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Effect of Client Appraisal and Loan Monitoring Strategies on the Repayment of Revolving Funds in Kenya

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Abstract: *A revolving fund is generally setup in small amounts with an appropriation of seed money from the general fund which must exhibit the self-sustaining capacity. The Kenyan Government initiated the Youth Enterprise Development Fund in 2006 as a strategy of addressing youth unemployment. The Women Enterprise Fund on the other hand, was formed as a proactive government response to the dire challenges facing women of Kenya. Despite the importance of revolving funds in Kenya and developing economies, the repayment rate has been relatively low. This study examined the effect of client appraisal and loan monitoring strategies on the repayment of revolving funds in Kenya. The study focused on the government revolving funds in Kenya that were disbursed from 2010 to 2019, and it was carried out within 18 months from January 2020 to June 2021. The target population was the Youth officers in the constituencies and WEF Officers in the 47 counties. The study utilized a correlational research design, and a purposive sampling approach. Data was collected using questionnaires, and analyzed using SPSS version 23. The study established that business assessment visits had a positive and significant effect on the repayment performance of revolving funds (coefficient 5.473, P-000), frequency of training before disbursement had a positive and significant effect on repayment performance of revolving funds, (coefficient 2.715, P-0.002), and the type of training offered before disbursement had a positive and significant effect on repayment performance (coefficient 7.548, P-000). On the other hand, that the number of monitoring visits had a positive and significant effect on repayment performance of revolving funds in Kenya, (coefficient 2.327, P-0.023). Also, the number of arrears report had a positive and significant effect on repayment performance of revolving funds in Kenya, (coefficient 2.842, P-0.02). The study concluded that there exists a strong positive relationship between client appraisal strategies and repayment performance of revolving funds in Kenya, while loan monitoring strategies had a significant positive effect on repayment performance of revolving funds in Kenya.*

Keywords: *Revolving funds, client appraisal, monitoring strategies, Credit repayment.*

1. Introduction

The Kenyan Government initiated the Youth Enterprise Development Fund in 2006 as a strategy of addressing youth unemployment. The Women Enterprise Fund on the other hand, was formed as a proactive government response to the dire challenges facing women of Kenya. WEF is a Semi-Autonomous Government Agency under the Ministry of Gender, Children and Social Development, established in August 2007 through a Gazette Notice. Uwezo Fund was then created in 2013 to expand access to finances in promotion of youth and women businesses and enterprises at the constituency level for economic growth towards the realization of the goals of Vision 2030 (GOK, 2019).

Aliija and Muhangi (2017) studied the effects of loan appraisal process management on credit performance in microfinance institutions (MFIs). The study aimed to investigate various strategies used by MFIs to provide loans to clients and establish the organizations that had assumed Credit Management Practices. Data for this study was obtained from MFIs' loan executives through use of Designed questionnaires. The study results indicated a solid connection between customer assessment, progression administration and loan efficiency of MFIs. According to the study findings, Client appraisal in credit management was highly used by MFIs since it was discovered to be feasible and vital in dealing with credits. The study results also revealed that security features were highly considered during client appraisal since most loan violations were caused by failure to evaluate

clients' capacity to refund their loans. The study further established that client evaluation focused on the charisma of the clients looking for credit services and also found out that MFIs had skilled employees for conducting customer assessment. Therefore, the study concluded that customer evaluation positively impacted the credit performance of MFIs and that it was compulsory for the customers to visit the institution before the loan allocation. However, the study suggested that all microfinance organizations offer adequate employee training to ensure they are well conversant with the requirements needed to carry out client evaluations efficiently. The study also recommended that MFIs focus more on their credit employees concerning loan procedures as they assess the customers for loan services. Since the study only focused on MFIs, it recommended that another study be carried out, which included investigating all financial organizations.

