15, the p value was 2.112 which is  $<4$  and  $>2$ , this implied that the data did not suffer from any form of autocorrelation since it was within the range that is considered free from autocorrelation.

#### 4.6.4 Collinearity Test

Collinearity test was conducted to ascertain whether the data suffered from severe multi-collinearity. Collinearity is determined based on nature of correlation between study variables. VIF value  $>5$  implies presence of severe multi-collinearity (Kock & Lynn, 2012). Collinearity test output is shown in table 4.16.

**Table 4.16 Collinearity Results**

Model	Collinearity Statistics	
	Probability Statistics	VIF Statistics
Beneficiary Characteristic	.835	1.085
Loan Management Practices	.591	1.817
Loan operation procedures	.763	1.512

The VIF statistic for beneficiary characteristic was  $1.058 < 5$ . This implied that beneficiary characteristic data did not suffer from severe multicollinearity. In addition, the VIF statistic for loan management practices was 1.817. This can be interpreted that the data for loan management practices did not suffer from severe multicollinearity. Likewise, the VIF statistic for loan operation procedures was 1.512. This indicated that data for loan operation procedures did not suffer from severe multicollinearity.

#### 4.7 Regression Analysis

The multiple regression model was used to estimate determinants performance of loan

funds. The model results output comprised of the model summary, Anova test and regression of coefficient. Table 4.17 presents the model summary results.

**Table 4.17 Summary Model**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.570a	0.325	0.319	0.53569

a Predictors: (Constant), Loan operation procedures, Loan management practices, Beneficiary characteristics

Determinants of loan funds that include loan operation procedures, loan management practices and beneficiary characteristic was established to be adequate items that explain loan funds performance. The adjusted coefficient of determination, or adjusted R square, of 31.9% provided evidence in favor of this. This indicates that 31.9% of the variability in the dependent variable—the performance of loans in Laikipia County, can be explained by loan operation procedures processes, loan management techniques, and beneficiary characteristics.

Further, the correlation coefficient (R=0.570) denoted that loan operation procedures, loan management practices and beneficiary characteristic had a strong relationship with the loan funds performance. Loan performance is crucial to any financial lending institution since it forms a significant part of its assets through income generated from earned interest rate (Edem, 2017). Loans in nature are highly risky assets that carries huge weight on profitability, liquidity as well as solvency. Performance of loans can be hampered by how borrowers honor their contractual obligation on repaying back in time thus putting more risk of default.

Therefore, to guarantee optimum loan performance institutions are supposed to have effective loan management practices, better ways assessing individual characteristics and adequate loan conditions in place to enable selecting appropriate beneficiary who is less risky.

The validity of the model was also validated using Analysis of Variance (ANOVA) and results are shown in Table 4.18.

**Table 4.18 ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.657	3	14.886	51.873	.000b
	Residual	92.69	323	0.287		
	Total	137.347	326			

**a Dependent Variable: Loan performance**  
**b Predictors: (Constant), Loan operation procedures, Loan management, Beneficiary characteristics**

The results indicate that statistical model is significant as indicated by p-value of  $0.000 < 0.05$ . The output results are further anchored by the F statistic of 51.873 which implied that loan operation procedures, loan management practices and beneficiary characteristic is a good predictor of loan fund performance. The regression weights of each variable in the model are presented in Table 4.19. The regression coefficients demonstrate the marginal effect of each predictor on the dependent variable.

**Table 4.19 Coefficient Results**

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	0.511	0.214		2.39	0.017

Loan management practices	0.397	0.051	0.363	7.804	0.000
Beneficiary characteristics	0.117	0.047	0.117	2.496	0.013
Loan operation procedures procedure	0.32	0.045	0.336	7.115	0.000

**a Dependent Variable: Loan performance**

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The hypothesized model [ $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$ ] becomes;

**Performance of Loan Funds= 0.511+0.363 Loan management practices +0.117 Beneficiary characteristics + 0.336Loan operation procedures procedure**

All the independent variables (loan operation procedures, loan management practices and beneficiary characteristic) have identical (Likert) scales, and also the constant value in the model is significant, thus the use of standardized B-coefficients. From the regression weights, loan management practices best explain performance of loan funds ( $\beta=0.363$ ), followed by loan operation procedures ( $\beta=0.336$ ) and lastly beneficiary characteristics ( $\beta=0.117$ ).

