

**EFFECT OF CREDIT MANAGEMENT PRACTICES ON LOAN
PERFORMANCE IN SELF HELP GROUPS IN KENYA**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Self Help Groups (SHGs) play a major role in empowering members in order to improve their economic wellbeing. However, self-help groups in institutions like Catholic Archdiocese of Nairobi are faced with issues such as increase in non-performing assets, high default rates, and large amount of loans in default, and lower stakeholder dividends. Therefore, the general objective of this study was to assess effect of credit management practices (CMP) on loan performance in Catholic self-help groups in Kenya. Moreover, the specific objectives were to establish the influence of credit terms, client appraisal, credit collection policies and credit risk control on loan performance of Catholic SHGs in Kenya. The target population was 120 accountants in Catholic SHGs in Kenya. This study adopted a census method in selecting the population of the study. A semi structured questionnaire was deployed comprising of open as well as closed questionnaire which was administered to accountants in each of the groups. Data was analyzed by employing descriptive as well as inferential statistics such as regression and correlation. The results indicated that credit terms have positive and significant effect on loan performance of SHGs in Kenya. In addition, findings established that client appraisal has a positive and significant influence on loan performance of SHGs in Kenya. Further, the study found that credit risk control has positive significant effect on loan performance of SHGs in Kenya. In addition; the study found that credit collection policies have positive and significant influence on loan performance of SHGs in Kenya. The study concludes that credit collection policy was the most significant credit management practice affecting loan performance of SHGs in Kenya, followed by credit risk control, credit terms and client appraisal. From the findings, the study recommends that the leaders of SHGs in Kenya should set credit terms such as credit period, interest rate and fees, repayment schedule and also provide penalties information in order to lower the default risk from the borrowers. In addition, the study recommends that before issuing the loans, the leaders of SHGs in Kenya should evaluate the clients' ability to pay back the loans in order to ensure that the clients are credit worthy. Moreover, the study recommends that the leadership of SHGs should set credit policies in order to save time by ensuring that the same problem is not addressed repeatedly each time a decision is required.

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ACRONYMS AND ABBREVIATIONS

AMFI:	Association of Microfinance Institutions
ASCAs:	Accumulating Savings and Credit Associations
CBK:	Central Bank of Kenya
CMP:	Credit Management Practices
KCB:	Kenya Commercial Bank
KPIs:	Key Performance Indicators
MFI:	Microfinance Institutions
MTP:	Modern Portfolio Theory
NPLs:	Non-Performing Loans
ROSCAs:	Rotating Savings and Credit Associations
SACCOs:	Savings and Credit Cooperatives
SHGs:	Self-Help Groups
SMEs:	Small and Medium Enterprises

TERMS AND DEFINITIONS

Client Appraisal: This is the process used by an institution to assess the value of the borrower in terms of economic viability by use of character, capacity, capital, collateral, and conditions (Aliija & Muhangi, 2017).

Credit policy: This is an institutional technique for analyzing credit demands and its criteria on decision for rejecting or accepting applications (Gatuhu, 2013).

Credit Risk Control: This is a process or procedure used to reduce the likelihood of a borrower to fail in honoring obligations as per the agreed terms and conditions (Hossain, Yang & Su, 2018).

Credit Term: It is a contractual agreement in which a company gives credit to consumers, as well as the credit duration and limit (Chi-Man & Su, 2015).

Loan: This refers to the money lent to another party in return for the amount of loan value, plus interest or other finance costs, to be repaid in the future (Rukundo, 2018).

Performance: This refers to the measure of the SHG's efficacy, performance, and environmental responsibility as measured by normal or prescribed indicators such as cycle time, productivity, and regulatory enforcement (Omar & Samantar, 2018).

Self Help Group (SHG): This is informal association of 15 to 20 individuals, mostly, from poorer part of village community; whereby they are founded on unity, reciprocity, mutual interest, and resource pooling and are organized, owned, managed, and regulated by the members (Ayodele & Alabi, 2014).

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The relationship between credit management practices and loan performance needs no emphasis (Lalnehzovi, 2017). Undeniably, intelligent and effective credit lines management is not only a key necessity for proper credit management but has far reaching ramifications on performance of loans among self-Help Groups. Loan portfolios are not only a SHG's greatest asset and primary source of income, but they are also one of the most significant risk sources for its soundness and protection (Pradyut, 2019). As a result, credit risk management is regarded as one of the road maps for ensuring the soundness and protection of any industry by prudent conduct, monitoring, and efficiency. Accordingly, for a prudent credit management system, credit word, client assessment, credit risk control, as well as credit policy are four credit management activities that have been found to influence loan performance in SHGs. Specifically, credit terms which include loan size, fees and interest rate, repayment schedule specific time period possess the potential of influencing loan performance. Similarly, a client's personal, cultural, social and economic factors such as character, capacity, collateral, capital and condition, determine his or her loan repayment. Credit risk measures, such as credit insurance, customer covenants, loan diversification, customer credit ratings, financial reports, and SHGs' refusal to take on additional debt, all have an impact on performance of the loan. Further, loan performance can be influenced by credit policies (stringent or lenient) such as collection efforts, credit standards, credit terms and loan review.

Self-Help Groups (SHGs), though informal they enhance economic development, empower the poor and provide financial inclusion (Redman 2017) through savings, credit activities, watershed development, awareness building, skill training and capacity building. Group leadership is by rotation (de Quidt, Fetzer & Ghatak, 2016). However, despite its considerable outreach and successful savings mobilization, low loan-repayment rates of SHG banking remains a major impediment (Bylander, 2015) due to credit management practices. Despite financial institutions' efforts, the number of problems has risen in both developing and developed economies around the world (Basel, 2004). SHG poor credit management effect on loan default is across the world. Vietnam's SHGs had 19% loan default crisis (Lebovics, Hermes & Hudon, 2016), United Kingdom's SHGs loan arrears rose from 1% to 6% (Chossudovsky, 2015). Similarly, Brazil (dos Santos, Gori Maia and da Silveira, 2016), India (Shylendra, 2018), Pakistan (Sheikh and Sadaqat, 2015), Ghana (Mohammed and Wencong, 2018), Bosnia and Herzegovina SHG sector suffered high loan default (Rehman, Moazzam and Ansari, 2015). Loveline, Uchenna, and Karubi (2014) assessed the challenges facing women-owned enterprises and noted that credit management issue was a significant challenge. From the study, the results showed that small businesses were severely hurt by the inability of some of their trade creditors to pay up their debts on time thus affected their working capital.

The failure rate of self-help group is estimated by experts to be between 70 and 80 percent. It is substantially higher for countries in sub-Saharan Africa. According to Uwonda *et al.* (2013), millions of money is lost on SMEs through avoidable mistakes such as those of poor credit management. Aminu (2012) noted that most SMEs are run by people who do not have an idea of how to run a business and, therefore, lack the appreciation of businesses fundamentals. Nigeria and Angola, and Uganda experienced increasing default (Banwo and Onokala 2015)

(Oppong, 2015), (Zhu, 2018). In Kenya, chama' (self-help groups) of archdiocese of Nairobi that have spread to Kiambu and Nairobi Counties, comprise ROSCAs and ASCAs. According to Fawcett (2015), ROSCAs experienced a shortfall in generated revenues and this translated into reduced financial performance (ibid). Kipkirui and Omagwa (2018) researched on credit management practices and financial performance of microfinance institutions in Nairobi central business district, Kenya. According to the MFIs quarterly financial report, there is an increase in the loan default rate (16%) and the non performing rate increased by 15% from Sh70.3 billion in March 2016 to Sh77.3 billion in 2017 which is as a result of the practices used for credit management in the sector among other factors.

1.1.1 Credit management practices

In reference to this research, credit management refers to the process of monitoring as well as collecting payments from SHG members or customers. SHG's vulnerability to bad debts will be reduced with a good credit management system, which will help to decrease the amount of money tied up with debtors. Credit management is critical to a SHG's cash flow. It is possible to be successful on a paper but not have enough cash to keep a company running (Freedman & Jin, 2017). Credit management practices consist of four key components; credit terms, client assessment, credit risk control as well as credit policy. Loan credit terms are the framework guidelines on how loans are given out. These are basically provisions detailing the requirements, modalities and obligations of loan administration. Credit terms are the terms by which businesses provide consumers with financing or credit (Baruah & Ward, 2015). Credit terms may include loan size, fees and interest rate, repayment schedule, specific time period, and penalties information among other circumstances under which financial institutions provide credit.

Client appraisal is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. The following factors should be considered during the appraisal: the client's intent, the genuineness of the need, the borrower's repayment ability, the amount of the loan, and the collateral (security). Loan appraisal is critical in reducing loan losses; thus, if the officers in charge of loan appraisal are not knowledgeable enough, there is a high likelihood of lending money to non-deserving customers (Hadi & Kamaluddin, 2015). Additionally, credit risk controls, that are a key aspect of credit management practice, include design of the loan product, credit committees as well as delinquency management (Ahlin & Waters, 2016). SHGs can reduce default risk by Moreover, results discovered that client appraisal is positively correlated with loan performance of SHGs in Kenya ($r=0.465$, $p\text{-value}=0.000$). Moreover, the correlation was as well significant as $p\text{-value}$ (0.000) was below significant level of 0.05 . The results are in agreement with those of Mulyungi and Mulyungi (2020) who revealed that there is a linear, positive as well as significant correlation between client appraisal and loan performance of Guaranty Trust Bank Rwanda PLC.

Further, results found that credit risk control was positively correlated with loan performance of SHGs in Kenya ($r=0.449$, $p\text{-value}=0.000$). Moreover, the association was significant as $p\text{-value}$ (0.000) was below significant level (0.05). The results are in agreement with Murigi and Thuo (2018) findings that credit risk control has a major impact on the financial performance of agricultural companies listed on the Nairobi Securities Exchange.

Loan products that are tailored to the needs of their clients. The loan size, repayment schedule, interest rate and collateral conditions are all aspects of the loan product. Additionally, loan products ought to be designed in order to disclose the particular reason for which they are being used. Credit risk can, therefore, be controlled through pricing, covenants,

credit insurance, tightening lending and credit diversification. Increased loan default implies poor loan performance. Stringent loan terms imply high performance and the lenient terms if adopted portrays poor loan performance.

A further element of credit management is the policy framework on lending, monitoring and collection of loan. As a result, loans should be distributed in a systematic manner according to well-established credit policies and procedures (Crabb, 2015). A loan program which is well-formulated is beneficial to the institution's overall performance. As a result, it assists companies in following the same for risk control and regulatory compliance. Loan review is an important aspect of policy because it assists management in identifying problems on daily basis by ensuring that loan officers are implementing the policy to the letter and spirit.

Credit policy refers to a set of decision variables influenced by the financial manager, such as collection efforts, credit requirements, credit conditions, and loan review. Loan collection efforts include grace periods communicated, penalties specifications, date of repossession, date of delinquent turnover, loan tracking systems, peer monitoring, rescheduling, loan default rates, inflation, and liquidity risk premium among others (Hadi & Kamaluddin, 2015). Credit standards must be stressed when advancing loans so that the credit provider gains a reasonable degree of confidence in being able to provide the full amount of credit at the lowest possible fee. Credit criteria may be strict or lenient. Indeed, today's slow credit market offers a higher imperative for SHGs to enhance their credit management practices to reduce exposure to risk and also cost of business. SHGs ought to be prepared with above discussed right tools as well as accurate information in order to avoid possible reputation, operational and financial risks. For credit management, it is sink or swim.

1.1.2 Loan performance

Performing loan refers to a loan which is not set to default, a delinquent loan is a loan which is about to defaulted or in arrears even though it has not technically been defaulted. In Banks as well as financial institutions, non-performing loans are avoided by self-help organizations because they pose a risk of not being able to recover the principal of the loan, as well as accumulated interest (Nkundabanyanga, Akankunda & Nalukenge, 2017). Loan performance is the profitability rate, or an investment rate of return, in diverse loan products. Moreover, it considers the total number of people who apply for loans, the amount they borrow, timely installment payments, protection guaranteed against borrowed funds, rates of reclamation of arrears, and also number of loan goods (Waweru & Sprakman, 2012). Loan portfolio is the amount of capital provided in diverse loan products such as development loans, business loans, emergency loans, education loan, agribusiness loan and church loans to various borrowers. It examines the number of clients who have loans as well as the total loans.

Loan portfolio is self -help groups most essential asset hence, portfolio quality exhibits the risk of loan default and also determines the revenues in future and the ability of an institutions to expand outreach as well as serve current customers. Portfolio quality is usually examined as portfolio at risk for beyond 30 days (Waweru & Sprakman, 2012). The profitability as well as rate of return on various loan products is used to evaluate loan portfolio performance and thus it determines the amount of loans and the expense of administering them. According to Pandey (2017) loan default occurs when loanee does not honor obligation to repay the debt. Borrowers become defaulters when they are not able to service their debt or are not willing to repay their debt. Moreover, defaulting on debt requirement can put an individual or company in financial crises. Lender will consider default as a sign that borrower will not likely

be able to make payments in the future. A loan, like all debt instruments, involves the transfer of financial assets between the lender and the borrower over time.

A borrower gets money with intentions to repay the same in future. Usually, this service is given at a certain cost, which is referred to as debt interest. One of the primary functions of financial institutions is to give loans. The issuance of debt contracts, such as bonds, is a common source of financing for other institutions (Siwale, 2016). Efficiency and productivity indicators are measures of performance that indicate how well an organization's activities are being streamlined. Four productivity and performance indicators are included in this publication: operating cost, cost per borrower, productivity of staff and loan officer (Pradyut, 2019).

SHGs must better digitize in order to have a rich customer experience. Customers would be able to communicate faster and more easily with the help of emerging technology. A digital loan, for example, makes borrowing easy and painless. It ensures that only the least manual inputs are needed, and it allows them to provide and sign documents electronically from any computer. This would assist in attracting new customers. Credit unions must measure their performance for the metrics listed above at regular intervals to ensure they are on the right track. It is possible to do so with the aid of Key Performance Indicators (KPIs) (Banerjee and Jackson, 2017). Loans default management also known as minimizing bad loans benefits all involved parties particularly the lenders, this is according to (Shahriar, Schwarz & Newman, 2016). First, it assists in identifying credit risks associated with loans classification and documentation. Additionally, it assists in obtaining information needed to monitor the borrower in case of changes in risk, in order to make a follow up. Thirdly, it assists in evaluating of credit portfolio at risk and giving early signals of defaulters. Fourthly, it helps in choosing best measures to solve default problems by using the measures that maximize the return to the organisation. Fifth, it

helps in determination of credit conditions that calls for legal redress. Finally, it aids in determining the effect of bad loans on the organization. The objective of loan default management is to encounter challenges ahead and also guarantee superior performance in future. Most financial firms have been able to look beyond their own structures for better results and have been able to internalize what they have learnt about credit risk management. Loan performance in this study will be measured in terms of loan repaid on schedule, high return on equity, high repayment rate and bad debts (loans written off).

1.1.3 Self help groups in Kenya

Self-help group in Kenya are investment groups that have been a definite way to financial freedom for a long time. While many of them fail to make any significant gains, a few others go on to become powerful, influential, and wealthy financial institutions (Mbai, 2017). In Chamas (self-help groups) people maintain and build their resources by encouraging members to save and make lump sums available for small-scale investments or household requirements such as school fees (Mbai, 2017). They make money 'work' in this way since tiny sums of money can be contributed and made available to everyone for welfare or investing purposes. The finances become a collective asset rather than an individual one as a result of this process, allowing for community development.

Catholic Church Self Help Groups (SHG) were started in the year 1980 in the archdiocese of Nairobi under social promotion registered trustees which is now known as Caritas Nairobi in Kiriko parish within Kiambu County. The archdiocese of Nairobi covers the areas of Kiambu County and Nairobi County. The vision of Caritas Nairobi is to create a just, self-reliant and value-based society. It started with women making ciondos (baskets) for sale and farming

and then selling the produce for their upkeep and saving the surplus in a common pool. The groups are guided by the core values of stewardship, solidarity, human dignity professionalism and charity. All the groups are now registered under the social promotion registered trustees of the archdiocese of Nairobi (SPRT policy guidelines 2015-2019). The self-help program's vision is to be a model financial service provider operated by Christian families and run according to Christian love and charity principles. The self-help program's mission is to empower Christian communities through effective and efficient coordination, saving mobilization, credit provision, investment, training, and technical support. The programme comprises of almost one hundred and seventy groups located in Kiambu county and Nairobi county. Though the groups started about thirty-eight years ago and have grown, the growth has not been so vibrant and many of groups do not pick up because of non-performing loans, use of members guarantors instead of other collaterals as used by banks and well-established MFIs (SPRT policy guidelines 2015-2019).