Enoch et al., (2021) conducted a study to evaluate the impact of credit management on the financial performance of microfinance institutions in Adamawa State, Nigeria. The purpose of this study was to establish how customer evaluation contributed to the productivity of microfinance banks in Adamawa State. A survey approach was used, and the study obtained its data through sampling. The study results established that the organization's total liquidity influenced the success of any financial organization and that efficient liquidity could only be achieved through a proper credit management strategy. According to the study, an adequate credit management strategy ensures profitable, vigorous, and maintainable financial organizations. The study's findings further revealed that proper customer assessment reduced the amount of capital associated with defaulters and poor financial effectiveness. Therefore, the study concluded that customer assessment positively impacts the performance of MFIs in Adamawa State. However, the findings of this study were different from the outcomes of Gambo (2012), which discovered that loan management in micro financial banks did not have any relationship with the customer evaluation. However, this study suggested that all financial institutions constantly assess their customers based on their charisma, financial grounds, loan security and condition, and capacity to repay the loans before allocating them. Based on the study, client appraisal would enable financial institutions to effortlessly recover loans, thus enhancing the proficiency and success of financial organizations. Since the study was more attentive to microfinance banks in Adamawa State, it was advisable to carry out another study to relate the results to other financial institutions worldwide.

Rukiri (2021) conducted a study investigating the appraisal strategies employed by Pride Microfinance Bank in Uganda. The investigation aimed to evaluate microfinance organizations' credit evaluation procedures and develop new policies to enhance the credit management process in Pride, Uganda. The study adopted the methodology of a vivid approach and used questionnaires to collect its research data by targeting the employees and credit executives from Pride microfinance bank. The data was then carefully analyzed to obtain reliable results. The study discovered that the Pride microfinance bank applied to reference with CRB, loan settlement records and the use of 5 Cs (conditions, capital, character, collateral, and capacity). The study further revealed that customer evaluation was feasible for justifying loan risks. Therefore, the study suggested the need for Pride Bank to improve its customer assessment practices to improve its loan performance and ensure that their credit officers receive frequent transfers to avoid chances of giving credit to their friends, hence loan evasion. However, the study focused on Pride microfinance bank without considering any other institution and therefore, there was need to conduct another study that would addresses the evaluation policies employed by other financial organizations.

Client appraisal strategies is among the factors that affect credit management on micro finance institutions' financial performance. Enoch et al. (2021) evaluated the effects of client appraisal on the efficiency of micro-finance banks in Adamawa state, Nigeria. The researchers adopted a survey method and obtained data from both primary and secondary sources. The study used a sample of 21 respondents from a population of 52 credit officers that was determined using a multi-stage sampling approach. Banks that were involved in the study were selected through purposive sampling technique. Primary data was collected via structured questionnaires while secondary data was obtained from text books, internet articles, and bank annual reports. Data was analyzed with the help of SPSS using multiple and descriptive regression analysis. The study findings were presented in tables for interpretation. The study established a positive connection between client appraisal and the efficiency of credit management in microfinance banks. Additionally, client appraisal strategies were efficient

and productive in managing credit facilities of microfinance banks. The study suggested that banks should review and re-strategize client appraisal policies yearly to improve their efficiency since the technique is an effective tool in enhancing effective financial performance in banks. Further, the study highlighted that microfinance banks should be aware of their clients' character, financial condition, and collateral before approving loans to increase their efficiency. Since, client appraisal strategies have a significant relationship with financial performance of microfinance banks, the current study will examine other aspects that may impact the repayment performance of microfinance banks.

Loan monitoring strategies are the repayment mechanisms and infrastructures that have been implemented to ensure successful credit repayment by loan clients. Among the key strategies applied by lending organizations is ensuring that credits are collected on weekly instalments. Such an approach is associated with reducing credit evasion rates especially in situations where no collateral is presented during loan allocation, thus guaranteeing distribution of credits to only clients who are capable of repaying. Loan monitoring was measured by the repayment frequency; follow-up mechanisms such as visits and demand letters, if available, and rewards and sanctions. Further, the study will evaluate the quality and quantity of arrears reports generated to assist in the loan monitoring and evaluation practices.