**4.8 Discussion**

Regression finding indicated that loan management practices positively and significantly influenced performance of loan funds ( $\beta=0.363$ ,  $p=0.000$ ). This implies that strengthening loan management practices improve performance of loan funds. Loan management practices once institutionalized in an organization is key enhancing inclusion of

predictive factors which allows a financial institution to identify risks that play a crucial role in outcomes.

When risks are identified in loan management process then crucial decision pertaining borrower on lending is ultimately made, which will likely affect loan funds performance. One of the decision that will inform loan management practices is how to low non-performing loans through adoption of processes such as loan rationing, client appraisal and debt collection skills that borrows heavily on monitoring.

Effective management of loan processes are crucial to performance of loan funds. Repayment is key in loan management and its handling to a larger extent is vital. Several aspect of loan management are tailored as per customer expectations repayment rates tend to have better loan performance outcomes, including larger loan amounts, longer loan periods, and lower interest rates. Repayment can only be better if disbursement process is structured appropriately. Disbursement of loan promptly is likely to spur confidence in the repayment process.

The finding of this study agreed with a study by Wafula and Namusonge (2015) that observed that loan repayment rates and overall loan performance were higher for businesses that received their loans promptly during the disbursement process. It also concurred with a study by Kariuki *et al.* (2019) that concluded that loan monitoring and evaluation made a notable difference and this was translated to loan funds performance. It also concurred with a study by Wanjohi *et al.* (2018) which found out that repayment is essential part in loan management practices that play a crucial role in loan funds performance.

Further according to Wanjohi *et al.* (2018), loan repayment rate is significantly correlated with loan performance among small and medium enterprises in Kenya. According to the study, businesses with high repayment rates tend to have better loan performance outcomes, including larger loan amounts, longer loan periods, and lower interest rates. Kyalo *et al.* (2019) also concluded that technology-based loan fund management systems had a large impact on small and medium enterprise loan performance in Kenya. As indicated by Kyalo *et al.* (2019), those who implemented these systems displayed superior repayment rates and improved loan performance overall.

Loan operation procedures were found to be a crucial enabler to loan funds performance. Loan commence from application point of view, a simplified application process will attract more people to apply for loans and this increases rating of a given loan product. The application process is supposed to be clear and provide the interested parties with adequate information. Streamlining such procedures could be instrumental in increasing accessibility and reducing difficulties for small businesses.

Delays in disbursement and lack of information regarding the repayment schedule hampers repayments that leads to high default rates, which emphasizes the importance of efficient loan disbursal and clear communication about repayment schedules to ensure timely payments.

Efficiency of loan operation procedures is essential on loan funds performance. This is because it determines the success and failures of loan funds. Disbursement and repayment

is supposed to be anchored well to avoid cases of default within financial institutions. It involves stringent collateral requirements and an intricate, extended process reduces risk brought by vulnerable groups thus minimizing cases of non-performing loans.

The finding of this study agreed with a study by Mwiti's (2016) which found out that loan application process as a critical factor in loan performance. Moreover, a study by Nyambura *et al.* (2019) observed that loan disbursement procedures have a big impact on repayment behavior thus play a critical role in loan funds performance. It further concurred with a study by Gichunge and Mukuru (2019) which established that loan disbursement procedures, greatly influence loan performance among dairy cooperatives in Kenya.