Lack of check of the system because most the borrowers are either poor or unemployed and as a result, they do not have salaries at the end of the month. This has helped the members meet their livelihoods and be empowered economically. As a result, there is a challenge of the members not being able to honor their borrowing obligations resulting to non-performing loans and increase of loan in default due to poor governance among the member of the management who are entrusted with running of the group (SPRT guidelines 2015 to 2019). Members of the SHG believe that internal loans obtained from the group can be repaid at any time because other members understand their situation. As a result, other loans (banks, MFIs, and so on) are given priority where the latter (external lenders) fail to "understand" and also insist on timely repayment. Although SHGs have repayment schedules, most members with loans do not adhere

to these arrangements. As a result, credit indiscipline in repayment of loans is scaling up and threatening to defeat the very essence as well as desired goals. Currently the groups holds a membership of 133,000 with a total savings of kshs 6.8 billion and a loan portfolio of kshs 2.8 billion where the surplus money 4.3 billion is invested with Central Bank of Kenya (SPRT financial statements, 2019).

1.2 Statement of the Problem

Credit risk management has gained importance in recent years due to huge losses that financial institutions are facing (Nikolaidou & Vogizas, 2014). Self-Help Groups' performance is primarily dependent on the efficiency of their credit management systems, as these institutions yield money from interest on loans extended to SMEs (Moti *et al.*, 2012). As such deterioration in loans repayments does not only threaten their profitability but also hinders them from achieving their objectives and sustainability which has left most self-help group collapsing. Undoubtedly, loans comprise a big proportion of credit since they usually account for 10 to 15 times the equity of any lending institution (Kitua, 2011). Notably, the main problem facing SHGs' credit management is the deterioration in repayment of loans among their members. Evidence in SHGs in Catholic Archdiocese of Nairobi, showed that institutions faced issues such as increase in non-performing assets, high default rates, and large amount of loans in default, and lower stakeholder dividends (CBK Credit Survey Report, 2019).

According to the comprehensive CBK bank supervision annual report on SHGs 2018, it was found that, a record of higher NPLs of 3.732 billion and 3.917 for 2017 and 2016 respectively had been made, an heightened interest in expectation from 5.850 billion to 6.274 billion in 2016 as well as 2017, respectively and the overall amount of bad debts written off

increased from 1.696 billion to 2.690 billion in 2016 and 2017, respectively, resulting in a decrease in the institution's profitability in 2018 (CBK bank supervision annual report, 2019). Clearly, statistics portray a problem increasing trend of loan default among SHGs. To that end, SHGs are likely to fail lending sustainability because the rate of loan default exceeds thresholds of credit sustainability (CBK Credit Survey Report, 2019). This study argued that increased loan default was attributed to poor, weak or even lack of effective credit management strategies to reduce loan default among Catholic Archdiocese of Nairobi SHGs where in the year 2015 non-performing loans had increased to 19% a situation which had caused even some of the groups to collapse. To remedy this situation the management resolved to offset the loans against shares a situation which caused many members to withdraw from this groups and which was only a short term solution (SPRT financial statements, 2015).

Several studies have been conducted on credit management practices and loan performance in different financial institutions in Kenya. For instance, Kisala (2014) examined the effect of credit risk management practices on loan performance in microfinance institutions in Nairobi; Buro (2019) examined the effect of credit risk management and performance of loan portfolios of deposit taking savings and credit co-operative societies in Garissa County; and Wachira (2017) examined the effects of credit risk management practices on loan performance of commercial banks in Nyeri County. However, these studies were conducted in microfinance institutions, SACCOs and commercial banks, which are governed and regulated by different policies in Kenya. Also, while, Kisala (2014) used Simple random sampling in the selection of the sample size, Buro (2019) used Stratified random sampling and Wachira (2017) used purposive sampling. In addition, Kisala (2014) conceptualized credit management practices in terms of loan size, loan value, saving rates and loan policies, Buro (2019) used credit approval,

credit risk identification and credit analysis, and Wachira (2017) used credit risk identification, credit risk monitoring and credit risk control. The study, therefore sought to fill this knowledge gap by examining the effect of credit management practices on loan performance in self-help groups in Kenya.

1.3 Research Objectives

General objective of this research was to assess the effect of credit management practices on loan performance in Catholic Self-Help Groups in Kenya. The following are specific study objectives:

- i. To determine influence of credit terms on loan performance of SHGs in Kenya.
- ii. To determine influence of client appraisal on loan performance of SHGs in Kenya.
- iii. To establish influence of credit risk control on loan performance of SHGs in Kenya.
- iv. To evaluate influence of credit collection policies on loan performance of SHGs in Kenya.

1.4 Research Questions

- i. How do credit terms influence loan performance of SHGs in Kenya?
- ii. How does client appraisal influence loan performance of SHGs in Kenya?
- iii. Does credit risk control influence the loan performance of SHGs in Kenya?
- iv. Does a credit collection policy influence loan performance of SHGs in Kenya?

1.5 Significance of the Study

Sustainability of Self-Help Groups depends mainly on their capability to obtain their loans as effectively and efficiently as possible. Simply, for Self Help Groups to be financially viable or sustainable, they must maintain a high portfolio rating based on 100% repayment, or at the very least, low delinquency/default, cost recovery, and reliable credit. However, Self Help Groups have recently complained about a high rate of clients' default, implying that large numbers of Self Help Groups are failing to meet globally agreed standard risk portfolio at 3 percent, which is the main cause for concern due to the implications for companies, individuals, and the economy as a whole. Delinquency and, as a result, default have begun to infiltrate the activities of Self-Help Groups in Kenya hence this justified the need to identify whether credit management practices influences loan performance of SHGs in Kenya.

1.5.1 To the Community

Self-help groups have played an essential role in community rural growth; no serious study has come up with effectiveness of CMP on loans performance of SHGs. The purpose of this research was to assess the effect of credit management practices on loan performance of SHG's in Kenya.

1.5.2 Government Programs

The study may be of benefit to several stakeholders for example the Ministry of special program and planning in adopting the right interventions to enable SHGs to be sustainable and meet the goals of the members. The study may be of help to organizations like financial institutions, group officials in coming up with the right terms for better management of SHGs.

1.5.3 Self-Help Groups

Most of the groups formed are incapable to meet particular needs of the members therefore they collapse after a short period. There is need for group members to find out the strategies that can facilitate the sustainability and performance of the groups. The findings may be of assistance to Self-help groups in using the loan management strategies to enable them serve the needs of the members.

1.5.4 Academia and Researchers

The on-going study may provide essential information to other researchers or academicians who want to explore more about the factors that cause self-help groups members to default on their loans. The findings may also serve as secondary material for microfinance students and also may motivate and encourage on distinct problems such as loan defaulting and self-help groups.

1.6 Scope of the Study

The research covered the effect of CMP on loan performance in Catholic Self-Help Groups in Kenya. The target population of study consisted of 120 respondents from Catholic Self-Help Groups. Specifically, the study investigated: credit terms, credit risk control, client appraisal, and collection policy adopted by Self-Help Groups in Kenya. This research was carried out for 6 months between February and July, 2021.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides literature on effect of credit risk management practices on loan performance. It starts with theoretical review covering theories linked to the current study, followed by empirical review on the relationship between the independent variables (credit terms, client appraisal, credit risk control and credit policy) and the dependent variable (loan performance). The chapter also presents conceptual framework and variables operationalization.

2.2 Theoretical Review

The term "theory" refers to the procedure of explaining and predicting phenomena or facts. A theoretical framework is a structure that can or endorses a research study's theory. The researcher was guided by information asymmetry theory, adverse selection theory as well as modern portfolio theory.

2.2.1 Information Asymmetry Theory

George Akerlof, Michael Spence as well as Joseph Stiglitz established the above theory. The advocates of the above theory were awarded the Nobel Prize in Economics in 2001 for their outstanding contribution to economics. In his book "The Market for 'Lemons,'" published in 1970 Akerlof was the first to write about knowledge asymmetry. Moreover, the author argues in this book that information looked at by those who purchase a car differs significantly from information held by those who sell the car, encouraging the sellers to find customers for products of lower market quality (Maduka, Sedera, Srivastava, & Murphy, 2014). Michael Spence, who

wrote a book about "Work Market Signaling" in 1973, added to this knowledge. He argued that employees are risky investments for businesses which mean that as soon as an employer hires employees, he or she is endangering herself because he or she has no knowledge about the employee's productivity level. This act of risk-taking by employers has been linked to lottery. Information asymmetry exists between staff and employers which rising up situations whereby consistent equilibrium trap is developed by jobs that are low-paying according to Spence. The bidding up of salaries in different markets is not encouraged by this trap in any way. Information asymmetry has been aided in gaining mass acceptance via Stiglitz. Hutaibat and AlHtaybat (2012) used market screening theory in co-authoring many papers, including important work on Information asymmetry in the banking and insurance sectors.

According to information asymmetry theory, asymmetric information prevails in a transnational partnership when one party is more educated than the other. The literature on information asymmetry in financial decision-making point of view is concerned with the impact of decisions taken based on different information from different parties (Harakeh, Matar & Sayour, 2020). Lenders in financial institutions undertake a high risk of extending credit to borrowers because they are unable to distinguish between customers who are credit-worthy and those who are not as a result of lack of knowledge on borrowers. Adverse selection is a product of information asymmetries, which is known as the "lemon Principle." Akerlof was the first to identify the problems of moral hazard in 1970.

Zellweger and Halter (2017) established the role of information asymmetry in the choice of entrepreneurial exit routes. The study established that this information asymmetry, however, can be mitigated by activities such as owners' screening and transfer candidates' signaling efforts to reveal the candidates' abilities. Balakrishnan and Koza (2019) investigated on Information

asymmetry, adverse selection and joint-ventures: Theory and evidence. Ayuo (2014) used information asymmetry theory to establish the effects of working capital management on organizational performance.

Owino (2014) used information asymmetry theory to examine the effect of credit information sharing on the cost of credit of Commercial Banks in Kenya. A study by Odhiambo and Ndede (2019) used information asymmetry theory to assess credit information sharing practices and financial performance of Commercial Banks in Kenya. Awunyo-Vitor (2018) employed information asymmetry theory to examine the access to financial services by farmers in emerging economies. Using information asymmetry theory Muriki (2017) evaluated the effect of credit risk management on financial performance of Kenyan Commercial Banks and Folajimi and Dare (2020) used information asymmetry theory to assess the relationship between Credit Risk and Financial Performance: An Empirical Study of Deposit Money Banks in Nigeria.

In this research, this theory was used to demonstrate how client valuation, credit terms, and credit policy affect loan performance. At times, the lender may not get accurate information from the borrower on purpose of client, need genuineness and repayment ability of the borrower. In situation where the lenders are not able to get this information and distinguish between customers who are credit-worthy and those who are not, they are all charged normal interest rate that indicate their collective experience. Nevertheless, increasing interest rate automatically, as per credit policy of an organization, eliminates certain borrowers from borrowing. This separates those who are creditworthy from those who are not. In this situation, adverse selection has resulted in the replacement of high-quality borrowers by low-quality borrowers.

2.2.2 Adverse Selection Theory

The adverse selection theory was founded in 1981 by Stiglitz and Weiss. Lalonde and Adler (2015) suggests that adverse selection takes place when those borrowing have attributes that are not physical to lender but impact the likelihood of being capable of repaying the loan. Additionally, the theory is based on key assumptions: lenders are unable to differentiate between borrowers with varying extent of risk and also loan contracts are vulnerable to limited liability only (if project returns fall short of debt responsibilities and the borrower is not responsible for paying out of pocket). The theory explains circumstances under which a bank is not capable to differentiate between safe and risky borrowers. When a lender uses adverse selection, it lacks knowledge about the riskiness of its borrowers (Hong & Zhou, 2013). To compensate for the increased risk of default, higher interest rates should be paid to riskier borrowers than to safer borrowers who are less likely to default. As a result, if each form of borrower can be correctly categorized, safer borrowers can be charged less. Since lender has insufficient information about risk profile of its borrowers, all borrowers, regardless of risk profile, pay higher average interest rates (Hou, Hoag & Mu, 2011). Credit providers use an elaborate screening process before issuing a loan to alleviate adverse selection problems; however, among SMEs this has minimized loan default.

Owino (2014) used adverse selection theory to examine the effect of credit information sharing on the cost of credit of Commercial Banks in Kenya. The research adopted a descriptive research design and used secondary data to analyse all 43 licensed commercial banks operating in Kenya as per the CBK list of commercial banks as at end of December 2013. The study found that credit information sharing is undertaken not with an aim of reducing cost of lending but for other reasons such as avoiding bad customers and reducing risk exposure. Mhlanga (2021) used

adverse selection theory to investigate the impact of machine learning and artificial intelligence in credit risk assessment. This study discovered that artificial intelligence and machine learning have a strong impact on credit risk assessments.

GholamReza and Anbaji (2010) conducted an analysis of Adverse Selection and Moral Hazard in the Health Insurance Market of Iran. Parameters of the model are estimated by the Generalized Method of Moments (GMM) and the presence of asymmetric information (adverse selection and moral hazard) is tested by a non-parametric econometric method. Fischer, Frölich and Landmann (2018) investigated on adverse selection in low-income health insurance markets. The theory was employed to explain the significance of credit policy describing the procedure of credit risk among borrowers. Therefore, the use of a credit policy helps financial institutions to reduce the risk of giving loans to risky borrowers. Credit policies in financial institutions indicate the procedures, amount and approval processes for different types of borrowers.

2.2.3 Credit Risk Theory

Credit Risk Theory was proposed by Melton, (1974) which provides a foundation through which financial institutions are able to not only measure but also manage credit risk exposure. The theory views default of loans to an embedded put option which is available to the borrower when the circumstances are economically favorable for the borrower to exercise their option to default. Crosby *et al*, (2003) further adds that currently the main credit risk analysis methods include structural approach, appraisal form and information completeness approach as per Credit Risk Theory.

The importance of this theory is that it describes the procedures in credit risk management by providing an option-theoretic framework which may be individualized for

specific borrowers and used as a basis for modeling the default occurrence. The theory affirms that credit management practices is dynamic and has a standard approach to managing and mitigating the risk. It provides a framework which may be utilized in assessing any particular credit risk being faced by the bank hence resulting in improved performance of the loans in banks. Nduta (2015) used credit risk theory to establish the influence of working capital management on financial performance of manufacturing firms listed in Nairobi security exchange. In Nigeria, Omolade and Mukolu (2019) conducted a study on working capital and organization Performance. The study used credit risk theory. Evidence from this research work confirmed that there existed various types of relationship between working capital and organization performance. Some of the ten companies' models showed that there existed an inverse relationship between their cash conversion cycle (working capital) and performance, while some showed a direct relationship.

Buro (2019) used credit risk theory to examine the effect of credit risk management and performance of loan portfolios of Deposit Taking Savings and Credit Co-Operative Societies in Garissa County, Kenya. A study by Musa and Nasieku (2019) used credit risk theory to examine the effects of Credit Risk Management on Loan Performance of Commercial Banks in Kenya: A Case of Listed Commercial Banks in Kenya. Abdallah (2010) used credit risk theory to assess the Effect of Credit Risk on Financial Performance of commercial Banks in Kirinyaga County. A study by Mutua and Gekara (2017) assessed the effect of Credit Risk Management Strategies on the Performance of Commercial Banks in Kenya with the assistance of credit risk theory. Emmanuel (2017) used credit risk theory to examine the relationship between credit risk management and loan performance in development financing in Uganda: a case study of centenary bank. Kapchorw a branch and Simotwo (2018) employed credit risk theory to evaluate

the effects of credit risk management on profitability of Savings and Credit Co-Operative Societies in Kenya.

In this study, credit risk theory was used to assess the effect of credit management practices (credit terms, client appraisal, credit risk control and credit collection policies) on loan performance in Self-Help Groups in Kenya. The theory views default of loans to an embedded put option which is available to the borrower when the circumstances are economically favorable for the borrower to exercise their option to default. (Buro, 2019). Credit Risk Management and Performance of Loan Portfolios of Deposit Taking Savings and Credit Co-Operative Societies in Garissa County, Kenya. Unpublished MBA Thesis: Kenyatta University.

2.3 Empirical Review

Empirical results and evidences from different studies show varied trend on impact of CMP on loan performance.

2.3.1 Credit Terms and Loan Performance

Collateral, grace period, maturity periods, and interest rate are all examples of credit terms. Collateral refers to the guarantee provided to a lender by a borrower that the loan will be paid back, and it functions as a wide hedge against uninsurable risk or deliberate default causing loan non-payment (Simiyu, 2014). Loan repayment period refers to the amount of time the borrower has to pay back the loan. The interest rate is the amount charged or compensated for the use of funds, and it is used to compensate banks for taking risks. Credit terms are component of general exercise to help assess the level of risk for all borrowers according to Rukundo (2018). The payment terms specified on the invoice at the time of purchase are referred to as credit terms. It is an agreement between the buyer and the seller regarding the timing and payment of products

purchased on credit (Wairagu, 2016). The credit terms improves cash flow a business. Some firms offer consumers a trade reduction off the original sales price if they pay within a certain time frame, giving them an incentive to pay swiftly while also helping you improve your cash flow.

Wafula and Miroga (2020) evaluated impact of bank credit terms on Bungoma County's SMEs financial performance. A correlation survey was utilized to conduct the research. Additionally, primary data was gathered by employing self-administered questionnaires sent to SMEs' owners/managers, as well as their business partners. A total of 150 respondents were selected by deploying using simple random selection procedure from population of 1500 SMEs. The internal consistency items in a survey instrument were measured using the reliability coefficient to determine its reliability. Inferential statistics in this study were employed to analyze the research data. To determine the link between variables, correlation as well as regression analyses were used. The study discovered that SMEs financial performance in Bungoma County is influenced by collateral, interest rate, and repayment time.