Wachira (2017) claimed in his study that a financial institution should engage in credit monitoring. The financial firm should designate certain people to oversee the credit portfolio, including making sure information is communicated to those in charge of remedial action and allocating sufficient reserves for bad loans. An efficient monitoring system will ensure that the financial entity is aware of the borrower's current financial situation, that the terms and conditions are being followed, that the collateral is evaluated in light of the borrower's current situation, that non-performing accounts are recognized, and that the appropriate categorization and loan failure provisioning are enforced. Commercial banks may make use of credit reference bureaus, a company that offers data on people's borrowing and bill-paying history. Consumers will pay a higher yearly interest rate than those without these indicators if they have a history of bad credit repayment or court-ordered debt requirements, such as tax liens or bankruptcies. Credit monitoring should be done by commercial banks. The financial institution should designate specialized people to oversee the credit collection, as well as ensuring that data is communicated to persons in charge of remedial action and allocating sufficient reserves for credit loss. Finally, institutions should use a variety of credit risk management strategies. Securities, assurances, and netting off of credits contrary to payments from the same party are the most frequent types. A collateralized trade is when an institution lowers all or part of its credit risk, whether that risk is real or imagined.

Obae and Jagongo (2022) carried out research on current analysis to ascertain the impacts of loan organization techniques on the recital of commercial banks' loans in the nation. Financial institutions employed management-based monitoring tactics to influence the development of Kenya's banking industry. These strategies ensured that only borrowers with excellent credit were approved for loans, reduced the number of non-performing loans, and improved overall performance. It encouraged banks to use debt supervision procedures to exclude high-risk customers with poor credit ratings. This management strategy involves keeping an eye on customers' repayment plans. It especially looked at how credit restriction and customer evaluation affect how well commercial banks in Kenya operate while making loans. A descriptive survey that was conducted among the selected 38 commercial banks in the nation was the best study design. Basic data on credit risk management procedures was gathered with the use of a questionnaire, and secondary data on loan performance was gathered using a document review form using loan records from 2018 to 2020. SPSS (v-21) was used to assist with both the descriptive and statistical analyses of the data. The multiple regression result analysis demonstrated that the model's predictions are positively correlated with loan performance. All of the variables for credit ration and client evaluation were significant because a unit increase in credit ration might result in an increase of 0.356 in loan performance. Also, if the customer assessment went up by one unit, the loan performance could go up by 0.408%.

Ahmed and Malik (2015) evaluated the main goal of risk management and focused on monitoring tactics in financial institutions. The importance of risk monitoring was to limit the possibilities and hazards that led to the emergence of risk rather than totally eliminate it. Their results revealed that it

was feasible if a financial institution applied credit management risk to lower the probability of credit default by borrowers. The methods assist financial institutions in determining who receives credit, the quantity of credit available, its cost, and the systems in place to assure the financial institutions' profitability via lending. Credit monitoring, credit diversity, and credit scoring are examples of techniques. A client's credit rating is a method that looks at client characteristics to assess their capacity to repay loans. To determine the likelihood that a particular applicant will not repay the money they have acquired from financial institutions, credit scoring involves utilizing statistical models. The credit worthiness approach helped financial organizations make decisions about who received credit, the quantity of credit available, its cost, and the systems in place to assure the financial institutions' profitability via lending. Risk monitoring enables lenders to reevaluate and modify their lending choices in light of changes seen in the customer's profile. During their review of the risk management processes at Harambee SACCO, they found that the SACCO uses collateralization, the use of signatories, insurance on loan products, and shareholding to spread out risks.

Mwangi and Muturi (2016) conducted research to understand why credit management in banks has gained importance. Due to the recent string of financial crises experienced by the globe, the goal of the research was to determine how credit regulations, the debt collection procedure, the risk assessment process, and credit rating affect how well commercial banks repay loans. The target group was made up of workers working in the head office of Kenya's registered commercial banks, and a purposive sample method was used to choose the trial size of 55 respondents. In-depth information was gathered via questionnaires. A reliability test was conducted by employing the Cronbach Alpha technique to conduct a pilot survey. Both quantitative and qualitative analysis methods were used. Tables were used in the quantitative analysis. After that, the data was examined using descriptive and inferential statistics; a regression model was then used to show how independent factors affected the dependent variable. The efficiency with which commercial banks apply their internal credit rules will lead to an development in debtors' reimbursement. A boost in commercial banks' ability to recover debt and rigorous credit scoring for borrowers allow them to choose only from a pool of credit-worthy applicants, which has a beneficial impact on how well loans are repaid. According to the research's results, credit regulations, the debt collection procedure, the risk assessment process, and credit scoring all significantly improve loan payback performance. So, for quick credit collection, there needs to be coordination between the debt bodies at every stage.