In a similar study on the factors influencing loan defaults among small and medium-sized businesses in Kenya, Kariuki and Waititu (2019) found that poor loan management practices, such as inadequate loan monitoring, inadequate loan appraisal procedures, and inadequate follow-up on loan repayments, significantly contributed to high default rates.

Lastly, the regression results indicated that beneficiary characteristic positively and significantly influenced performance of loan funds ( $\beta=0.117$ ,  $p=0.013$ ). This implied progressive individual attributes are likely to influence performance of loan funds. There are various beneficiary characteristics that influence repayment of loans. Beneficiary characteristics play an important role in determining the effectiveness of loan funds.

Gender, education and family size play a key role in performance loan funds. For

instance, in gender male are more likely to repay their loans due to the perception of wealth dominance across this segment. Beneficiary characteristic thus is one of significant determinants of loan repayment by small and medium enterprises in Laikipia County.

Loan procedures and repayment need informed decision making. Literacy is essential in assessing procedures that are supposed to be followed applying loan. Individuals with more education were more probable to pay back their loans; this may be due to their improved financial management knowledge. Business experience is likely to make people more responsible on debt obligation since they have a better comprehension of the market and could spot profitable prospects. Moreover, access to data concerning loan terms and economic possibilities tended to have higher repayments rates.

The finding of this study agreed with a study finding by Nyangweso and Ombaka (2018) that established that educational background, experience, and access to information significantly influenced performance of loan funds. It also concurred with a study by Muiruri and Wambua (2017) discovered that gender, education level, and family size had an impact on loan performance. Moreover, Berger and Udell, (2002) observed that beneficiary characteristics play a crucial role on effectiveness of loan funds. Additionally, Nyangweso and Ombaka (2018) women with more education were more probable to pay back their loans; this may be due to their improved financial management knowledge.

According to the authors, women who held more business experience were likely to reimburse their debts since they had a better comprehension of the market and could spot profitable prospects. Also, those who had access to data concerning loan terms and economic possibilities tended to have higher repayments rates. Similarly, Ndungu and Waweru (2019) while investigating the influencing factors of loan repayment in agricultural cooperatives

from Laikipia County found that access to credit, group size, and level of education had a major impact on loan performance. Those cooperative members who had higher levels of education were much more likely to repay their loans, which is believed to be due to improved financial management skills and better understanding of the loan agreement terms.

In terms of gender perspective, Muiruri and Wambua (2017) indicated that male farmers had a higher likelihood of paying back their loans than females, which may be due to the belief that they have more financial potential. They also discovered that those with a higher education level were more likely to make repayments because they had a better comprehension of the loan agreement and better money management skills. The study further showed that smaller households were likelier to complete repayments than larger ones.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study's aim was to investigate determinants of the performance of loan funds in

Laikipia County, Kenya. Contained within this section is a summarization of the outcomes leading to conclusions and finally appropriate recommendations.

## **5.2 Summary of Major Findings**

Objective one sought to understand the role that beneficiary characteristics, play in determining the performance of loan funds in Laikipia County. Descriptive finding showed that most of the SMEs were of the view that age does not affect loan repayment process while education, borrower's experience and nature of business operated affected performance of loans. On the other hand, gender was considered the least factor that influenced performance of loan funds. Correlation and regression finding established that beneficiary characteristic significantly influenced performance of loan funds in Laikipia County. Assessing individual characteristics is important in determining their credit worthiness. Without proper audit of individual characteristics there is likelihood of enrolling more defaulters into the scheme.

The second objective of the study examined impact of loan fund management practices on the performance of loan funds. It was evident from descriptive results that disbursement and approvals of loan processes are essential in achieving desired loan fund performance. Moreover, default policies and loan disbursement procedure are critical loan management practices that affect loan funds performance. Inferential results established that loan management practices positively and significantly influenced loan funds performance. Loan management is the means by which financial institutions ensure customers receive credit in the best way possible for their economic needs and make prompt payments as per the loan agreement. Effective management of loan processes are crucial to performance of loan funds. Repayment is key in loan management and its handling to a larger extent is vital.