Using a cross sectional as well as correlational design, Ssekiziyivu, Bananuka and Tumwebaze (2018) examined the relationship between credit terms and performance of loan repayment among clients of MFIs in rural Uganda. Data was obtained by employing a questionnaire survey of fifty one MFIs in Uganda. The results indicated a significant association between credit terms and performance of loan repayment among MFIs' clients. If the microfinance industry located in Uganda is intended to help reduce poverty, managers will need to flex their credit terms, and borrowers may need to locate MFIs and SACCOs willing to negotiate credit terms. In another study in Uganda, Akiiza (2018) examined whether credit terms influences financial performance of SMEs within Nansana Town Council. Questionnaires were

used to gather quantitative data from 54 SMEs owners. The study indicated that collateral, interest rate, loan repayment period and access to credit affect financial performance of SMEs. This study was carried out in Uganda therefore, the study findings are not generalizable to Kenya due variation in geographical boundary and legal framework between the two countries. In addition, the study used cross sectional as well as correlational design while this study will use descriptive research design.

Rukundo (2018) examined the association between credit terms and loan performance in selected commercial banks in Bujumbura, Burundi. The study deployed descriptive research design with 58 workers from three commercial banks as the study population. To assess the impact of credit management on loan results, data was obtained through questionnaires and then analyzed using descriptive as well as regression analysis. Findings led to a conclusion that structuring of diverse loan issuance/acquisition terms, such as loan protection or collateral, grace period before beginning repayment, interest rates paid on loans, and repayment period, all has a major impact on loan performance in commercial banks. This study was carried out in Burundi therefore, the study findings are not applicable to this study due to differences in legal framework between Kenya and Burundi. Moreover the study was conducted in commercial banks while this study was conducted in SHGs.

Njenga (2014) examined the effects of credit terms on loan performance in deposit taking MFIs in Kenya. Moreover, the study deployed primary and also secondary data. Additionally, primary data was obtained via structured questionnaire. Since the data was quantitative in nature, it was obtained from secondary sources. Financial reports of micro finance institutions were the source of secondary data. Credit terms usually stipulate credit length, interest rate, technique of computing interest, and rate of loan installments, according to the findings. The credit length,

discount terms, and the sum of credit, as well as the instrument used to proof credit, are the most common credit terms. Credit terms may entail the length of time it takes to accept loans, which is the time it takes from the application to loan disbursement or receipt. Credit terms were measured in terms of credit length, discount terms, and the sum of credit, as well as the instrument used to proof credit while this study measured credit terms in terms of repayment schedule, penalties information and interest rate and fees.

Aromorach (2013) conducted a study to examine whether credit terms influences Commercial Banks' loan portfolio performance: a Case of Adjumani Equity Bank, Burundi. The researcher employed cross-sectional research approach methodology that included triangulation (the simultaneous usage of different techniques of data collection) and included both quantitative and qualitative methodologies. Based on 1970s Krejcie and Morgan method for selecting sample size for diverse research activities, a representative sample of 218 participants was chosen from a study population of 420. The study relied on primary data gathered through the use of a questionnaire. Terms of credit exhibited positive link with Performance of Loan Portfolio in commercial banks, according to the findings. This was more proof that borrowers' attitudes, beliefs, values and experiences had positive impact on loan repayment rates, arrears rates, and the bank's portfolio at risk.

Banda and Chibomba (2020) carried out an examination of the impacts of credit terms on the Micro Financing Institutions (MFIs) financial performance in Katete District. The study employed cross-sectional approach. Study population comprised all employees of the four MFIs in Katete district such as Izwe Loans Zambia, Bayport Financial Services Ltd, Vision Fund and Microfin Zambia Ltd. The institutions comprised of 158 employees. A study sample size of 113 participants was selected by the use of Taro Yemani's (1964). The study deployed primary data

as well as secondary data. Additionally, primary data was obtained by employing questionnaires. Reports, journal articles and relevant documents were reviewed as well to gather secondary information. The study discovered that deposit-taking microfinance organizations' favorable credit terms, such as interest rates, collateral, repayment durations, and the cost of loan maturity and credit length, have an impact on loan performance.

Sola (2021) investigated the link between credit management techniques and Nigerian microfinance banks' loan performance. The influence of specified credit management techniques (credit term, client appraisal, and collection strategy) on loan performance of 180 microfinance institutions was studied using primary data. Data came from responses of banks' sampled credit managers/officers to a research questionnaire. With the help of the SPSS, the ordinal logistic regression technique was employed to examine the correlations between variables (SPSS). Credit length has positive but insignificant effect on loan performance, according to the research.

Worokinasih and Potipiroon (2019) assessed the impact of social capital (i.e., links between lenders and borrowers) and loan credit parameters (interest rates, loan amount, and repayment time) on SMEs' microfinance repayment performance in Indonesia. The sample for this present study was drawn from the owners of SMEs who have borrowed loans from 5 MFIs located in this region. The criteria for selecting the respondents were based on Law of the Republic of Indonesia No. 20/2008, which include being an active member and a current debtor of MFIs. Moreover, the study used primary data which was collected by use of a questionnaire. The study established that favorable loan credit terms had indirect effect on repayment performance through enhancement in business performance.

A study by Gilbert (2014) assessed the factors influencing loan performance in CRDB Plc in Mwanza Region. This study used data collected from primary and secondary data source. The methods of data collection used were interview, observation, questionnaires, and documentary review that were used to analyze data from purposive and simple random sampling of 30 sample sizes. The researcher adopted qualitative and quantitative research designs. The respondents were the CRDB bank staff and the bank borrowers of Mwanza region. Credit terms were found to have a high statistical significance with loan performance of a financial institution.

Kamugisha and Rutaro (2019) examined the link between credit terms and performance of loan portfolio at Pride Micro Finance Uganda Ltd. The research encompassed a mix of descriptive, quantitative, cross-sectional, and survey research methods. The study used both simple random sampling and purposive sampling to acquire primary data with the use of the questionnaire. The target population was 100, from which an 80-person sample was drawn using Morgan tables. Credit terms, according to the findings, help PMF Uganda's loan portfolio perform better. According to the study, terms of credit influence performance of loan portfolio by influencing the interest rate charged, payback rates, and credit period.

In Kenya, Wairagu (2016) examined whether credit terms influences performance of loans among commercial banks. Moreover, the study focused on 43 licensed commercial banks in Kenya whose head offices are within Nairobi. The study applied a descriptive research and the credit managers and analyst from each bank were selected hence giving a sample of 86. Primary data was obtained via structured questionnaire and data was analyzed through qualitative as well as quantitative approaches. The study found out that credit terms give credit period and credit limit and stipulate credit period. Commercial banks also introduced a credit term policy loan ratio in determining how much a client could borrow, and had implemented a collection policy

despite the fact that credit periods of funds can increase the amount of loan defaults, and credit appraisal by frequent loan reviews does not and that credit risk control practices are employed by commercial banks in credit risk management to a large magnitude, resulting in lower default rates as evidenced by lower levels of NPLs. This study was carried out in commercial banks, therefore, the findings are not applicable to a study conducted in SHGs because of different rules and regulation governing the two institutions.

Using descriptive research approach, Simiyu (2014) examined the impact of terms of microfinance credit on SMEs performance within Mombasa County. Data was obtained by employing questionnaires and then analyzed qualitatively using Microsoft Excel and presented using tables. The results indicated that credit terms in terms of interest rates, repayment period, penalty charges and repayment amount influences performance of SMEs. This study focussed on SMEs therefore, the study findings are not generalizable to this study due to disparity in rules and regulation governing SMEs and SHGs in Kenya.

In Kenya, Njeru, Wachira and Mohhamed (2017) assessed the impact of a credit management on commercial banks' loan performance. During the research, descriptive research approach was adopted. A total of 86 personnel participated in the study that is, 1 credit manager and 1 credit officer from each of Kenya's forty three commercial banks, as per this year's central bank registration. Because the target population was so small, a census was undertaken. Data was obtained using the drop-and-pick approach with a self-administered questionnaire. The survey was both open-ended and closed-ended. The repayment duration had the biggest impact, while the yearly interest rate had the least impact, according to the study.

Using descriptive research design, Wairagu (2016) assessed the influence of credit terms on loans performance among Commercial Banks. Moreover, researcher looked at 43 licensed commercial banks with headquarters in Nairobi. Credit manager and analyst from every bank were chosen upon giving a study sample of 86. Purposeful sampling was used because the selected respondents are more knowledgeable on the subjects of the research. Structured questionnaire was employed to obtain primary data. According to the findings, credit terms specify the credit period and credit limit, as well as the credit period.

A study by Rukundo (2018) assessed whether credit management influences Commercial Banks' loan performance in Bujumbura. Moreover, the researcher employed descriptive survey approach with fifty eight personnel from 3 commercial banks forming the target population. Questionnaires were utilized to obtain data, which was then analyzed by use of descriptive as well as regression analysis. The study established that credit terms have significant and positive impact on commercial banks' loan performance in Bujumbura, Burundi.

Using descriptive survey design, Kipkirui and Omagwa (2018) conducted a research with an aim of assessing the association between credit terms and MFIs financial performance in Nairobi CBD. A total of 165 MFI employees were included in the target population. Questionnaires were used to collect primary data. A total of 165 people were chosen via purposive sampling. Data obtained was then analyzed by employing multiple regression and descriptive analysis. The credit terms were found to be statistically important in explaining the MFIs financial performance.

In Uganda rural areas, Ssekiziyivu, Bananuka and Tumwebaze (2018) carried out a study with the purpose of investigating the input of borrowers' features as well as credit terms on the

performance of MFIs loan repayment. The research was cross-sectional and correlational in nature. The study included 90 MFIs that were members of AMFIU (AMFIU directory, 2013), from which a sample size of seventy three MFIs was selected. Completed surveys were obtained from 51 of the 73 MFIs. The study established that clients of MFIs have a substantial association between credit terms and loan payback performance.

2.3.2 Client Appraisal and Loan Performance

The credit appraisal stage of the lending process is the most fundamental. This entails collecting, processing, and analyzing high-quality data in order to determine a client's creditworthiness as well as mitigate incentive conflicts between lenders and borrowers. Credit evaluation process is driven by the bank's credit policy, procedures, and directives. An appraisal is the act or process of developing an opinion of value. Gatuhu (2013) suggests that well-structured as well as sound client evaluation is a necessity for financial institutions to achieve stability, continuing profitability, and long-term sustainability. Using a descriptive survey design, Kagoyire and Shukla (2016) examined whether credit management influences commercial banks performance. The researcher focused on Equity Bank. The study population consisted of 57 Equity bank staffs' in credit department. The study discovered that client appraisal, affected the financial performance of Equity bank. This study was carried out in Equity bank, therefore, the findings are not applicable to a study conducted in SHGs because of different rules and regulation governing Equity bank and SHGs.

In Guaranty Trust Bank Rwanda PLC, Mulyungi and Mulyungi (2020) examined whether client appraisal influences financial institutions' financial performance. A descriptive research design embracing qualitative and quantitative approaches was conducted on 80 employees of

Guaranty Trust Bank Rwanda Plc. The results confirmed a linear, positive as well as significant correlation between client appraisal and financial performance. Therefore, the study concluded that client appraisal, on the basis of individuals and businesses financial and physical characteristics in credit scoring models and utilization of the credit reference bureau and client credit risk analysis on individuals are essential in identifying appropriate and reliable clients for the disbursement of bank loans. This study was conducted in Rwanda therefore, the findings are not applicable to Kenya due to variation in legal framework and geographical boundaries between Kenya and Rwanda.

In Lusaka, Zambia, Lungu and Phiri (2017) performed a critical assessment of credit risk management and performance of loans in microfinance institutions. To gain a better understanding of the topic under investigation, a case study research design was used. Both qualitative and quantitative data were collected using questionnaires, interviews, and observations. Themes derived from the study were deployed to analyze qualitative data, and quantitative data using SPSS. Client appraisal had a significant correlation effect on loan results, according to the findings of the report. The company's implementation of the 5C's model (Character, Collateral, Capability, fund, and Condition) was also revealed to be performed in isolation. The researcher also discovered that there was no connection between the 5Cs and the appraisal at the company under investigation. The study used a case study research design while this study used descriptive research design. Moreover, the study was carried out in Zambia hence, the findings are not generalizable to a study carried out in Kenya.

In Uganda, Aliija and Muhangi (2017) examined the effect of management of loan appraisal process on credit performance in MFIs. The researcher used questionnaires to gather data from 44 loan officers and credit managers, using both qualitative and quantitative research

methods. Client appraisal is heavily used by MFIs in credit management, according to the report. It also proved that client appraisal is a viable credit risk mitigation technique. The research also discovered that there was a connection between MFI credit performance and client appraisal. The study was carried out in Uganda, therefore, the findings are not generalizable to Kenya due to disparity in legal frame work and geographical boundaries between the two countries.

Enoch, Arabo and Digil (2021) assessed the impact of client appraisal on Micro Finance Banks' efficiency in Adamawa State, Nigeria. The survey approach was used in this study, and data was gathered from primary and also secondary sources. From a study population of fifty two credit officers, a sample of 21 respondents was chosen using a multi-stage selection procedure. Questionnaires were employed to obtain data from the participants in a timely manner. According to the findings, client evaluation has a beneficial impact on efficiency and production. This implies that client appraisal helps the microfinance banks to be efficient and productive in credit management.

Gatuhu (2013) investigated the impact of credit management on microfinance institutions' financial results in Kenya. Moreover, a descriptive survey design was employed in this research. Additionally, the study's participants were 59 MFIs in Kenya who are members of AMFI. Client appraisal had an impact on MFIs' financial performance in Kenya, according to the report. Client appraisal is a feasible credit strategy; features of collateral are weighed when appraising clients; inability to evaluate a customer's ability to pay back leads to loan defaults; client appraisal takes into account the customers' character requiring credit facilities; and MFIs have qualified staff for client appraisal. The study was conducted in microfinance institutions therefore, the results are not applicable to a study carried out in SHGs.

Nabi, Gao, Rahman, Pervez and Shah (2018) assessed whether credit appraisals influences the MFIs' credit performance in Bangladesh. The primary data was gathered from 125 officials from 35 Bangladeshi microfinance organizations. The information was gathered via a structured questionnaire filled out by officers from several microfinance organizations in Bangladesh. Credit assessments had a positive but modest effect on microfinance organizations' credit performance, according to the study. Malik and Ahmed (2015) assessed whether credit risk management influences loan performance of Pakistan MFBs. Primary data was taken into account in a cross-sectional format. The information was gathered from credit risk management professionals at the managerial level in the microfinance banking sector. The results of showed that the client appraisal has significant positive effect on Pakistan Micro Finance Banks' loan performance.

In Uganda, Samson (2016) assessed the impact of credit management on MFIs loan performance. Descriptive survey approach was deployed in this investigation. The respondents were 59 Ugandan AMFs. The investigation was carried out using a census study. Questionnaires in this study were utilized to gather primary data. Data was then analyzed by utilizing descriptive statistics. Client appraisal was found influence AMFs' loan performance according to the research. Using descriptive survey design, Kagoyire and Shukla (2018) performed a research to determine the effect of client appraisal on Rwandan commercial banks' financial performance. Moreover, study's target population included 57 Equity Bank credit department personnel. The study population was sampled, yielding a sample size of 57 employees. The complete population was included in the study, hence a purposeful sampling strategy was adopted. The researcher distributed questionnaires to the respondents in order to obtain primary data. Moreover, data in

this study was analyzed by employing descriptive and also inferential statistics. The study discovered that client appraisal has an impact on Equity Bank's financial performance.

Using a case study approach, Ndyagyenda, C. (2020) carried out a study to establish the link between Bank of Africa (U) Ltd's credit appraisal and loan performance. Moreover, the research included both quantitative as well as qualitative methods. The study found that credit appraisal determines bank's long-term viability as well as profitability. Strong credit appraisal, sets bar for successful credit risk management and gives businesses competitive edge in marketplace.

In Kenya, Muthoni, Mwangi and Muathe (2020) carried out a study with the aim of establishing the impact of client appraisal on commercial banks' loan performance. The study employed an explanatory research approach and positivism as research philosophy. Census approach was utilized to the study population of forty four commercial banks. Additionally, primary data was select gathered by employing structured questionnaires whilst secondary data was gathered from a review of existing records of bank loan in connection to NPLs and loan amount advanced over a four-year period between 2015 and 2018. Additionally, research data was finally analyzed by employing descriptive and inferential statistics. Study findings revealed that client appraisal had no substantial impact on commercial banks' loan performance in Kenya.

Using an explanatory research design and a positivism research approach, Mburu, Mwangi and Muathe (2020) examined the impact of client appraisal on loan performance of Kenyan commercial banks. A census method was used to determine the target population of 44 Kenyan commercial banks. Primary as well as secondary data were deployed in the research. Primary data was gathered via systematic questionnaires whereas secondary data was gathered

through an examination of current bank records on the loan over a four-year period from 2015 to 2018. With the aid of SPSS version 22, the data was then analyzed using descriptive as well as inferential statistics. Client appraisal, on the other hand, had insignificant impact on Kenyan commercial banks' loan performance according to the findings. The study used explanatory research design and a positivism research approach while this study used descriptive research design.