Karanja and Simiyu (2022) conducted a study to comprehend how loan managing practices influenced loan repayment at Kenyan microfinance organizations. One of the study's exact goals was to assess the effect of loan policy, customer assessment, payment terms, credit situations, and risk organization on loan performance. This effort focuses on 13 microfinance institutions in Kenya. Secondary data will be gathered using monetary information from microfinance banks and regulatory data first from the Central Bank of Kenya (CBK). The survey discovered that their businesses evaluate their clients. Additionally, the research indicated that customer evaluations were successful. According to the report, the company investigates a client's creditworthiness before approving a loan. The research discovered that the bank employs credit analysts, whose job it is to evaluate every possible loan applicant. According to the study, credit strategy, client assessment, assortment plan, credit situations, and financial hazard management remained substantial on the front display of microfinance banks in Kenya, with a 5 percent significance level and a 95 percent certainty level. The review's findings reveal that their companies do customer evaluation. The research also revealed the value of client evaluations. According to the study, the company investigates a customer's credit quality before approving a loan. The following suggestions were grounded on the findings and conclusions of the study: It is advised that efficient credit risk management processes be created and implemented, notably via credit risk information management, in order to address the influence of credit policy and decision-making at microfinance banks on loan performance.

2. LITERATURE REVIEW

2.1. Credit Risk Theory

In most situations, borrowers breach contracts by failing to pay their debts and comply to their obligations, which lead to record of losses by credit firms, an act referred to as credit risk. This theory was proposed by Melton (1974) who defined credit risk as the event that causes the default and

similarly denoted to it as the structural theory. Credit risk theory suggests a framework that is crucial in controlling, mitigating, and managing losses that arise from the default. The theory perceives the default as an option to pay or the failure to do so, that is presented to the borrower when the circumstances arise to make a choice of paying the obligation. Woolcock (2010) posited that a credit market can be shaped by the strategies adopted by the lending institutions in their appraisal process which is basically to reduce the risk of loss. The performance of revolving fund is negatively affected by the actual and potential default. Therefore, this theory addresses the crucial variables of acknowledging the borrower characteristic as a source of default as well as recognizing such strategies as the screening, and proper appraisal procedures and policies and other strategies to minimize losses arising from potential default.

2.2. Systems Theory

Bertalanffy, a biologist proposed the systems theory, which was initially to explain a biological object. This theory has been applied to various disciplines and studies. In general terms, a system can be defined as a complex object that is formed by several different components. McShare and Glinow (2003) posits that the growth and development process of a company is enhanced by the coordination between more complex subsystems within the organization, which contribute to greater transformation of inputs to outputs. It is the sum total of interrelated elements that work through a connection of regular or irregular interactions. Each element is crucial to the end result and all elements and functions are interdependent to one another. In business, the systems theory depicts a reliance of the different components and functions to ensure that the goal is achieved. In this study, the lending institution is the system, the components are the resources available such as the funds, staff members, technology, reports generated and debt collection agents, as well as the potential borrowers; while the interactions represent the functions, procedures, policies as well as the strategies that ensure proper performance of the funds.

3. METHODOLOGY

The study focused on the government revolving funds in Kenya that were disbursed from 2010 to 2019, and it was carried out within 18 months from January 2020 to June 2022. The target population was the Youth officers in the constituencies and WEF Officers in the 47 counties.

Study Design: Correlational research design

Study Location: The study was conducted across 47 counties in Kenya.

Study Duration: January 2020 to June, 2022.

Sample Size: 181 respondents.

Sample Size Calculation:

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

Where:

S = required sample size

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

N = the population size

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

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

Source: Krejcie and Morgan, 1970

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

$S \cong 181$

3.1. Subjects & Selection Method

Purposive method to the selection of the respondents was utilized where WEF and YEDF officers who were in a position to give the necessary information and data pertaining to all the variables for the study.