Objective three of the study was to analyze how loan operation procedures influence the performance of loan funds. Descriptive finding established that majority of the respondents agreed that all the aspects of loan operation procedures are essential pillars of loan funds performance. On the other hand, correlation and regression results established that loan operation procedures significantly affected performance of loan funds. Loan operation procedures encompass procedures and activities that enable the disbursement of loans, the management of loan accounts and the collection of loan repayments.

The efficiency and results-orientation of such operations are considered to be a major factor in determining the success or failure of loan funds. Streamlining such procedures could be instrumental in increasing accessibility and reducing difficulties for small businesses. Delays in disbursement and lack of information regarding the repayment schedule hampers repayments that leads to increased non-performing loans.

### **5.3 Conclusions**

Based on the finding of the study conclusion is drawn as per objective. The study concluded that beneficiary characteristic plays an integral role on performance of loan funds in Laikipia County. It can be concluded that it is important for financial institutions to assess individuals based on education, borrower's experience and kind of business operated. The age, gender, education level, household size, business experience, credit usage history, household income, type of business activity, non-business income, and amount of business investment are some of the characteristics of the individual/borrower.

Numerous researches have demonstrated how certain factors affect debt repayment. These factors will present a true reflection of individual credit worthiness. Business that has high returns will likely service credit adequately.

Furthermore, as per the study results it can be inferred that fund management practices significantly affected loan repayment process. Loan management is an aspect that involves credit classification, analyzing, ranking, and credit reporting. It involves systematic process of operating, deploying, maintaining, disposing, and upgrading assets in the most cost-efficient and profit-yielding way possible. A fund manager must pay close attention to cost and risk to capitalize on the cash flow opportunities. As such, loan management means the policies adopted by an entity to manage its credit sales.

Loan administration influences the success or failure of financial institutions. Loan management practices such as approvals, disbursements and default policies are integral in achieving optimal loan performance. When these loan management processes are strengthened then non-performance loans will decline significantly.

One of the fundamental practices that guarantee loan performance is an appropriate loan management practice. Thus, institutionalizing loan fund management practices enables inclusion of predictive factors that constitute variety of qualification criteria to attain desired outcome. This process identifies risk factors that pertain lending decision on each borrower, parameters of loan product and adjustment of factors that weight results. The desired outcome in lending is lowering the non-performing loans beside the gross loans through effective credit management practices that include loan rationing, appraisal of clients, debt collection and loan monitoring among others.

The study concluded that loan operation procedures significantly and positively affected performance of loan funds. Loan operation procedures are conditioned to favor individuals who are credit less risky. Conditions that does not compel individuals to repay their loan as result of lack of seriousness can hamper loan performance. Lack of willingness from the borrowers could also hamper performance of loans and all these are tied to loan operation procedures practices. Poor loan management influences negatively the operation efficiency of loan fund providers and also the beneficiaries.

#### **5.4 Recommendations**

This section provides recommendations on study findings, implications on policy, practice and areas for further research.

##### **5.4.1 Recommendation for Practice**

Individual characteristics are inherent and vital principles that define individual personality. It is one of the key aspects that determine level of compliance of individuals based on behavioral traits. Financial institutions are recommended to review their vetting and screening process so that credit worth people are allocated financing through credit have credit worthiness attributes. Systems that tract credit history of individual will help to demystify the increased cases of non-performing loans. Additionally, the study suggested that lenders and SMEs owners should create efficient policies to guarantee that loan repayment issues resulting from borrower and firm characteristics are minimized, and financial institutions should update their lending guidelines in order to minimize loan repayment issues caused by loan and lender characteristics.