Mulyungi and Mulyungi (2020) conducted a study with the purpose of establishing whether a client appraisal influences loan performance of Rwandan financial organizations. On 80 employees of Guaranty Trust Bank Rwanda Plc, descriptive research approach using qualitative and also quantitative methodologies was done. The results found a direct, significant and positive link between customer satisfaction and loan performance. According to the research, customer evaluation based on individuals' as well as businesses' physical and financial features in credit scoring models, as well as the use of credit reference bureau and also client credit risk analysis on individuals, is critical in ascertaining reliable and also appropriate customers for bank loan expenditure.

Gatuhu (2013) examined the effect of client appraisal on the MFIs financial performance in Kenya. Additionally, descriptive survey approach was used in this investigation. The respondents were fifty nine MFIs operating in Kenya that are members of AMFI. The investigation was carried out using a census study. Questionnaires were deployed to collect primary data, and all of the questions on the questionnaire were answered. According to the findings, there exists strong link between MFI financial performance and client satisfaction.

Using descriptive survey research design, Kipchumba (2015) conducted a research with an aim of determining whether client appraisal influences loan repayment. Study population consisted of 32 credit officers from four (4) regulated in MFIs Nakuru's central business district. To guarantee that the instruments utilized and the data obtained were both reliable and valid, reliability and validity tests were carried out. The census survey was used in this investigation. The data was gathered by the researcher by sending questionnaires to the respondents. Descriptive statistics (percentages and frequencies) and inferential statistics (such as multiple linear regression model and chi-square) were used to analyze data. In MFIs within Nakuru CBD, the study discovered positive relationship between loan payback and client appraisal.

In Kenya, Chege (2014) examine impact of credit terms on commercial banks' loan performance. Additionally, the study employed descriptive research approach, with purposive sampling as the sample method. The 44 Kenyan commercial banks that were functional between 2012 and 2016 were the study's focus, and thus the study's target population. Similarly, the research's unit of observation was the banks' audited financial accounts. Because it was based on all 44 banks in Kenya, the study used a purposive sample methodology. Both secondary as well as primary data were deployed during the research. The research data was obtained by employing a questionnaire. The findings revealed that credit terms have significant and positive impact on commercial banks' financial performance in Kenya.

Ndero, Wepukhulu and Bogonko (2019) conducted a research with an aim of explaining the link that existed between commercial banks in Kenya's Uasin Gishu County's credit appraisal policy and loan performance. The study's participants were all credit officers employed by commercial banks. According to bank data, there are a total of 189 credit officers working in

thirty nine commercial banks throughout the county, making up the target population. For this investigation, sample size of 128 was chosen. The researcher discovered substantial positive correlation between credit appraisal and commercial banks' loan performance.

In Kenya, Njeru, Mohhamed and Wachira (2017) examined the impact of a credit management system on commercial bank loan performance. The study deployed descriptive research approach. A total of 86 people took part in the survey that is, 1 credit manager and 1 credit officer from each of Kenya's forty three commercial banks, as per this year's central bank registration. Because the target population was so small, a census was undertaken. Data was obtained using the drop-and-pick approach with a self-administered questionnaire. The survey was both closed-ended and open-ended. The study discovered that credit appraisal had an impact on commercial bank performance.

Murigi and Thuo (2018) assessed whether credit risk management influences microfinance banks (MFBs) loan performance. Moreover, the researcher used descriptive research approach. Study population consisted of 12 MFBs, with a sample size of 60 participants produced by randomly selecting five participants from each MFB. Questionnaires were deployed to collect data, which was later analyzed by deploying SPSS, which included descriptive and also inferential statistics. In Kenyan microfinance banks (MFBs), the study discovered a favorable and statistically significant link between credit appraisal and LP.

2.3.3 Credit Risk Control and Loan Performance

Credit risk control is a comprehensive method of preventing losses by examining bank's capital as well as loan loss reserves. Monitoring credit risk enables an executive manager to establish potential customers who are likely to pose too much risk and exceed the risk tolerance set

previously. The company can significantly improve overall performance and gain a competitive edge by implementing comprehensive credit risk management (Kagoyire and Shukla, 2018). In Vietnam, Nguyen (2016) studied credit risk control for loan products in Bank for Development and Investment. Interviews with officers and supervisors of the target bank were conducted via email as part of the qualitative study. The study made use of secondary data derived from credible sources for instance case bank's yearly reports, local government laws, and worldwide banking standards, besides primary data from the interviews. Results indicated credit risk control was important in ensuring an improving loan performance in the bank. This study was carried out in Vietnam which is a developed country therefore, the findings cannot be applied to a developing country like Kenya.

In India, Jain and Sangeetha (2021) assessed whether credit risk control influences loan Performance of the top thirteen commercial banks. Additionally, the information was gathered from individual bank annual reports and the Money Control website. Based on each bank in Indian banking sectors' market share, a study sample size of 13 banks was chosen from 2009 to 2018, with 7 private sector banks as well as 6 public sector banks. The researcher discovered a positive and significant association between CRC and the top 13 commercial banks' loan Performance in India

In Saudi Arabia, Aldayel and Fragouli (2018) examined effect of CRC on Commercial Banks' LP. Additionally, descriptive survey research approach was adopted. Study's population consisted of four Saudi Arabian commercial banks (Bank Al-Bilad, Al-Rahji Bank, Saudi Investment Bank (SAIB) and Riyadh Bank) which were chosen at random. The study's target population included bank employees, assistant managers, and managers. The data was collected directly by disseminating a structured questionnaire produced by the researcher via pilot test in

which the researcher took research tools to certain Saudi Arabian bank loan managers. Credit risk management, as evaluated by covenants, collateral, credit rationing, and loan securitization, has a beneficial impact on Commercial Banks' financial performance in Saudi Arabia, according to the study.

In Tanzania, Catherine (2020) examined whether credit risk control impacts financial performance in Bank of Africa (U) Limited. The bank has more than 35 branches throughout the country, with 21 in central region and 14 in the north. The results indicated that credit risk control has negative and statistically significant relationship with the performance of various commercial banks, specifically Bank of Africa (U) Limited. This study as conducted in Tanzania therefore, the findings are not applicable to this study due to variation in legal framework and geographical boundaries between Kenya and Tanzania.

In Uganda, Kalu, Shieler and Amu (2018) assessed whether credit risk control influences financial performance of MFIs. In this report, the researcher used a census survey method with 60 participants (financial risk managers, Auditors, credit officers, accountants, as well as debt recovery officers) from Kampala branches of three approved MFIs. Credit risk recognition, assessment, monitoring, and reduction are all strong study variables in assessing MDI financial performance in Uganda, according to the findings. The study used a census survey method while this study will use descriptive research design. Wanjagi (2018) examined effect of credit risk control on commercial banks' performance in Kitengela, Kenya. The study population was 50 staff members from the credit department of Commercial banks. The researcher used convenience sampling which narrowed down to 5 Commercial banks in Kitengela including Equity, Cooperative, Barclays, KCB and Family. The study, therefore, concluded that there

exists strong correlation between credit risk control and Kenyan commercial banks performance. The study focused on commercial banks while this study assessed SHGs.

Using a descriptive research design, Kauna (2016) examined the effect of credit risk management practices on financial performance of Kenyan commercial banks. However, only data from 39 commercial banks was collected from the census of 43 Kenyan banks. The researcher incorporated both primary and secondary data. A questionnaire was used to gather primary data on credit risk management activities, while secondary data on the banks' financial results was derived from different bank's reported financial statements for the five years between 2011 and 2015. The study also discovered a non-significant inverse correlation between credit risk management and Kenyan commercial banks financial performance. The study focused on commercial banks while this study assessed SHGs.

In a cross sectional study, Murigi and Thuo (2018) examined the correlation between credit risk control and financial performance of agricultural firms cited at NSE, Kenya. Additionally, the population of the study was 6 agricultural companies listed at Nairobi Securities Exchange Primary data was obtained by use of a questionnaire, whereas secondary data was derived from financial statements of agricultural businesses. Credit risk management has a major impact on the financial performance of agricultural companies listed on the Nairobi Securities Exchange, according to the report. The study used a cross sectional research design while this study utilized descriptive research design. In addition, the study on agricultural companies hence the findings are not applicable to study conducted on SHGs.

In Kenya, Bwire and Omagwa (2019) examined the correlation between credit risk control and financial performance of deposit taking SACCOs within Nairobi City County. The

data was obtained from 40 deposit-taking SACCOs as part of descriptive research design. Purposive sampling was deployed to distribute questionnaires to 120 respondents from all deposit taking SACCO within Nairobi City County. Standard deviation analysis, multiple regression, and correlation coefficients were used to analyze the data. The study established that credit risk control has significant effect on financial performance. The study was conducted in deposit taking SACCOs while this study will be carried out in SHGs.

Faizan and Malik (2015) evaluated the impact of CRC on loan performance in Pakistan MFBs. In cross-sectional form, primary data was considered for statistical evaluation. The information was gathered from credit risk management professionals at the managerial level in the microfinance banking sector. For the empirical association assessment of CRC strategies on loan performance, multiple regression analysis was performed. The results established that CRC has positive insignificant effect on LP.

In Rwanda, Shukla and Kagoyire (2018) assessed the influence of credit risk control on commercial banks' loan performance. Descriptive survey approach was employed during the study. The study's population included 57 credit department personnel in Equity Bank. The whole population was sampled, yielding a sample size of 57 employees. The complete population was included in the study, hence a purposeful sampling strategy was adopted. The researcher distributed questionnaires to the respondents in order to obtain primary data. Data was then analyzed by employing descriptive and also inferential statistics. According to the study, credit risk control influences Equity Bank's LP.

Using descriptive survey research design, Geitangi (2015) assessed the link between credit risk control and LP of Kenyan Commercial Banks. From 2010 to 2014, the researcher used

census method to obtain data for 5 years. Semi-structured questionnaires were employed to acquire primary data. Moreover, secondary data in this study was gathered from financial reports and CBK regulatory reports of commercial banks'. Data was analyzed using both qualitative and quantitative methods. According to the findings, there exists an inverse relationship between CRC and amount of NPLs. The researcher discovered that application of credit risk control procedures lead to significant in decline in NPLs in Kenyan commercial banks.

Masinde, Moti, Mugenda and Sindani (2012) conducted a research to examine efficiency of credit risk control on microfinance institutions' loan performance. Descriptive research approach was adopted during the study. Study population was 70 credit officers from the 14 registered and operational microfinance banks in Meru town. Moreover, the study used primary data which was gathered using a questionnaire. The study found credit risk control measures have an influence on the repayment of the loan.

Habitegeko (2018) examined the link between credit risk monitoring and control and banking institutions' financial performance: Case Study of Bank of Kigali. Primary and also secondary data were employed by the researcher. Primary data was acquired by employing a questionnaire sent to a sampled population of Bank of Kigali employees. The study's population was 64 employees, and sample size was 56 respondents chosen using the Krejcie and Morgan Table. The study revealed that credit risk control and monitoring had significant and positive effect on Bank of Kigali financial performance.

Maurishia (2021) conducted a study with the purpose of examining the impact of credit risk control on the level of loan performance in Ugandan Commercial Banks: a case of Tropical Bank. Cross-sectional research approach was employed in this research. A questionnaire survey

of 80 respondents was conducted at four Tropical Bank offices in Kampala. The study indicated that there is exists an association between the level of loan performance and credit risk control.

A research by Kiplimo and Kali (2014) assessed the impact of credit risk control on loan performance of MFIs operating in Baringo County. Moreover, the study focused on MFIs within Baringo County and employed descriptive research approach. The MFIs' credit officers and managers were the study's target population. Descriptive and also inferential statistics were employed during data analysis. A strong relation between credit risk control and loan performance was found during the study.

Muturi and Mwangi (2016) studied whether credit risk control influences the performance of loan repayment of Kenyan commercial banks. Employees of registered commercial banks were the target population, with a study sample size of 55 participants obtained by employing purposive sampling. Questionnaires were used to gather primary data. A pilot survey was used to conduct a reliability test using the Cronbach Alpha technique. The study findings revealed that credit risk control has significant positive effect on loan repayment performance.

A study by Wanjala (2020) focused on association between CRC and SACCOs financial performance in in Kitui County. Descriptive research approach was employed during the research. Data collecting instruments were self-administered questionnaires that were employed to obtain primary data from SACCOs' management. The data was analyzed using a quantitative approach, and simultaneous effect of independent study variables on dependent study variable was investigated. The researcher discovered significant positive association between CRC and SACCOs' financial performance in Kitui County.

In Kenya, Abuto (2017) assessed whether credit risk monitoring influences MFIs loan repayment performance within Kisumu town. Target population comprised of 75 credit officers recruited from 15 Kisumu-based microfinance firms. The study used a correlation research approach to examine whether there exists a link between credit risk control and loan performance, and if so, how strong it was. The approach employed was a census survey. Semistructured questionnaires were used to obtain data for the research. Information included both primary and also secondary sources. Prior to conducting the main study, a pilot test of questionnaire with fifteen credit officers was undertaken to improve the research instruments' reliability and validity. Multiple regression was used to evaluate the data, and the results were provided in tables. According to the findings, improving credit risk control of MFI loan portfolios improves loan performance.

A study by Muigai and Maina (2018) was aimed at establishing the impact of credit risk control on Kenyan commercial banks' loan performance. This research was performed by employing descriptive research approach. According to the Bank Supervisory Report 2017, the study population was all licensed and operating Kenyan commercial banks by year 2017. Credit officers and financial managers from commercial banks made up the observation unit. Census was conducted on all 39 commercial banks, resulting in seventy eight respondents. Primary and secondary data were employed in the investigation. Credit risk control has significant positive link with Kenyan commercial banks' loan performance, according to the research.

2.3.4 Credit Policy and Loan Performance

Credit policy refers to an organizational framework for evaluating credit requests as well as determining whether or not to approve or deny them. In the management of accounts receivables,

a credit policy is crucial (Kimondo, 2013). Within the confines of its practices, a company has the ability to shape credit policy over time. As a result, it is a method of lowering default risk, meaning that a firm ought to issue loans with caution (Kungu, Wanjau & Gekara, 2014). Policies save time by ensuring that the same problem is not addressed repeatedly each time a decision is required. This guarantees that decisions are consistent and equitable, and that people in similar situations are treated equally.

In a descriptive research, Ayodele and Alabi (2014) examined the effect of Credit Policy on the commercial banks' performance located in Nigeria. The primary data was collected via questionnaires distributed to sixty (60) respondents (32 employees and 28 customers). The chi-square test was deployed to evaluate the questionnaires. The results suggest that getting a good credit policy in place will help to reduce the likelihood of bad debts. Prudent credit evaluation and disbursement, decisive actions and flexible credit management were also discovered to have assisted the bank in maintaining high asset quality and profitability. The study was conducted in Nigeria therefore, the study findings are not applicable to study conducted in Kenya due to variation in geographical and legal framework between the two countries.

Using descriptive research design, Barakamfitye (2018) assessed the association between credit policy and loan quality portfolio an empirical investigation of Copedu Ltd. Managers and credit officers of COPEDU LTD were the study's target population. Purposive sampling was employed to obtain study sample of 30 employees from study population of 165. Data was obtained using primary as well as secondary techniques. Questionnaire was employed to obtain primary data. Data was analyzed using both inferential and descriptive statistics. The study found that Credit policy has a significant and positive effect Loan Quality Portfolio. Results discovered that Credit policy that are poorly formulated resulted to the occurrence of NPLs.

Mudey and Wekesa (2020) assessed credit policy's impact on performance of loan in MFIs. The researcher utilized descriptive survey approach, with the researcher preparing a complete questionnaire to aid in the collection of data needed to answer the research questions. SPSS was employed to evaluate results from the questionnaires using descriptive analysis, percentages, and frequencies (SPSS version 22). There was strong positive association between credit policy procedure, Credit Policy Standards, Credit Policy Information, and Loan Performance, according to the findings. According to the conclusions of the study, MFIs need to develop credit policies so as to manage credit risks and improve loan performance.

Omar and Samantar (2018) examined the effects of credit policy on profitability of telecommunication companies in Garowe, Somalia. This study employed descriptive cross-sectional research design. Moreover, the study population comprised of the staffs from credit department in the telecommunication companies in Garowe. The study found out that credit risk control play a major role in profitability of the companies. The study also realized that the companies formulated and used collection policies which have positive relationship with profitability of the telecommunication companies in Garowe, Somalia. The study used descriptive cross-sectional research design while this study will use descriptive research design. Moreover, the study assessed telecommunication companies in Somalia hence, the findings are not applicable to study conducted on SHGs in Kenya.

Using a descriptive research approach, Kimondo (2013) examined whether credit policy influences financial performance of selected deposit taking MFIs in Kenya. The target population comprised of six licensed deposit takings micro finance institutions in Kenya as at 31st June 2013. The findings showed that there is a connection between credit policy variables and financial performance. For the sample of Kenyan manufacturing firms studied, there was a

significant positive correlation between credit policy and profitability. The results indicated that by developing, implementing, and maintaining ideal credit policies, managers can generate value for their shareholders. The study was conducted in micro finance institutions hence, the findings are not generalizable to a study conducted on SHGs.