Inclusion Criteria:

1. WEF and YEDF officers
2. Either sex
3. Aged ≥ 18 years,

3.2. Procedure Methodology

Data was collected through semi-structured questionnaires which were the most appropriate data collection instruments. The self-administered questionnaires were used to obtain primary data from participants. The questionnaires were dropped and later collected after being filled by the respondent. An introduction letter from Kirinyaga University was obtained as well as a research permit from the National Commission Science, Technology, and Innovation (NACOSTI) to enable the researcher to collect data.

3.3. Statistical Analysis

The study analyzed data using descriptive and inferential statistics, Analysis of Variance (ANOVA), and Chi-Square. Data analysis was conducted with the aid of Statistical Packages for Social Science (SPSS). SPSS is an operative software package that is used to analyze statistical data. Data was compiled, edited, and imported to SPSS for analysis. The descriptive results were presented using frequencies, percentages, means, and standard deviation. To analyze the type and extent of the relation between recovery strategies (client appraisal strategies, monitoring strategies, loan recovery implementation strategies, loan collection strategies and borrower characteristics), and repayment performance, a multiple linear regression was adopted.

The study applied a bivariate analysis to test the differences and measure the magnitude of connection between two variables at a given time. Also, bivariate analysis was effective for empirical evaluation and to make inferences from population sample. The study employed the Pearson correlation coefficient, which measures the extent and direction of the linear relationship between two variables. Mugenda and Mugenda (2003) posits that the value of the correlation ranges from -1 to 1, where the sign of correlation coefficient indicates the direction of the relationship. The absolute values of the correlation coefficient will indicate the strength, with higher absolute values indicating stronger associations.

Significance of the variables was tested at significance level of 0.05. The significance of each correlation was also displayed in the correlation tables. If the significance level is very small (less than 0.05) then, the correlation is significant and the two variables were deemed to be linearly related. If the correlation is (more than 0.05) then, the correlation is not significant and the two variables were deemed as not linearly related. This model was also applied to test the extent to which the independent variables predict the repayment performance of revolving funds in Kenya.

4. RESULTS AND DISCUSSIONS

4.1. Descriptive Statistics

Response Rate

	Designation	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	youth officer	134	73.2	74	74	
	WEF officer	47	25.7	26	100	
	Total	181	98.9	100		
Missing	System	2	1.1			
Total		**183**	**100**			

The results in the above table indicates that majority of the respondents 74% were the Youth Officers and 26% were Women Enterprise Fund Officers. Normally Youth Officers are stationed in every constituency while Women Enterprise Fund Officers are in county levels.

Years of Experience

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

The results in table above shows that majority of the respondents have experience of 7and below years, while the rest of respondents have experience between 8-20 years worked. This comprised of a cumulative percentage of 77.9% of officers with experience of 7 years and below.

4.2. Measures of Independent Variables

4.2.1. Client Appraisal

Business Assessment Visits

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

The results in table above shows that 45.3% of the respondents argue that 2 business visits to the borrower are enough to assess the capability of that person to pay loan given. About 18% of respondent indicated that one visit was enough while only 9.4% believe that 5 or more visits were necessary.

Frequency of Training before Loan Disbursement

	Time trained	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	24	13.1	13.3	13.3
	2	58	31.7	32	45.3
	3	61	33.3	33.7	79
	4	25	13.7	13.8	92.8
	5	9	4.9	5	97.8
	6	4	2.2	2.2	100
	Total	181	98.9	100	

Results in table above shows that 33.7% of the respondents were satisfied with borrowers being trained 3 times before loan was disbursement. The second group of the respondents which was 32% indicated two times before loan disbursement. The respondents show that at least 3 trainings are important with a 79% cumulative percentage.

When we average the two, we can be able to say that 3 times before loan disbursement is standard. This affirms a study by Matridi et al, (2015) that a revolving fund introduced by Indonesian Government to repair and develop social economy failed due to lack of awareness in recovery or repayment procedures.