Loan management process is at the heart of credit system in any organization. Efficient and effective loan management practices are crucial in enhancing performance of loans funds. The study recommends strengthening of loan management practices through adoption of technology in assessing individual qualifications. The use of technology will make the loan management practices efficient and effective since many data can be pooled and worked within a shorter period of time. It is important that loan management practices are in the same pace with technology since any lapse can compromise the process.

Loan operation procedures are important since many customers may develop a perception based on how they are handled procedurally during credit application. The face of loan disbursement is largely overshadowing by application process. It is recommended that loan operation procedures are tailored to meet customer expectations especially on simplification of the processes. The procedures should be understood by everybody and easily operational to everyone. Procedures that are convenient to everyone is likely to attract many people.

#### **5.4.2 Recommendation for Policymakers**

Management of loan is crucial to performance of businesses and sustainability of financial entities. Regulators of financial institutions are supposed to formulate a policy that guarantee efficiency of loan management process. This policy should align loan management practices to open, transparent and prudent system where every client has a chance.

Transparency in the management process of loans are crucial in fostering confidence of individuals.

#### **5.4.3 Recommendations for Further Research**

The study used primary data in measuring performance of loans. Individual opinions or staff opinions may not represent the accuracy of how loans have been performing. The study suggests use of secondary data in measuring performance of loans. This is because documented and published data is likely to give an accurate figure on the performance of loans unlike individual opinions that may be biased.

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## Appendices

### Appendix I: Introduction Letter

Winfred Kirigo Muthungu,

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Tel. 0714291801

Dear Respondents,

I am a postgraduate student at the Kenya College of Accountancy-University- MSC Finance and Economics undertaking a research on **“DETERMINANT OF THE PERFORMANCE OF LOAN FUNDS IN LAIKIPIA COUNTY, KENYA;** Which is a requirement for the award of the Degree of Master of Science in Economics and Finance.

I'm therefore requesting your assistance to fill the attached questionnaires by ticking and recording the appropriate answers. The information given will be handled confidentially, and will only be used only for academic intention.

Yours faithfully,

Winfred Kirigo Muthungu.

## Appendix II: Questionnaire for SMEs Operators

### SECTION A: DEMOGRAPHIC INFORMATION

1. Please indicate the name of your organization (optional) -----

2. Gender Female [ ] Male [ ]

3. How long have you been in business?

Below 5 years [ ] 6-10 years [ ] 11-15 years [ ] Above 16 Years [ ]

3. What is your education level?

Certificate [ ] Diploma [ ] Degree [ ] Post graduate [ ]

### SECTION B: FUND MANAGEMENT FACTORS

4. Does the amount of time taken for the loan to be approved and disbursed affect loan repayment possibility?

Yes [ ] No [ ]

Please explain?

.....  
.....  
.....

5. Below is a list of some firm features that affect the possibility of loan repayment among SMEs and cooperatives. (Please tick ALL that affect the loan repayment in Laikipia county)

Loan disbursement procedure [ ]

Default policies [ ]

Monitoring and evaluation [ ]

Implementation of technology [ ]

Other (please specify) [ ]

\_\_\_\_\_

6. Below are statements on factors that affect the loan repayment of customers. On a scale of 1-5 where 5= strongly agree, 4= agree, 3=neutral, 2= disagree and 1= strongly disagree, please rank your level of agreement with each statement.

Statement	1	2	3	4	5
The information requested by the Fund from the loan applicant is readily available					
The information requested by the fund accurately predicts the repayment ability of the loan applicant					
The performance of the fund in form of performing loans affects the amount of loans to customers					
The amount of information provided by the applicant affects loan repayment					
The speed of loan approvals in the fund affects customers loan repayment					

The amount of loan advanced affects customers loan repayment					
The loan repayment period affects customers loan repayment					

7. To what extent do the fund factors affect loan repayment?

Very great extent ( ) Great extent ( ) Moderate extent ( ) Little extent ( ) No extent ( )

**SECTION C: INDIVIDUAL BORROWERS' FACTORS**

8. Does the age of the borrower affect the possibility of loan repayment?

Yes [ ] No [ ]

Please explain?