Kungu, Wanjau and Gekara (2014) assessed the effects of credit policy on profitability of Kenyan manufacturing firms. Data was collected from 81 manufacturing firms in Nairobi industrial area and its environs using a questionnaire. The chief financial officers of manufacturing companies were asked to complete the research tool. There were descriptive and inferential studies conducted. The findings indicated that profitability and credit policy in Kenyan manufacturing firms have a positive relationship. As a result, the way credit policy is structured has an effect on manufacturing company profitability. As a result, the researcher suggested that manufacturing company finance managers review their credit policies on a regular basis to ensure that they are optimal and result in improved profitability. The study was conducted in manufacturing firms while this examined SHGs hence the findings cannot be generalized.

Among SACCOs in Kakamega County, Chikamai and Mbithi (2018) examined whether credit policy influences financial performance. The research was conducted using a descriptive research design. The instruments for data collection were structured questionnaires. A total of 99 people were included in the study. The SACCOs as well as the respondents from selected SACCOs were identified using a purposive sampling technique. With the aid of SPSS, data was analyzed and presented. Credit policy impacts on financial results significantly, according to the findings. The study recommends that in order to recoup lost funds, management should focus on consumer assessment and appraisal as a priority. Credit processes, strategies, and analytical skills

should be established by the SACCO management. Credit policy was measured in terms of credit processes, strategies, and analytical skills while this study measure credit policy in terms of collection efforts credit standards, credit terms and loan review.

Mwaura and Jagongo (2017) examined the correlation between credit policy and Kenyan commercial banks' financial performance. The research was performed using descriptive research design. Additionally, the study population consisted of 43 commercial banks that were licensed under Kenya's Banking Act. A census of 43 commercial banks in Kenya was conducted, with respondents being credit officers at each of the banks' headquarters. The study found that credit policy based on character, ability, cash/capital, collateral, and circumstances had significant influence on Kenyan commercial banks financial performance. The study was conducted in commercial banks hence the findings are not applicable to a study carried out in SGHs.

Wairagu (2016) carried out a study with the purpose of assessing the influence of credit policy on loans performance among Kenyan commercial banks. Additionally, the research examined 43 licensed Kenyan commercial banks with headquarters in Nairobi. Descriptive research method was employed during the study. Purposeful sampling was employed because the selected respondents are more knowledgeable on the subjects of the research. Primary data in this study was obtained through questionnaires. Moreover, data in this study was analyzed via qualitative and also quantitative methodologies. According to the results, credit policy has significant and positive influence on loans performance of among Kenyan commercial banks.

Joshua (2018) investigated the link between credit policy and loan portfolio performance: case study of an opportunity bank in Kamwokya, Uganda, located on Kira Road, approximately

3 kilometers from Kampala's city center. To collect data from 50 respondents, the study employed cross-sectional research approach including qualitative and also quantitative approaches to data collecting. Purposive and basic random sampling procedures were used to pick the participants. Interview guides and questionnaires were employed to collect data, which was then descriptively analyzed. The study found that a positive association between credit policy and loan portfolio performance of opportunity bank situated in Kamwokya Branch, Kampala.

Using descriptive survey approach, Rukundo (2018) assessed the link between credit management and selected Commercial Banks' loan performance within Bujumbura, Burundi. A total of fifty eight workers from 3 different commercial banks participated in the research. Data was obtained using questionnaires and then analyzed using regression and descriptive analysis. According to the research, credit policy has significant positive impact on loan performance at commercial banks.

Using descriptive research approach, Buro (2019) conducted a study with an aim of assessing whether credit monitoring policy influences the performance of Deposit Taking SACCOs' Loan Portfolios in Garissa County. Target population was six Deposit Taking SACCOs. A total of 53 credit managers from deposit-taking SACCOs were chosen through purposive sampling. The study relied on primary data collected via questionnaires. The information gathered was evaluated with descriptive statistics. Additionally, the researcher deployed multiple linear regression analysis. The researcher discovered that the SACCO had credit regulating policy which assists the Sacco to monitor borrowers' cash flows of continuously.

A study conducted in Uganda by Mulema (2011) examined the link between credit policies and performance of the loan in MFIs Case Study of Finance Trust Central Branch. A cross-sectional survey with a mix of descriptive and analytical questions was employed by the researcher. The descriptive and also analytical designs were acceptable because data from surveys and interviews could be simply examined using frequency counts, averages, or percentages. The cross-sectional research was acceptable since it documented the condition of study variable in diverse areas of an organization at a specific point in time. The target population comprised the branch's management, clients and credit officers. The data revealed a positive significant association, showing that Uganda Finance Trust Limited's loan performance is influenced by credit policies.

In Rwanda, Mbarushimana (2015) conducted a study with the purpose of assessing the effect of credit policy on Commercial Banks' loan portfolio performance an empirical investigation of Banque Populaire Du Rwanda Ltd. Sample size of 98 respondents was selected from the target population targeted of 8,845 respondents using stratified random sampling, and integration of purposive sampling as well as convenience sampling. Furthermore, data for the study was gathered through the use of questionnaires, documentation, interview schedules, and interview guides for clients with loans. Reviewing numerous bank documents including financial reports and credit policy manuals provided access to secondary sources. The researcher discovered a positive link between credit policy and loan portfolio performance, meaning the more effort put into credit policy, the greater the loan recovery.

In Eldoret, Kenya Chepkoech (2016) conducted a study with the purpose of examining loan policy together with its effect on Commercial Banks' financial performance. Branch managers and credit officers made up the target demographic of 156 respondents chosen from

various banks. To obtain the study sample, the researcher employed a purposive sampling technique to sample commercial banks' branch managers regulated by Kenya's central bank, as well as a simple random sampling methodology to choose credit officers. Questionnaires in this study were deployed to obtain data, which was later analyzed by employing inferential and descriptive statistics.

Using quasi-experimental posttest research design, Achimba (2018) examined the effect of Gross Loan Portfolio Management Practices on Deposit Taking MFIs Performance in Uasin Gishu County, Kenya. The sample size consisted of four deposit-taking MFIs with a total of 33 employees. All 33 officers were chosen using a census technique. Moreover, data was gathered through the use of questionnaires. The validity of the research tools was assessed using the expert opinion approach in this study. The study discovered that credit policies, had significant and positive influence on portfolio management. The study revealed that credit policies is fundamental to the understanding of gross loan portfolio management practices, and has direct impacts on performance of deposit taking MFIs operating in Uasin Gishu County. Credit policies help in safeguarding the institutions finances, by for instance, ensuring that borrowers are forced to make compulsory savings, and discouraging multiple lending

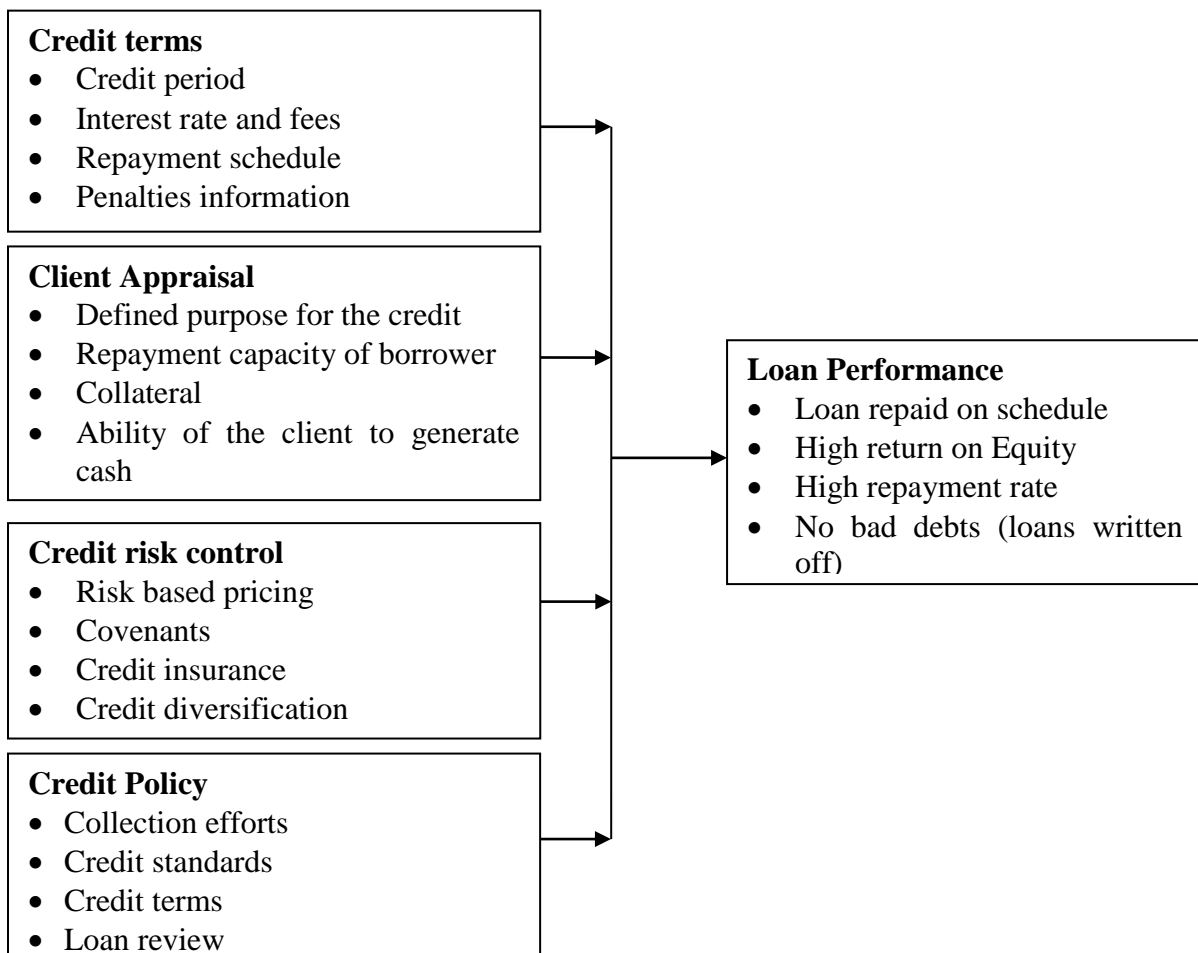
2.4 Conceptual Framework

Independent Variables

Dependent Variable

FIGURE 1

Conceptual Framework



2.5 Variables Operationalization

TABLE 1

Operationalization of Variables

Variable	Variable Type	Indicators	Measures	Type of data analysis
Loan Performance	Dependent	<ul style="list-style-type: none"> • Loan repaid on schedule • High return on Equity • High repayment rate • No bad debts (loans written off) • Minimal loan recovery cost 	<ul style="list-style-type: none"> • 5-point Likert scale • A composite score 	<ul style="list-style-type: none"> • Linear regression analysis
Credit terms	Independent	<ul style="list-style-type: none"> • Credit period • Interest rate and fees • Repayment schedule • Penalties 	<ul style="list-style-type: none"> • 5-point Likert scale • A composite score 	<ul style="list-style-type: none"> • Linear regression analysis
Client appraisal	Independent	<ul style="list-style-type: none"> • Defined purpose for the credit • Repayment capacity of borrower • Collateral 	<ul style="list-style-type: none"> • 5-point Likert scale • A composite score 	<ul style="list-style-type: none"> • Linear regression analysis
Credit risk control	Independent	<ul style="list-style-type: none"> • Risk based pricing • Covenants • Credit insurance 	<ul style="list-style-type: none"> • 5-point Likert scale • A composite score 	<ul style="list-style-type: none"> • Linear regression analysis

Credit policy	Independent	<ul style="list-style-type: none"> • Collection efforts • Credit standards • Credit terms 	<ul style="list-style-type: none"> • 5-point Likert scale • A composite 	<ul style="list-style-type: none"> • Linear regression analysis
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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the technique used in collecting and also analyzing data. It describes the study population, research design, sample size, sampling procedure to be used, tools of data collection, processing as well as performing analysis.

3.2 Research Design

According to Creswell (2014), a research design encompasses all that is included in preparing and carrying out a research proposal. This includes everything from discovering the problem of the research to conducting the research and presenting the findings. The study design directs the investigation and aids the researcher in ruling out alternative reasons for the relationships being investigated. Without it the researcher does not have much to keep the research focused on what they are interested in.

The current study adopted descriptive research design to analyze data in order to gain a proper understanding of effect of credit management practices on loan performance of self-help groups in Kenya. The research designs presented data into a meaningful form. It showed the status of the subject of the study. This helped the researcher to understand the attributes of subject phenomena under interest in the current situation. According to Russell (2013), descriptive research design is systematic in nature hence it allows efficiency in gathering relevant information in the subject of the study. It also offers ideas for further research and helps in making simple decision from the research findings.

3.3 Target Population

Population is a group of people with similar attributes, from which individuals or units of analysis are selected for research (Bryman & Cramer, 2012). The study targeted 120 accountants working from 120 registered SHGs in Catholic Archdiocese of Nairobi (Social Promotion Registered Trustees). The unit of observation in the study was accountants working in the registered SHGs in Catholic Archdiocese of Nairobi. The study targeted both rural and poor urban SHGs since they face similar challenges; poverty and lack of empowerment, which, have an effect on SHG success and sustainability. Catholic SHGs were considered due to their strong establishment, longevity and stability. Specifically, accountants were targeted to provide required information as they display credit management practices and loan performance and also interact with customers on daily basis.

3.4 Sample Size and Sampling Procedure

The registered SHGs were obtained from Archdiocese of Nairobi Social promotion Registered Trustees. The groups extracted had been operating at least for a minimum of five years from 2013 to 2018 and were situated in both rural and urban setting. SHGs with less than five years of maturity are thought to have no impact on their members (Kultar, 2017). Adrian, Lewis and Saunders (2013) suggests that a population of below 500 is considered small hence does not guarantee sampling implying that the whole population should take part in a research to be sampled. Therefore, entire target population of 120 accountants in Catholic SHGs participated in the study. In agreement to this assertion, Greener (2016) suggests that a study population that is poor (small) is insufficient henceforward necessitating a census method. Therefore, 120 accountants formed the final sample size to participate in the study.

In order to ensure equal representation as well as generalization of study finding, the whole population (of 120 accountants) was employed in current study. According to Creswell (2014), a census method of selecting research participants is one in which every single person or subject from target population is chosen to take part during the study. It can be defined as listing or enumerating all, which refers to the entire tally or count. The credit, recovery and credit risk officers were included in the sample for their insight and knowledge of loan management practices and their involvement in matters relating to departmental strategic planning as well as their practical experience they have acquired in their self-help group management.

3.5 Instrumentation and Data Collection

The current study used both primary and secondary data. Secondary data covered a period of between 2015 and 2019. The study also utilized a questionnaire as a primary tool for data collection. The questionnaire contained of structured closed ended questions with 5 sections. The questions were systematic and pre-determined and were presented to all the respondents with same wording following the same order. The questionnaires were used for the following reasons: they are simple to administer, they can gather data from a large number of people, they save time, and they are inexpensive to plan. It was also believed that the target respondents were literate.

3.6 Validity and Reliability of the Instrument

A pilot test was performed to provide suggestions and clues to the researcher in order to improve the chances of obtaining clear results in the main study. A pilot research, according to Kothari (2012), is a small-scale evaluation of the processes and procedures that would be used on a larger scale. To determine the reliability and validity of the research tools, a pilot test was performed.

This was completed prior to beginning the key survey. A pilot exercise is used to identify and correct any potential mistakes in the questionnaires (Kultar, 2017). For a pilot study, 1-10 percent is considered appropriate. Moreover, the 10 percent pilot test respondents should not take part in the main survey. The pilot study involved 12 respondents from TAI Sacco Society Ltd in Nairobi County.

Validity help the researcher to be sure that questionnaire items measures the desired constructs (Russell, 2013). Validity extensively represents the whole population making validity the step to which the phenomenon being investigated is exuded. Validity, according to Orodho (2017) determines how accurately the data collected reflects the variables. There are three types of validity that are of interest to researchers: content related, criterion related (Statistical conclusion) and construct validity (Russell, 2013). According to Sahu (2013) content validity of a research tool is improved via expert judgment. The researcher in this study sought guidance of assigned supervisors in order to enhance content validity of research tools.

The consistency of scores obtained is described by Singpurwalla (2013) as the reliability of the research tools, which has two components: equivalence and stability. When an instrument produces consistent results when measuring the same object repeatedly, it is said to be reliable. Reliability is correctness and relevance of the study tools. Emerging revisions as well is conducted accordingly after the research tool is pretested. Internal consistency technique was applied in this study to test for reliability during the pilot study. Internal consistency examines how well a group of items evaluates a specific trait or attribute within the test. The study applied coefficient alpha being one of the most popular technique of testing internal consistency in behavioral sciences. Cronbach (1951) who recognized Coefficient alpha general usefulness popularized it. Consequently, it is known as Cronbach's alpha. The Cronbach's Alpha

Coefficient measures the relevance of the research tool (Sahu, 2013). It is employed to evaluate the homogeneity of the questions. Coefficient is the value between 0 and 1, where the greater the value, the better the alpha. Basically, 0.7 is minimum rated alpha value and therefore whatever is less than this threshold is left out.