Type of Training

	Type of training	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Group formation	98	53.6	54.1	54.1
	Financial literacy	58	31.7	32	86.2
	Business skills	25	13.7	13.8	100
	Total	**181**	**98.9**	**100**	

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

Duration of Training before Disbursement

Duration of training		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-10	121	66.1	66.9	66.9
	20-above	31	16.9	17.1	84
	3	28	15.3	15.5	99.4
	4	1	0.5	0.6	100
	Total	181	98.9	100	

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

4.3. Loan Monitoring Strategies

Duration before Default is Considered

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

The results in table above shows that 75.1% of respondents which is group 1 indicated that for a loan to be considered as defaulted it should have remained unpaid for a period of 0-3 months while 23.2% of the respondents in group 2 indicate that if a borrower fails to repay the loan for a period between 4-6 months, it is automatically considered as defaulted.

Number of Monitoring Visits

No. of monitoring visits		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	15.8	16	16
	2	76	41.5	42	58
	3	52	28.4	28.7	86.7
	4	16	8.7	8.8	95.6
	5	5	2.7	2.8	98.3
	6	3	1.6	1.7	100
	Total	181	98.9	100	

The results in table above shows that 42% of the respondents indicate that 2 monitoring visits are adequate whereas 28.7% of the respondents indicate that 3 monitoring visits are enough.16% of the respondents also indicate 1 monitoring visit is required.

Table4.9. *Demand Letters Frequency*

No. of demand letters		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	73	39.9	40.3	40.3
	2	62	33.9	34.3	74.6
	3	28	15.3	15.5	90.1
	4	13	7.1	7.2	97.2
	5	5	2.7	2.8	100
	Total	181	98.9	100	

The results in table above shows that 40.3% of the respondents shows that just one demand letter to a borrower as a follow up mechanism is enough.34.3% of the respondents indicate that 2 demand letters are enough to follow up with, while 15.5%, 7.2%, and 2.8% of the respondents indicate 3-5 demand letters are appropriate.

Arrears Reports Generated

No. of arrears reports		Frequency	Percent	Valid Percent	Cumulative %
Valid	0-5	58	31.7	32	32
	6-10	100	54.6	55.2	87.3
	10-above	23	12.6	12.7	100
	Total	181	98.9	100	

The results in table above shows that 55.2% of the respondents indicate that between 6-10 arrears report need to be generated in order to know the actual position of the repayment performance.32% of the respondents indicate that 0-5 reports can give a true picture while 12.7% of the respondents think 10 and above are enough for the management take action on those delaying to pay or not paying.

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

5. Conclusions and Recommendations

				No of obs.		181
				F(13,167)		112.633
				Prob>F		0
				R squared		0.898
				Adj R squared		0.89
				Root MSE		7.977
Co-efficient				Durbin Watson		1.62
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19.254	3.396		-5.67	0.000
	Business assessment visits	5.473	1.002	0.287	5.465	0.000
	frequency of training before loan disbursement	2.715	0.843	0.13	3.221	0.002
	Type of training for borrower	7.548	1.461	0.227	5.168	0.000
	Borrower training hours requirement	1.194	0.92	0.038	1.298	0.196
	loan default period consideration	-2.348	1.274	-0.047	-1.843	0.067
	loan monitoring visits	2.327	1.017	0.102	2.287	0.023
	Demand letters frequency	2.842	1.018	0.124	2.79	0.006
	Number of follow up Arrears reports generated	9.952	1.495	0.266	6.658	0.000

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

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

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

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

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

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

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

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

Based on the conclusions of this study, it is important for governments to adopt appropriate client appraisal strategies to identify suitable borrowers and to reduce financial losses. Also, financial institutions should train the credit staffs and ensure that they have the necessary information required to effectively conduct appraisal processes. Financial institutions should sensitize borrowers on the importance of maintaining business records for the purposes of acquiring credit.

6. Recommendations for Further Studies

Further studies should be done to determine other recovery strategies implemented in order to improve the repayment performance and ensure money loaned is recovered fully. Also, since the examined individual characteristics revealed a positive and insignificant effect on repayment performance, further research should be conducted to determine the effect of other borrower characteristics, such as gender in influencing repayment performance

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