.....  
.....  
.....

9. What are the major individual borrowers' factors affecting their loan repayment behavior and ability? (Please tick ALL that apply)

Age [ ]

Gender [ ]

Education Background [ ]

Nature of business operated [ ]

Borrower's experience (1<sup>st</sup>/2<sup>nd</sup> etc borrower) [ ]

Amount of loan taken [ ]

Other (please specify) [ ]

\_\_\_\_\_

10. Below are statements on the borrowers' factors that affect the rate of loan repayment. Use a scale where 5 strongly agrees, 4 agree, 3 neutral, 2 disagree, 1 strongly disagree, please indicate your level of agreement with each statement.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The kind of collateral pledged as security for the loan.					
The amount of loan taken by the customer.					
The type of business operated by the customer.					
Duration which the business has been in existence.					
Customer credit history is evaluated to asses credit worthiness					

11. To what extent do the borrowers' factors affect the level of loan repayment?

Very great extent ( ) Great extent ( ) Moderate extent ( ) Little extent ( ) No extent

**SECTION D: LOAN OPERATION PROCEDURES**

12. What loan operation procedures affect the level of loan repayment?

Interest rates charged on the loan [ ]

Collateral requirements [ ]

Loan appraisal procedures [ ]

Monitoring and follow ups [ ]

Other (Please specify) [ ]

---

13. To what extent do loan operation procedures have an effect on loan repayment among customers?

Very great extent ( ) Great extent ( ) Moderate extent ( ) Little extent ( ) No extent ( )

14. Below are statements on the loan operation procedures. Use a scale where 5 strongly agrees, 4 agree, 3 neutral, 2 disagree, 1 strongly disagree, please indicate your level of agreement with each statement.

Statement	1	2	3	4	5
Interest rates charged are affordable.					
Interest rates charged are negotiable depending on the client convenience.					

Loan repayments are normally flexible depending on individual previous records.					
Loan repayments can be extended as long as client remain committed.					
There is a robust recovery mechanism within the organization.					

15. Below are statements on the performance of loans. Use a scale where 5 strongly agrees, 4 agree, 3 neutral, 2 disagree, 1 strongly disagree, please indicate your level of agreement with each statement.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Clients are repaying their loans on time.					
Non-performing loans have increased over time					
Cases of defaulting have increased since when the loans where disbursed.					
The loan funds have been continuously disbursed to those who clients who shown interest and qualify.					
The loan portfolio have recorded steady growth since its inception					

### Appendix III: Target Population Sample

<b>SMES</b>		
Kinamba Dynamic Youth Group		Datima Transport Ltd.
Marmanet Disabled		Lomacen Ltd.
Nasinya Women Group		Karamton Housing Ltd.
Naretu Shg		Ruai Beekeepers Society Ltd.
Naiperere Glory Shg		Ngarua Dairy Fcs Ltd.
Olakira Musul Youth Group		Ngarua Millers Society Ltd
Usanii Reloaded Laikipia		Kinamba Juacom Society Ltd
Mtoto Wetu Joy House		Gcc Uzima Society Ltd
Sirima Karandi Boda Shg		Nyalawe Society Ltd
Rumuruti Young Traders		Laikipia Produce & Marketing Society Ltd
Neema Windows		Namoe Society Ltd
Mwireri Self Help Group		Laikipia Women Society Ltd
Mutuma Ngatha Kiamariga Women		Nanyuki Equator Society Ltd