3.7 Procedure of Data Collection

The process of collecting data involved training the research assistants. An authority letter was obtained from the university granting permission for collecting data as well as introductory letter to the selected respondent. A pick-and-drop approach was used, with each respondent having 2-3 days to complete the research tool. Pilot study was done to assess the validity of the instrument. Prior to the final study, the questionnaire was pre- tested for validity and reliability in SHGs in Archdiocese of Nairobi to ensure its effectiveness in terms of: structure, content, and flow of the content, as well as the time it takes to be completed.

3.8 Data Analysis and Presentation

The systematic application of statistical and/or logical methods to transform raw data into useful information that can be used for decision making is referred to as data analysis. Editing, tabulation, and assessment was also part of the process, with the goal of ensuring that the data is complete and accurate. The questionnaire yielded quantitative data. Descriptive as well as inferential statistics were employed to analyze quantitative data. Additionally, to create a relationship between variables, a multiple regression model and Pearson correlation were used. Tables, bar graphs, and pie charts were deployed to show the findings, and also sample statistics were used to draw conclusions regarding the population. Credit default management was measured by loan size, repayment mode and period, type and cost of the loan, and credit terms.

Each parameter was measured by 5-point Likert scale (1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is strongly agree). Loan performance was measured using portfolio at risk.

Correlation analysis was used to explain the extent of association between independent variables and dependent variable. Moreover, multiple regressions were performed on proxies of every parameter against dependent variable to test how significant it is in influencing loan performance within SHGs. Regression model in this study was in the following form:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \dots\dots\dots (1)$$

Where;

Y = Loan performance of SHG institutions in Kenya.

β_0 = Constant defines value of performance without inclusion of predictor variables.

$\beta_1 - \beta_4$ = Beta regression co-efficient of variables; measured the rate of change of dependent variable as a function of changes in independent variable.

X_1 = Credit terms

X_2 = Client appraisal.

X_3 = Credit risk control.

X_4 = Credit Policy

ε = Error term reflecting (other factors that influence loan performance).

3..8.1 Diagnostic Tests

Diagnostic tests were conducted to test the five major assumptions, which include linear relationship, multivariate normality, little or no multicollinearity, no heteroscedasticity and autocorrelation. When certain predictor variables in a regression model are associated with other predictor variables, this is known as multicollinearity. One variable can be forecasted from the other with some degree of accuracy (Sahu, 2013). In Perfect multicollinearity, the predictor is singular and cannot be inverted. Multicollinearity was tested in this study using tolerance and VIF. Tolerance is measured using initial linear regression analysis and calculates the effect of one independent variable on all other independent variables. $VIF < 10$ indicates the absence of multicollinearity; $VIF > 10$ indicates the presence of multicollinearity in the study sample.

In order to perform a linear regression analysis, the data must have little or no autocorrelation. When the residuals are not independent of one another, autocorrelation occurs, that is, when value of $y(x+1)$ is not independent of value of $y(x)$ (Russell, 2013). Although scatterplot can be used to search for autocorrelations, the Durbin-Watson test can be used to test the linear regression model for autocorrelation. The null hypothesis that residuals are not linearly autocorrelated is tested using Durbin-d. Watson's. Although d may have values ranging from 0 to 4, values around 2 suggest that there is no autocorrelation. As a rule of thumb, values of 1.5 and 2.5 indicate that the data is devoid of autocorrelation; however, the Durbin-Watson test examines only linear autocorrelation and only between immediate neighbors, which are first order effects.

To fulfill the requirement of normal distribution, Shapiro Wilk test was used to investigate whether the variables of the study are normally distributed (Creswell, 2014). The

null-hypothesis is that the population under study is distributed normally; therefore, if p-value is below the alpha level which is selected, null hypothesis is rejected.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This section entails analysis of data, presentation and interpretation of study results as well as discussion in regard to the objective of the study. The general objective of the study was to assess the effect of credit management practices on loan performance in Catholic Self-Help Groups in Kenya. Moreover, the specific objective of the study was to evaluate the influence of credit terms, client appraisal, credit risk control and credit collection policies on loan performance of SHGs in Kenya. This chapter begins with the response rate, followed by demographic information, descriptive analysis of the four independent and dependent variable, and inferential statistics including correlation as well as regression analysis.

4.2 Response Rate

The study's sample size was 120 accountants in Catholic SHGs. The researcher disseminated 120 questionnaires and 98 of the respondents were able to fill and return their questionnaires to the researcher. Therefore, the response rate of 81.67% was obtained. As stated by Bryman and Cramer (2012), response rate of 60 percent is acceptable for analysis and a response rate of 75 percent and above is excellent and can be used for analysis, making conclusions as well as making inferences regarding the study population. Moreover, the study used tables, bar graphs, and pie charts to show the findings.

4.3 Demographic Information

The respondents' demographic information included their gender, age, level of education, duration of service and the position they hold in their organization.

4.3.1 Gender of the Respondents

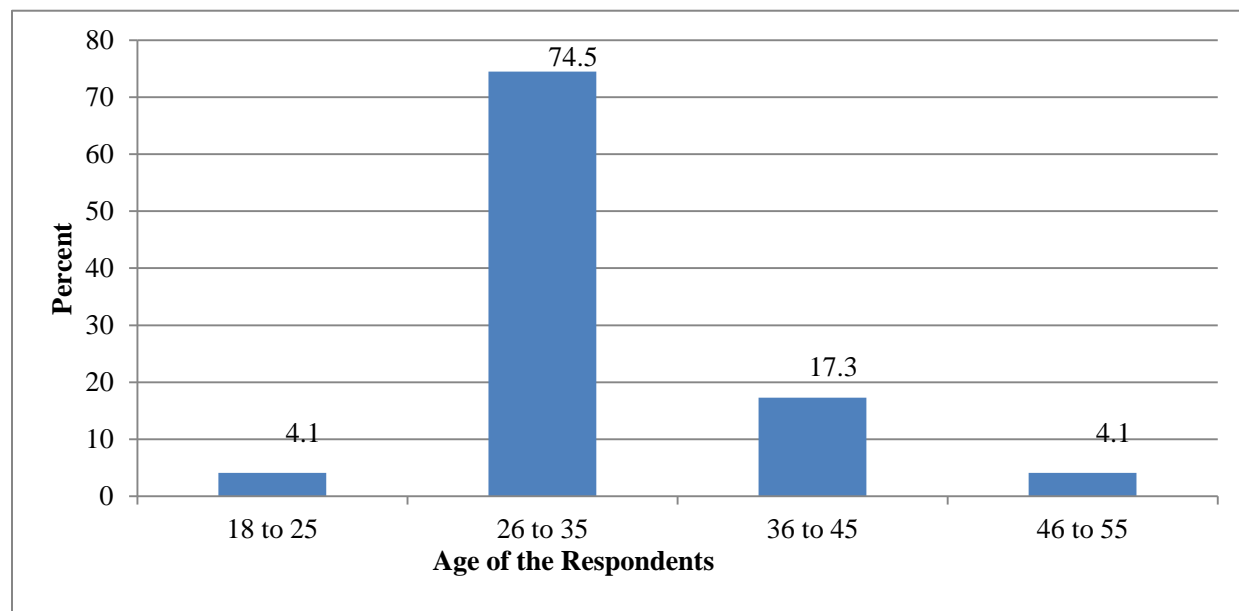
The respondents were requested to point out their age. According to the results, 64.3% of the respondents indicated that they were female and 35.7% indicated that they were male. This implies that most of the accountants in Catholic SHGs are female. This shows that both gender was adequately represented in this study.

4.3.2 Age of the Respondents

The respondents were requested to point out their age bracket. Findings were as shown in Figure 2.

FIGURE 2

Age of the Respondents



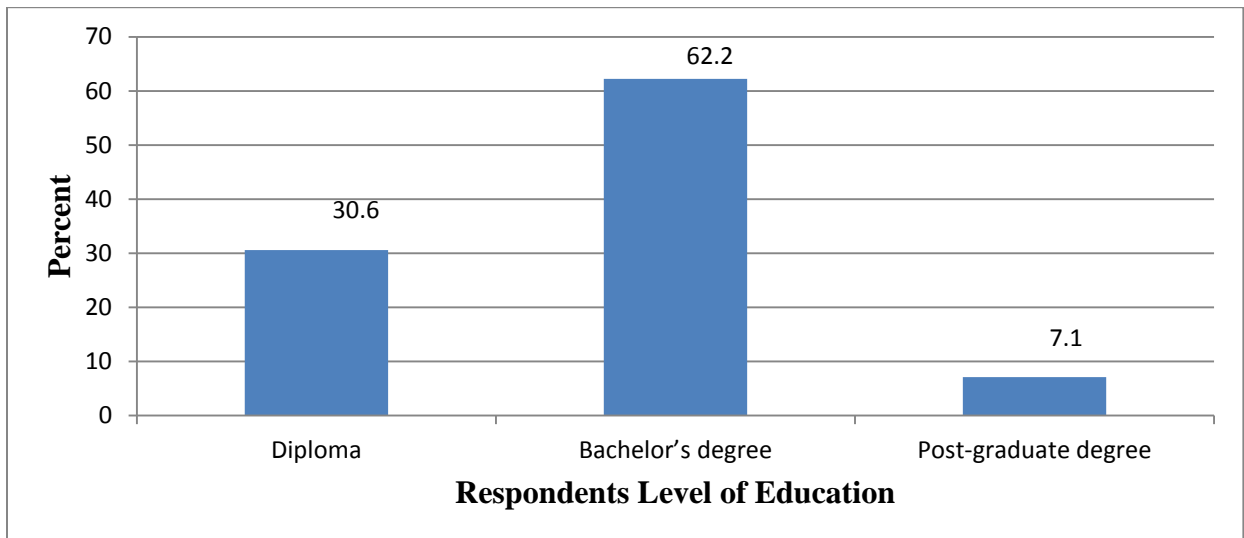
From the results, 74.5% of the respondents indicated that they were aged between 26 and 35 years, 17.3% pointed out between 36 and 45 years, 4.1 % pointed out between 18 and 25 years and the same percent indicated between 46 and 55 years. This implies that most of the respondents were aged between 26 years and 35 years.

4.3.3 Respondents' Level of Education

The respondents were required to specify their level of education. The study findings were as shown in Figure 4.2. According to the findings, 62.2% of the respondents indicated that they had bachelor's degree as their level of education, 30.6% pointed out diploma certificates while 7.1% pointed out post-graduate degree. This implies that most of the respondents had bachelor's degree as their level of education and therefore they were literate enough to provide substantial information on the effect of credit management practices on loan performance in Catholic Self-Help Groups in Kenya.

FIGURE 3

Respondents' Level of Education



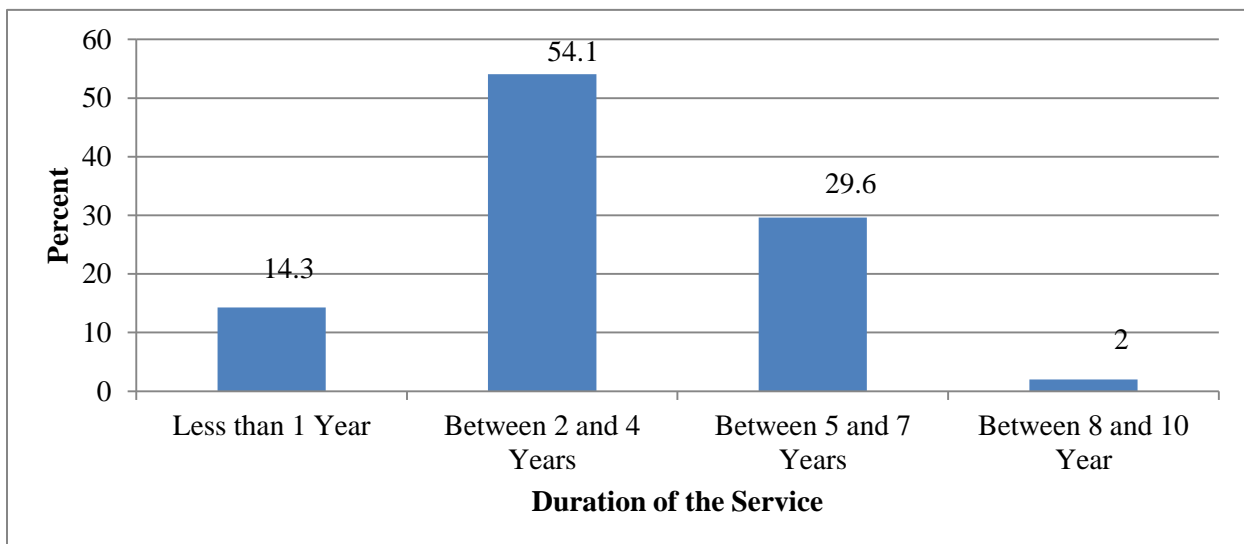
4.3.4 Duration of Service

The respondents were also requested to select the duration in which they had been in service.

The findings were as depicted in Figure 4.

FIGURE 4

Duration of Service

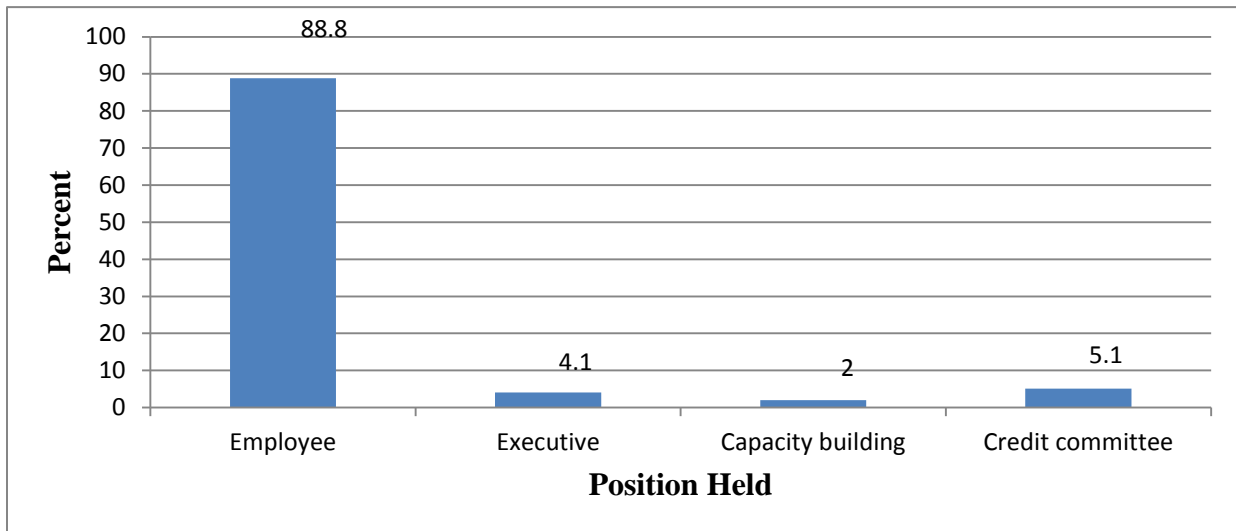


According to the findings, 54.1% of the respondent indicated that they had been in service for a between 2 year and 4 years, 29.6% indicated for between 5 years and 7 years , 14.3% indicated for less than 1 year while 2% pointed out for between 8 and 10 years. This implies that most of the respondents had been in service for duration of between 2 years and 4 years and hence they were experienced enough and had adequate knowledge on credit management practices and loan performance in Catholic Self-Help Groups in Kenya.

4.3.5 Position Held

The respondents were also requested to specify the position that they hold. The findings were as depicted in Figure 5.

FIGURE 5
Position Held



According to the results, the 88.8 % of the respondent indicated that they are employees, 5.1% indicated credit committee, 4.1% pointed out executive while 2% pointed out capacity

building. This implies that most of the respondents were employees hence they had substantial information on credit management philosophy and loan default tendencies and also interact with customers on daily basis.

4.4 Descriptive Statistics

Quantitative data was obtained from the closed questions as well as items which were measured by using a 5-point Likert scale, where 1 represented strongly disagree, 2 represented disagree, 3 represented moderately agree, 4 represented agree and 5 represented strongly agree. Creswell, (2014) suggest that in a 5 scale Likert questions, the interpretation of arithmetic mean, strongly agree (SA) is from 4.5 to 5.0, agree (A) is from 3.5 to 4.5, moderately agree is from 2.5 to 3.5, disagree is from 1.5 to 2.5 while strongly disagree is from 0.5 to 1.5. Statements with standard deviations below 1 imply concurrence around the means, while mean of above one imply variances in the mean.

4.4.1 Credit Terms

The first objective of the study was to evaluate the influence of credit terms on loan performance of SHGs in Kenya. The respondents were asked to point out the extent to which they agreed with various statements relating to credit terms and loan performance of SHGs in Kenya. The results were as depicted in Table 2.

TABLE 2
Aspects of Credit Terms

	1	2	3	4	5	Mean	Std. Deviation
Loan size	0.00	0.00	4.1	60.2	35.7	4.316	0.549
fees and Interest rate	0.00	0.00	14.3	46.9	38.8	4.245	0.690
Collateral requirements	0.00	0.00	18.4	49.0	32.7	4.143	0.703
Repayment schedule	0.00	0.00	16.3	44.9	38.8	4.225	0.711
Educate clients prior to a loan	0.00	0.00	27.6	50.0	22.4	3.949	0.709
Penalties information	0.00	2.0	28.6	53.1	16.3	3.837	0.714
Customer were consulted on the formulation of credit terms	22.4	36.7	29.6	9.2	2.0	2.316	0.991

From the results, the respondents agreed with a mean of 4.316 and std. dv of 0.549 that the SHG credit terms had very clear provision on loan size. Furthermore, the respondents agreed that SHG credit terms had very clear provision on fees and interest rate. This is shown by a mean of 4.245 and std. dv of 0.690. In addition, the respondents agreed that SHG credit terms had very clear provision on collateral requirements as indicated by a mean of 4.143 (std. dv = 0.703). These findings are in line with Akiiza (2018) arguments that collateral, interest rate, loan repayment period and access to credit affect financial performance of SMEs.

As shown by a mean of 4.225 and std. dv of 0.711, the respondents agreed that SHG credit terms had very clear provision on repayment schedule. Moreover, they agreed with a mean of 3.949, std. dv of 0.709, that the organization educates the clients prior to issuing a loan.

Furthermore, they agreed that SHG credit terms had very clear provision on penalties information. This is shown by a mean of 3.837, std. dv of 0.714. These findings are in line with Simiyu (2014) arguments that credit terms in terms of interest rates, repayment period, penalty charges and repayment amount influences performance of SMEs in Mombasa County. However, with a mean of 2.316, std. dv of 0.991, the respondents disagreed with the statement indicating that the customers were consulted on the formulation of credit terms. All the statements had standard deviations below 1 which implies concurrence around the means.

4.4.2 Client Appraisal

The second objective of carrying out this study was to determine the influence of client appraisal on loan performance in self- help groups in Kenya. The respondents were requested to specify the extent to which they agreed with statements relating to client appraisal and loan performance in self-help groups in Kenya. Results were as depicted in Table 3.

TABLE 3**Aspects of Client Appraisal**

	1	2	3	4	5	Mean	Std. Deviation
Defined purpose for the credit	0.00	0.00	10.2	43.9	45.9	4.357	0.662
Availability of collateral	0.00	0.00	16.3	58.2	25.5	4.092	0.644
Repayment capacity or borrower	0.00	0.00	21.4	44.9	33.7	4.122	0.736
Ability of client to generate cash	0.00	0.00	15.3	58.2	26.5	4.112	0.640
Volume of annual cash flow	0.00	3.1	23.5	46.9	26.5	3.969	0.792
Peer monitoring	0.00	0.00	22.4	57.1	20.4	3.980	0.658
Rescheduling conditionality	21.4	24.5	25.5	22.4	6.1	2.674	0.717
Clients financial position	32.7	25.5	30.6	11.2	0.00	2.204	0.925
Conditions of the borrowers assets	16.3	37.8	39.8	6.1	0.00	2.357	0.828

According to the study findings, the respondents agreed with a mean of 4.357, std. dv of 0.662 that there was defined purpose for the credit. Further, with a mean of 4.122, std. dv of 0.736, the respondents agreed that repayment capacity or borrower had an effect on loan performance. Moreover, the respondents agreed that availability of collateral had an effect on loan performance. This is shown by a mean of 4.092 and std. dv of 0.644. These findings are in line with Kagoyire and Shukla (2016) discoveries that availability of collateral is important in reducing loan defaults and improving loan performance.

As shown by a mean of 4.112 and std. dv of 0.640, the respondents agreed that the ability of the client to generate cash was assessed during client appraisal. These findings conform to Lungu and Phiri (2017) arguments that ability of the client to generate cash had a

significant correlation effect on loan results in MFIs in Lusaka, Zambia. Furthermore, the respondents agreed with a mean of 3.980 and std. dv of 0.658 that the organization conducted peer monitoring. In addition, they agreed that volume of annual cash flow was assessed during client appraisal. This is shown by a mean of 3.969 and std. dv of 0.792.

With a mean of 2.674, std. dv of 0.717, the respondents were neutral that rescheduling conditionality was assessed during client appraisal. In addition, they disagreed with the statement that conditions of the borrowers assets was assessed during client appraisal as shown by a mean of 2.357, std. dv of 0.828. These findings are contrary with Kagoyire and Shukla (2016) findings that conditions of the borrowers assets are important in client appraisal. Furthermore, they disagreed with the statement indicating that clients' financial position was assessed during loan appraisal. This is shown by a mean of 2.204, std. dv of 0.925. All the statements had standard deviations below 1 which implies concurrence around the means.

4.4.3 Credit Risk Control

The third objective was to establish the influence of credit risk control on loan performance of SHGs in Kenya. The respondents were requested to specify the extent to which they agreed with statements relating to credit risk control and loan performance of SHGs in Kenya. Results were as depicted in Table 4.

TABLE 4
Aspects of Credit Risk Control

	1	2	3	4	5	Mean	Std. Deviation
Business location and client home	0.00	0.00	16.3	61.2	22.4	4.061	0.623
Information supplied accuracy	0.00	0.00	20.4	53.1	26.5	4.061	0.686
Client repayment capacity	0.00	0.00	21.4	58.2	20.4	3.990	0.650
SHG peer pressure to defaulting members to repay loan	0.00	2.0	8.2	54.1	35.7	4.235	0.686
Client Repayment segmentation	0.00	0.00	17.3	54.1	28.6	4.112	0.672
Joint liability	0.00	0.00	20.4	59.2	20.4	4.000	0.642
Credit History	0.00	4.1	8.2	41.8	45.9	4.296	0.789
Source of Income	0.00	0.00	19.4	48.0	32.7	4.133	0.713

According to the results, the respondents agreed that SHGs exerts peer pressure to defaulting members to repay the loan. This is shown by a mean of 4.235, std. dv of 0.686. Moreover, they agreed with a mean of 4.061, std. dv of 0.686 that information supplied accuracy on clients is obtained. Further, with a mean of 4.061, std. dv of 0.623, the respondents agreed that information on the business location and client home is obtained. Moreover, they agreed that the organization obtains information on client repayment capacity. This is shown by a mean of 3.990, std. dv of 0.650. These findings concur with Kalu, Shieler and Amu (2018) arguments that client repayment capacity has a significant effect on MDI financial performance in Uganda.

With a mean of 4.296 and std. dv of 0.789, the respondents agreed that the organization obtains information on the credit history of the clients. Moreover, they agreed that information on the clients' source of income is obtained. This is shown by a mean of 4.133 and std. dv of 0.713. These findings are in line with Kauna (2016) discoveries that clients' source of income influences the Kenyan commercial banks' financial performance. Furthermore, they agreed that information on client repayment segmentation is obtained as indicated by a mean of 4.112 and std. dv of 0.672. In addition, the respondents agreed with a mean of 4.000 and std. dv of 0.642 that the organization obtains information on clients' joint liability. All the statements had standard deviations below 1 which implies concurrence around the means.

4.4.4 Credit Collection Policies

The fourth objective of this study was to examine the influence of credit collection policies on loan performance of SHGs in Kenya. The respondents were requested to specify the extent to which they agreed with statements regarding the influence of credit collection policies on loan performance of SHGs in Kenya. Results were as depicted in Table 5.

TABLE 5**Aspects of Credit Collection Policies**

	1	2	3	4	5	Mean	Std. Deviation
Business location and client home	0.00	0.00	27.6	45.9	26.5	3.990	0.739
Source of Income	0.00	0.00	18.4	51.0	30.6	4.122	0.693
Client repayment capacity	0.00	0.00	20.4	51.0	28.6	4.082	0.699
SHG peer pressure to defaulting members to repay loan	0.00	0.00	28.6	46.9	24.5	3.959	0.731
Client Repayment segmentation	0.00	0.00	24.5	51.0	24.5	4.000	0.703
Joint liability provision	0.00	0.00	39.8	45.9	14.3	3.745	0.693
Credit History	0.00	0.00	16.3	55.1	28.6	4.122	0.662
Accuracy/verification of information supplied	0.00	2.0	14.3	54.1	29.6	4.112	0.716

According to the findings, the respondents agreed with a mean of 4.122 and std. dv of 0.693 that the organization requires information on the clients' source of income. These findings concur with Chikamai and Mbithi (2018) findings that stable source of income has a significant effect on financial performance among SACCOs in Kakamega County. Moreover, they agreed that the organization obtains information on the clients' repayment capacity. This is shown by a mean of 4.082 and std. dv of 0.699. Moreover, the respondents agreed that the organization obtains information on the business location and client home as indicated by a mean of 3.990 and std. dv of 0.739. In addition, they agreed that SHG exerts peer pressure to defaulting members to repay the loan. This is shown by a mean of 3.959 and std. dv of 0.731.

With a mean of 4.122 and std. dv of 0.662, the respondents agreed that the organization obtains information on the credit history of the client. Moreover, they agreed that accuracy/verification of information supplied is obtained as shown by a mean of 4.112 and std. dv of 0.716. The respondents also agreed that the organization obtains information on the client repayment segmentation. This is shown by a mean of 4.000 (std. dv =0.703). Furthermore, they agreed with a mean of 3.745 (std. dv =0.693) that the organization obtains information on clients' joint liability provision. All the statements had standard deviations below 1 which implies concurrence around the means. These findings conform to Ayodele and Alabi (2014) arguments that prudent credit evaluation and disbursement, decisive actions and flexible credit management have all assisted the commercial banks in maintaining high asset quality and profitability.

4.4.5 Loan Performance of SHGs in Kenya

The dependent variable in this study was loan performance. The respondents were required to rate the loan performance of SHGs in Kenya. Results were as depicted in Table 4.5.

TABLE 6**Aspects of Loan Performance of SHGs in Kenya**

	1	2	3	4	5	Mean	Std. Dev.
Fully payment was made	19.4	32.7	29.6	14.3	4.1	2.510	.986
Loan repaid on schedule	13.3	23.5	26.5	30.6	6.1	2.929	0.751
There was high return on equity	0.00	2.0	27.6	50.0	20.4	3.888	0.745
Repayment rate was high	0.00	2.0	25.5	52.0	20.4	3.908	0.733
No bad debts (no loans were written off)	8.2	48.0	22.4	19.4	2.0	2.592	0.961
There was minimal loan recovery cost	0.00	0.00	22.4	53.1	24.5	4.020	0.688
Targeted beneficiary number was achieved	0.00	0.00	29.6	44.9	25.5	3.959	0.745

According to the results, the respondents agreed with a mean of 3.908 and std. dv of 0.733 that the repayment rate was high for all the loans that the group management lends out. Moreover, they agreed that there was high return on equity on all the loans that the group management lends out as shown by a mean of 3.888 and std. dv of 0.745. However, the respondents were neutral on the statement indicating that the loans were repaid on schedule. This is shown by a mean of 2.929 and std. dv of 0.751. Moreover, they were neutral that full payment was made for all the loans that the group management lends out as shown by a mean of 2.510 and std. dv of 0.986. With a mean of 4.020 and std. dv of 0.688, the respondents agreed that there was minimal loan recovery cost for all the loans that the group management lends out. Moreover, the respondents agreed that targeted beneficiary number was achieved. This is shown by a mean of 3.959 and std. dv of 0.745. However, with a mean of 2.592 std. dv of 0.961, the respondents

were neutral on the statement indicating that there were no bad debts (no loans were written off). All the statements had standard deviations below 1 which implies concurrence around the means.

4.5 Tests for Regression Analysis' Assumptions

Linear regression has 5 key assumptions, which include linear relationship, normality, no or little multicollinearity, no autocorrelation homoscedasticity. This study tested multicollinearity, autocorrelation and Normality.

4.5.1 Multicollinearity Test

To measure multicollinearity, the researcher deployed VIF. Rule of the thumb is that VIF that is not less than 10 demands further studies. VIF values depicted in Table 4.6 reveal that, there exists no multicollinearity among independent study variables, because all values were not more than 10.

TABLE 7
Collinearity Statistics

	Tolerance	VIF
Credit Terms	.421	2.375
Client Appraisal	.785	1.273
Credit Risk Control	.883	1.132
Credit Collection Policy	.373	2.682

The results showed that Credit terms had a VIF of 2.375, client appraisal had VIF of 1.273, credit risk control had a VIF of 1.132 and credit collection policy had a VIF of 2.682. This means that findings of the multiple regression equation are not giving wrong information,

because the independent study variables in multiple regression equation have no multicollinearity.

4.5.2 Autocorrelation Test

Autocorrelation in this study was tested using Durbin–Watson statistic. Statistically, Durbin–Watson statistic is a statistical test deployed in examining autocorrelation in regression analysis residuals. Moreover, Durbin–Watson statistic can assume values between 0 and 4. Rule of thumb in on-going test statistic is that values from 1.5 to 2.5 ($1.5 < d < 2.5$) show no autocorrelation in the data. In this study, Durbin–Watson statistic was 1.548, which ranges between 1.5 and 2.5. This denotes that autocorrelation is absent in the data.

TABLE 8

Durbin–Watson statistic

Model	Durbin-Watson
1	1.548

4.5.3 Tests of Normality

Linear regression supposes that data obtained is normally distributed. Moreover, data that is not normally distributed can alter the correlation between diverse variables. To test for the normality of data, Shapiro–Wilk test was used. Null hypothesis which is tested by Shapiro–Wilk test is that study variables have data which is normally distributed. Hence, for the variables to have data that is normally distributed, the p-value must be greater than significance level of 0.05.

TABLE 9
Shapiro-Wilk Test

	Statistic	df	Sig.
Loan Performance of SHGs in Kenya	.964	98	.201
Credit Terms	.925	98	.134
Client Appraisal	.766	98	.098
Credit Risk Control	.975	98	.231
Credit Collection Policies	.956	48	.198

From the findings, the dependent variable, loan performance of SHGs in Kenya (p-value=0.201) was normally distributed. In addition, the independent variables, credit terms, (p-value=0.134) client appraisal (p-value=.098), credit risk control (p-value=0.231) and credit collection policies (p-value=0.198), were normally distributed. The results denote that data on all study variables meet the assumption of normal distribution.

4.5 Inferential Statistics

This study used correlation analysis and multivariate regression analysis to assess the relationships between the independent variables (credit terms, client appraisal, credit risk control and credit collection policies) and the dependent variable (loan performance of SHGs in Kenya).

4.6.1 Correlation Analysis

Pearson correlation analysis was deployed in this study to evaluate the association between dependent (loan performance of SHGs in Kenya) and independent study variables (credit terms, client appraisal, credit risk control and credit collection policies). Pearson correlation coefficients range between 0 and 1 where by positive correlation coefficients symbolizes a direct or positive

association while negative correlation coefficients symbolizes indirect correlation. Findings were as shown in Table 4.9 below.

As shown in Table 10, credit terms are positively correlated with loan performance of SHGs in Kenya ($r=0.663$, $p\text{-value}=0.000$). The correlation was as well significant as $p\text{-value}$ (0.000) was below significant level of 0.05 . Findings conform to those of Ssekiziyivu, Bananuka and Tumwebaze (2018) who discovered a significant association between credit terms and performance of loan repayment among MFIs' clients.

Moreover, results discovered that client appraisal is positively correlated with loan performance of SHGs in Kenya ($r=0.465$, $p\text{-value}=0.000$). Moreover, the correlation was as well significant as $p\text{-value}$ (0.000) was below significant level of 0.05 . The results are in agreement with those of Mulyungi and Mulyungi (2020) who revealed that there is a linear, positive as well as significant correlation between client appraisal and loan performance of Guaranty Trust Bank Rwanda PLC.

Further, results found that credit risk control was positively correlated with loan performance of SHGs in Kenya ($r=0.449$, $p\text{-value}=0.000$). Moreover, the association was significant as $p\text{-value}$ (0.000) was below significant level (0.05). The results are in agreement with Murigi and Thuo (2018) findings that credit risk control has a major impact on the financial performance of agricultural companies listed on the Nairobi Securities Exchange.

TABLE 10
Correlation Analysis

		Loan Performance	Credit Terms	Client Appraisal	Credit Risk Control	Credit Collection Policy
Loan	Pearson	1				
Performance	Correlation					
	Sig. (2-tailed)					
	N	98				
Credit Terms	Pearson	.663**	1			
	Correlation					
	Sig. (2-tailed)	.000				
	N	98	98			
Client Appraisal	Pearson	.465**	.255*	1		
	Correlation					
	Sig. (2-tailed)	.000	.011			
	N	98	98	98		
Credit Risk	Pearson	.449**	.217*	.300**	1	
Control	Correlation					
	Sig. (2-tailed)	.000	.032	.003		
	N	98	98	98	98	
Credit	Pearson	.722**	.758**	.410**	.269**	1
Collection	Correlation					
Policy	Sig. (2-tailed)	.000	.000	.000	.008	
	N	98	98	98	98	98

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

* . Correlation is significant at the 0.05 level (2-tailed).