Thome Youth Sobriety Group		Nabosa Society Ltd
Pesi Community Health Unit		Nyahururu Juakali Society Ltd
Depatas Self Help		Nyatomo Soc Ltd
Mamiga Women Group		Tigithi Umoja Society Ltd
Dam-Ini Youth Group		Laikipia North Pastors Soc Ltd
Vision Women Group		Winyitie Fcs Ltd
Urumwe Old Market Self Help Group		Nyashoe Society Ltd
Iriuko Dairy Farming Youth Group		Khe Society Ltd
		Marmanet Fcs Ltd.
<b>Contract Farmers</b>		Nalepo Bodaboda Society Ltd
Mutirithia Self Help Group		Shepherd Society Ltd
Hurukia Mutungi Women Group		Laikipia East Bodaboda Society Ltd
Ngegima Self Help Group		Koofa Society Ltd
Sirimon Livelihood		Nanyuki Juakazi Society Ltd
		Segera Youth And Traders Society

		Ltd
<b>Small Business</b>		Laikipia North Nashula Society Ltd
Kinamba Amani Women Group		Laikipia County Staff Society Ltd
Kinamba Ngano- Ini Women Group		Nturukuma Dairy Fcs Ltd.
Lobere Mutirithia S.H.G		Ngarua Coffee Society Ltd
Murango Women Group		Ngarua Cereals
Mwenje Green Pastures S.H.G		Sipili Cereals Co-Op Society Ltd
Ngano-In Group		Emmanuel Fortune Society Ltd
Umoja Kumi S.H.G.		Muwolla Society Ltd
Victory Women Group		Home Business Society Ltd
Ack Muthengera Mens S.H.G		Kilimo Hifadhi Society Ltd
Amuka Nyahururu Shg		Sweetwaters Haygrowers Society Ltd
Blessed Losogwa Women Group		Imenyamou Fcs Ltd.
Comoka S.H.G		Daiga Pastors Society Ltd
Excell Catering & Decoration		Nyambogishi Fcs

S.H.G		
Friends Of Nature		Jikaze Traders Society Ltd
Good Neighbors Self Help Group		Laikipia Diaries Farmers Co-Op Society Ltd
Heshima-Upendo S.H.G.		Cottage Society Ltd
Jubilee Shauri Ii S.H.G		Siraji Society Ltd
Kademi Youth Self Help Group		Nanyuki Mt.Kenya Bodaboda Society Ltd
Maina Arise And Shine		Kongoni River Society Ltd
Manguo Christian Women Group		Rima Society Ltd
Neema S.H.G		Mbatian Society Ltd
Nyahururu Alfa Stage Hawkers S.H.G		Mulatha Dairy Farmers Co-Op Society Ltd
Ochimanga S.H.G		Daiga Jamii Bodaboda Society Ltd
One On One Youth Group		Oramat Lenaiboisho Co-Op Society Ltd
Pace Setters Youth Group		Olpejeta Society Ltd

Shamanei Old Students S.H.G		Olooloingok Fcs
Star Progressive Self Help Group		Solio Ranch Settlement Fcs
Tafakari C.B.O		Laikipia Permaculture Centre Society Ltd
Tatu Welfare Association		Laikipia Livestock And Marketing Co-Op
Tiger Kid S.H.G		Sipiili Jitahidi
Tirade Youth Group		Umande Dairy F.C.S
Unity Thompson Falls S.H.G		Wangwachi Horticulture F.C.S
Urumwe Manguo S.H.G		Muruku Dairy C.F.S
Blessed Five S.H.G.		Msinduka Farmers Co-Operative Soc. Ltd
Gather S.H.G.		Nanaendi Society Ltd
Joi Grace Women S..H.G.		Ngenia Muungano Soc. Ltd
Muiguithania Women Group		Mellifera Ltd
Mutarakwa Farmers Shg		Nasaruni Rural Soc Ltd
Mwamba Self Help Group		Timau Color Crop Soc. Ltd

Simba Juhudi Self Help Group		Nanyuki Cabs Soc. Ltd
Seyia Youth Group		Ndurumo Cereals And Produce F.C.S Ltd
		Tigithi Hay Growers Farmer Coop Soc. Ltd