Results further indicated that credit collection policy was positively correlated with loan performance of SHGs in Kenya ($r=0.722$, $p\text{-value}=0.000$). Moreover, the correlation was as well significant as $p\text{-value}$ (0.000) was not more than the significant level of 0.05 . The results

conform to Kungu, Wanjau and Gekara (2014) findings that profitability and credit policy in Kenyan manufacturing firms have a positive relationship.

4.6.2 Regression Analysis

Multivariate regression analysis was used in determining the association between the dependent (loan performance of SHGs in Kenya) and independent variables (credit terms, client appraisal, credit risk control and credit collection policies). The R-Squared is the variance proportion in the dependent variable that can be explained by the independent variable: the larger the R-squared the larger the effect of the independent variable on the dependent variable. The results of the R-squared are presented in model summary in Table 11.

TABLE 11
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802 ^a	.643	.628	.27814

a. Predictors: (Constant), Credit Collection Policy, Credit Risk Control, Client Appraisal, Credit Terms

R-squared was employed in the current study to show the variation in dependent variable (loan performance of SHGs in Kenya) that could be explained by independent variables (credit terms, client appraisal, credit risk control and credit collection policies). The R-squared was 0.643. This implied that 64.3% of the variation of loan performance of SHGs in Kenya could be described by independent variables (credit terms, client appraisal, credit risk control and credit collection policies).

TABLE 12
Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	12.955	4	3.239	41.863	.000 ^b
Residual	7.195	93	.077		
Total	20.149	97			

a. Dependent Variable: loan performance

b. Predictors: (Constant), credit collection policy, credit risk control, client appraisal, credit terms

The ANOVA was used to evaluate whether regression model is a good fit for the data. If F-calculated is greater than F-critical and also p-value is below the significance level, the model deployed is considered a good fit for the data. As shown in Table 4.11 (above), F- calculated was 41.863 and F- critical was 2.47. Since F- calculated (41.863) was greater than F critical (2.47) and the p value 0.000 was less than the significant level (0.05), the model was considered as a good fit for the data. Therefore, it could be used to predict the effect of credit collection policy, credit risk control, client appraisal, and credit terms on loan performance of SHGs in Kenya.

The coefficients or beta weights for every variable enables the researcher to compare relative significance of independent variable. In this study unstandardized coefficients as well as standardized coefficients are provided for multiple regression equations. Nevertheless, discussions are founded on standardized coefficients.

TABLE 13**Regression Coefficients**

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	-1.253	.434		-2.886	.005
Credit Terms	.285	.095	.287	3.008	.003
Client Appraisal	.297	.123	.169	2.418	.018
Credit Risk Control	.263	.073	.236	3.585	.001
Credit Collection Policy	.361	.099	.371	3.657	.000

a. Dependent Variable: loan performance

Regression equation was;

$$Y = -1.253 + 0.285X_1 + 0.297X_2 + 0.263X_3 + 0.361X_4$$

The results show that holding all the independent variables (credit collection policy, credit risk control, client appraisal, and credit terms) constant the value of loan performance of SHGs in Kenya will have an index of -1.253. Results revealed that credit terms has positive as well as significant effect on loan performance of SHGs in Kenya ($\beta_1=0.285$, p-value= 0.003). The association was regarded significant since the p-value (0.003) is not more than the significant level of 0.05. This implies that improvement in credit terms improves loan performance of SHGs in Kenya. These findings conform to the findings of Rukundo (2018) who

revealed that credit terms in terms of interest rates, repayment period, penalty charges and repayment amount influences performance of SMEs in Bujumbura, Burundi.

Additionally, results discovered that client appraisal has positive significant effect on loan performance of SHGs in Kenya ($\beta_2=0.297$, p-value= 0.018). The association was regarded significant since the P-value (0.018) was not more than the significant level of 0.05. This implies that an improvement in client appraisal leads to improvement in loan performance of SHGs in Kenya. These findings conform to Aliija and Muhangi (2017) findings that there is a connection between MFI credit performance and client appraisal in Uganda.

Furthermore, the results found that credit risk control has positive as well as significant effect on loan performance of SHGs in Kenya ($\beta_3=0.263$, p-value= 0.001). The association was regarded significant since p-value (0.001) was below the significance level of 0.05. This implies that improvement in credit risk control leads to improvement in loan performance of SHGs in Kenya. These findings conform to Bwire and Omagwa (2019) argument that credit risk control has significant effect on financial performance.

Furthermore, the results found that credit collection policy has positive as well as significant effect on loan performance of SHGs in Kenya ($\beta_3=0.361$, p-value= 0.000). The association was regarded significant since the p-value (0.000) was below the significance level of 0.05. This implies that improvement in credit collection policy leads to improvement in loan performance of SHGs in Kenya. These findings conform to the argument of Mwaura and Jagongo (2017) that credit policy impacts on financial results of Kenyan commercial banks' significantly.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the key findings, conclusions, recommendation and suggestions for further studies. The general study objective was to assess the effect of credit management practices on loan performance in Catholic Self-Help Groups in Kenya. Specifically, the researcher examined the influence of credit terms, client appraisal, credit risk control and credit collection policies on loan performance of SHGs in Kenya.

5.2 Summary

This section comprises the summary of the study findings as per the study objectives. This study examined the influence of credit terms, client appraisal, credit risk control and credit collection policies on loan performance of SHGs in Kenya.

5.2.1 Influence of credit terms on loan performance

Results found that credit terms have positive as well as significant influence on loan performance of SHGs in Kenya. Moreover, findings revealed that the SHG credit terms had very clear provision on loan size. Further, the study findings revealed that SHG credit terms had very clear provision on fees and interest rate. In addition, the study findings revealed that SHG credit terms had very clear provision on collateral requirements. The study established that SHG credit terms had very clear provision on repayment schedule. Further, it was found that the organization educate clients prior to a loan. The study also established that SHG credit terms had very clear provision on penalties information. However, the study revealed that the customers were not consulted on the formulation of credit terms.

5.2.2 Influence of Client Appraisal on Loan Performance

The study found that client appraisal has positive and significant influence on loan performance of SHGs in Kenya. The findings also indicated that there was defined purpose for the credit. Further, the study found that repayment capacity of borrower had an effect on loan performance and was considered during client appraisal. Moreover, the study found that availability of collateral was considered during client appraisal. The study established that the ability of the client to generate cash was assessed during client appraisal. Furthermore, the findings indicated that the organization conducted peer monitoring. In addition, the volume of annual cash flow was assessed during client appraisal. However, rescheduling conditionality was moderately assessed during client appraisal. In addition, conditions of the borrowers' assets were not assessed during client appraisal. Also, clients' financial position was not assessed during loan appraisal.

5.2.3 Influence of Credit Risk Control on Loan Performance

The research revealed that credit risk control has positive significant influence on loan performance of SHGs in Kenya. Moreover, the study revealed that SHG exerts peer pressure to defaulting members to repay the loan. In addition, the study found that information supplied accuracy on clients is obtained. Findings also revealed that information on the business location and client home is obtained. The study also discovered that the organization obtains information on client repayment capacity. In addition, the study found that the organization obtains information on the credit history of the clients. Further, the study findings revealed that information on the clients' source of income is obtained. Moreover, the study revealed that the

organization obtains information on client repayment segmentation. Furthermore, the study found that information on clients' joint liability is obtained.

5.2.4 Influence of Credit Collection Policies on Loan Performance

The study found that credit collection policies have statistically significant effect on loan performance of SHGs in Kenya. Moreover, the study revealed that the organization requires information on the clients' source of income. Further, it was found that the organization obtains information on the clients' repayment capacity. Findings further revealed that the organization obtains information on the business location and client home. Moreover, the study revealed that SHG exerts peer pressure to defaulting members to repay the loan. Furthermore, the study established that the organization obtains information on the credit history of the clients. In addition, findings established that accuracy/verification of information supplied is obtained. Moreover, the study also found that the organization obtains information on the client repayment segmentation. Furthermore, the study revealed that the organization obtains information on clients' joint liability provision.

5.3 Conclusion

This study concludes that credit terms have positive as well as significant impact on loan performance of SHGs in Kenya. Findings revealed that loan size, fees and interest rate, collateral requirements, repayment schedule, education of the clients prior to a loan, penalties information and consultation of the customer influences loan performance of SHGs in Kenya. This means that improvement in credit terms improves loan performance of SHGs in Kenya.

In addition, the researcher concludes that client appraisal has positive significant impact on loan performance of SHGs in Kenya. Moreover, the study discovered that defined purpose for the credit, availability of collateral, repayment capacity of borrower, ability of the client to generate cash, volume of annual cash flow, peer monitoring, rescheduling conditionality, clients' financial position and condition of the borrowers assets influences loan performance of SHGs in Kenya. This means that improvement in client appraisal leads to an improvement in loan performance of SHGs in Kenya.

Further, the researcher concludes that credit risk control has positive significant impact on loan performance of SHGs in Kenya. Moreover, the study found that business location and client home, credit history and source of income, information on supplied accuracy, client repayment capacity, SHG peer pressure to defaulting members, client repayment segmentation and joint liability influences loan performance of SHGs in Kenya. This means that improvement in credit risk control leads to an improvement in loan performance of SHGs in Kenya

The study concludes that credit collection policy has positive significant impact on loan performance of SHGs in Kenya. Findings revealed that business location and client home, source of income, client repayment capacity, SHG peer pressure to defaulting members, client repayment segmentation, joint liability provision, credit history and accuracy/verification of information supplied influences loan performance of SHGs in Kenya. This means that improvement in credit collection policy leads to improvement in loan performance of SHGs in Kenya.

5.4 Limitations of the Study

Management of SHGs in Catholic Archdiocese of Nairobi was reluctant to give permission to perform the investigation since information on credit management practices was considered important to the organization. However, the researcher acquired a letter from KCA University to reveal that ongoing research was purely for learning purposes. Due to fear of victimization respondents were reluctant in disclosing required information. The researcher nonetheless worked at winning respondents confidence that the findings were to be utilized for learning purpose only and further assurance of utmost confidentiality of all information was given hence arrived to a win-win situation.

5.5 Recommendations

The results found that credit terms have positive as well as significant influence on loan performance of SHGs in Kenya. This study therefore recommends that the leaders of SHGs in Kenya should set credit terms such as credit period, interest rate and fees, repayment schedule and also provide penalties information in order to lower the default risk from the borrowers.

The study established that liquidity loan risk premium was not clearly communicated to the clients. The study therefore recommends that the leaders of SHGs in Kenya should regularly notify their clients on the availability of liquidity loan risk premium so that they can be compensated for investing in securities with low liquidity which in turn helps them to settle their loans.

The study revealed that the customers were not consulted on the formulation of credit terms. The study therefore recommends that the leaders of SHGs in Kenya should involve their

clients when formulating the credit terms as well as ensure that the clients are capable of meeting the credit terms. This will help the borrowers to make proper arrangements on how to settle the loans within the specified period of time.

The study established that during client appraisal SHGs were not putting into consideration clients' financial position and conditions of the borrowers assets. The study recommends that SHGs should put into consideration their clients' financial position and conditions of the borrowers assets. This will play a key role in deciding on the limit of credit a customer can get depending on their ability to pay.

Moreover, the study revealed that loan default rates were not clearly communicated to the clients. Therefore, this study recommends that the leaders should communicate the loan default rates to their clients and the penalties given to the defaulters. This triggers the borrowers' effort to repay the loans in order to avoid the penalties and hence increase the profitability of self-help groups in Kenya.

The study further found that credit risk control has positive significant impact on loan performance of SHGs in Kenya. This study therefore recommends that before issuing the loans, the leaders of SHGs in Kenya should evaluate the customer's ability to repay back the loans in order to ensure that the clients are credit worthy.

The study revealed that credit collection policies have statistically significant impact on loan performance of SHGs in Kenya. Therefore, this study recommends that the leadership of SHGs should set credit collection policies in order to save time by ensuring that the same problem is not addressed repeatedly each time a decision is required. This guarantees that decisions are consistent and equitable, and that people in similar situations are treated equally.

5.6 Suggestion for Further Studies

This study was limited to Catholic SHGs in Kenya therefore its findings cannot be generalized to other financial institutions in Kenya. This study therefore recommends that further studies should be conducted in other financial institutions such as the SACCOs, insurance companies and commercial banks of Kenya among others. The study also found that credit terms, client appraisal, credit risk control and credit collection policies could explain 64.3% of the loan performance of SHGs in Kenya. The study thus suggests that further studies should be carried out on other factors influencing loan performance of SHGs in Kenya.

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APPENDICES

Appendix I: Introduction Letter

20th March, 2021

JOHN NDICHU

KCA University,

P.O. Box 7175-00300,

Nairobi

Dear Participant,

RE: REQUEST FOR COLLECTION OF DATA

I am a KCA University post-graduate student; currently conducting a research on effectiveness of credit management system on loan performance in catholic self-help groups in Kenya. The effectiveness of this study relies on the selection of a diverse set of viewpoints that will ensure that the results are representative. Your opinions are extremely valuable. The anonymity and confidentiality of this questionnaire will be guaranteed. This questionnaire does not require you to include your name. At no point during the research will any person be identified. Please be as truthful as possible in your answer.

Yours faithfully,

JOHN NDICHU

Appendix II : Questionnaire

Please complete this questionnaire as truthfully as possible. This research tool is intended to gather empirical data in order to perform an academic exercise on the topic; “The **Role of CMP on loan performance in Catholic Self-Help Groups in Kenya**” as a semi-requirement for an award of a degree in Master of science in Commerce, at KCA University. Confidentiality will be strictly adhered to, and your name will not be mentioned. Please provide the information as required.

Any information, views and opinion given will be treated with strict confidentiality and will also be employed for the purposes of this study only. You are humbly requested not to mention your name or any information that might disclose your identity. If you have any difficulties while filling out this questionnaire, please do not hesitate to contact the researcher at +254720850441 for immediate assistance. Answer all questions by marking using a tick (√) in the appropriate box.

Section A: Demographic Information

	Respondent Characteristic	Response	Comment/further information
Respondent Gender	1.Male		
	2.Female		
Respondent Age	1.18 to 25		
	2.26 to 35		
	3.36 to 45		
	4.46 to 55		

	5. Above 55		
Level of Education of the respondent	1. TEVs		
	2. Diploma		
	3. Bachelor's		
	4. Post-graduate		
	5. Other (specify)		
Specify your duration of service	1 Less than 1 Year		
	2. Between 2 and 4 Years		
	3. Between 5 and 7 Years		
	4. Between 8 and 10 Years		
	5. Beyond 10 Years		
Position Held	1. Employees		
	2. Executive		
	3. Capacity building		
	4 Credit committee		

Section B: Credit Terms

To what degree do you agree that the following loan credit policy statements have an effect on your SHG's loan performance? Based on a five-point scale indicate your response where: 1 connotes Strongly Agree; 2 connotes Agree; 3 connotes moderate; 4 connotes Disagree, 5 connotes Strongly Disagree

	The SHG credit terms had very clear provision on: -	1	2	3	4	5
1	Loan size					
2	fees and Interest rate					
3	Collateral requirements					
4	Repayment schedule					
5	Educate clients prior to a loan					
6	Penalties information					
7	Customer were consulted on the formulation of credit terms					

Section C: Client Appraisal

To what extents do you agree with below loan recovery statements' influence on your SHG loan performance? Based on a 5-point scale, indicate your response where: 1= Strongly Agree; 2=Agree; 3= neutral; 4= Disagree, 5=Strongly Disagree

	To the best of your knowledge the following loan recovery provisions and information existed and were communicated clearly to clients: -	1	2	3	4	5
1	Defined purpose for the credit					
2	Availability of collateral					
3	Repayment capacity of borrower					

4	Ability of the client to generate cash					
5	Volume of annual cash flow					
6	Peer monitoring					
7	Rescheduling conditionality					
8	Clients financial position					
9	Condition of the borrowers assets					

Section D: Credit Risk Control

To what degree do you agree that the following client supervision statements have an effect on your SHG's loan performance? Based on a five-point scale, indicate your response where: 1= Strongly Agree; 2=Agree; 3=neutral; 4= Disagree, 5=Strongly Disagree

	From your perspective, are the following data on client obtained?	1	2	3	4	5
1	Business location and client home					
2	Information supplied accuracy					
3	Client repayment capacity					
4	SHG peer pressure to defaulting members to repay loan					
5	Client Repayment segmentation					

6	Joint liability					
7	Credit History					
8	Source of Income					

Section E: Credit Collection Policy

	From your perspective, are the following data on client obtained?	1	2	3	4	5
1	Business location and client home					
2	Source of Income					
3	Client repayment capacity					
4	SHG peer pressure to defaulting members to repay loan					
5	Client Repayment segmentation					
6	Joint liability provision					
7	Credit History					
8	Accuracy/verification of information supplied					

Section F: Loan Performance

To what degree do you agree that the following indicators of loan performance with your SHG's. Based on five -point scale, indicate your response where: 1 connotes Strongly Agree; 2 connotes Agree; 3 connotes neutral; 4 connotes Disagree, 5 connotes Strongly Disagree

	All loans the group management lent out:	1	2	3	4	5
1	Fully payment was made					
2	Loan repaid on schedule					
3	There was high return on equity					
4	Repayment rate was high					
5	There were no bad debts (no loans were written off)					
6	There was minimal loan recovery cost					
7	Targeted beneficiary number was achieved					