AN ANALYSIS OF CAUSES OF LOAN DELINQUENCY IN GOVERNMENT MICROFINANCE PROGRAMS IN KENYA: A CASE STUDY OF THE YOUTH ENTERPRISE DEVELOPMENT FUND IN NAIROBI COUNTY

BY

MERCY CHEROTICH CHERUIYOT

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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SUMMER 2015
STUDENT'S DECLARATION

I the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University-Africa in Nairobi for academic credit.

Signed ..............................  Date  ......................................................

Mercy Cheruiyot (ID 640751)

This Research project has been presented for examination with my approval as the appointed Supervisor.

Signed...............................................  Date  ......................................................

Dr. Omboi Bernard

Signed...............................................  Date  ......................................................

Dean, Chandaria School of Business
ABSTRACT

The purpose of the study was to carry out an analysis of the causes of loan delinquency in Government Microfinance Program in Kenya (A case study of the Youth Enterprise Development Fund in Nairobi County). The study was guided by the following research questions: What effects do institution related causes have on loan delinquency? What influence does credit staff have on the growing volume of loan delinquency? To what extend do client related causes influence loan delinquency?

The study adopted a partly descriptive research design which allowed the description of the causes affecting loan delinquency while ranking the causes themselves to determine their degree of influence. The population of the study included 36 staff members currently working for YEDF at Nairobi Regional Office. The whole population of 36 respondents was used in the study and semi-structured questionnaires were administered to the respondents for data collection. Tables, graphs, charts and figures were used in data presentation. Regression analysis and Pearson Correlation were used in data analysis.

According to the study findings; on the institution related causes, 90% of the respondents agreed that lack of a well-defined credit policy manual and clear laid down procedures negatively influence loan delinquency while the least number of respondents at 23% chose gender biasness in loan disbursements as a cause of loan delinquency. On the Credit staff related causes, 87% of the respondents highlighted untrained staff as a major contributor of loan delinquency while the least number of respondents at 47% picked excessive pressure on loan officers. On the client related causes, 90% of the respondents agreed that unplanned borrowing greatly contribute to loan delinquency while the least number of respondents at 40% chose employed clientele.

On the research findings on regression analysis between independent variables (predictors) and dependent variable (loan delinquency), it is indicated that the strength of association between the variables is very high ($r=0.981$) and that 93.8% ($r$ Square) change in dependent variable is caused by independent variables while 6.2% is caused by other factors.
The study concluded by asserting that the institutional related causes being internal factors to the Microfinance Institution and implicating the credit operations and policy procedures greatly influence loan delinquency. The study found out that the credit related causes affect the quality of loans disbursed and the characteristics of clients accessing the credit thus building up the loan portfolio of the MFI. The study further asserts that client related causes being external to the MFI, meant that the institution could address them internally through the implementation of strict measures to address the clients’ characteristics and behaviour towards loans that contribute to high levels of delinquency.

Following the study, the following recommendations were made. First, the YEDF being a government funded Microfinance institution should adopt a management style that is well organized with proper credit operations structure, clear allocation of duties, accurate accounting and documentation system, strong policy and systems of communication of procedures and a proper system of measuring portfolio quality and performance. This would minimize the institutional related causes that fuel loan delinquency. Secondly, the YEDF as well as other government funded microfinance institutions operating in Kenya must endeavor to reduce staff related causes that precipitate high levels of loan delinquency. Thirdly, the microfinance institutions must realize that high levels of loan delinquency is detrimental to their functions and diminishes the success of their revolving funds. Lastly, the MFI should ensure that the clients are properly screened and further make the consequences of loan delinquencies so unappealing to the clients by listing their names with Credit Reference Bureaus (CRBs) to enhance borrowers’ discipline. Future researchers should therefore conduct more studies on remedial mechanisms of dealing with the issue of loan delinquency.
ACKNOWLEDGEMENT

I would like to thank the Almighty God for giving me the strength to carry out my project from the beginning to the end.

I would also like to appreciate the guidance and direction by my dedicated supervisor, Dr. Bernard Omboi.

Finally, I would like to acknowledge the support of my family and friends throughout the project duration.
DEDICATION

I would like to dedicate this research project to my unborn baby.
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<tr>
<td>YEDF</td>
<td>Youth Enterprise Development Fund</td>
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<tr>
<td>MFI</td>
<td>Micro-Finance Institution</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Co-operative Organizations</td>
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<td>MIS</td>
<td>Management Information System</td>
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<tr>
<td>DSCR</td>
<td>Debt Service Coverage Ratio</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
</tr>
<tr>
<td>CDFI</td>
<td>Community Development Financial Institutions</td>
</tr>
<tr>
<td>SBA</td>
<td>Small Business Administration</td>
</tr>
<tr>
<td>KNUT</td>
<td>Kenya National Union of Teachers</td>
</tr>
<tr>
<td>SBL</td>
<td>Small Business Loan</td>
</tr>
<tr>
<td>CRB</td>
<td>Credit Reference Bureaus</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Microfinance has been regarded as one of the most promising means to alleviate poverty around the world. Following the success of the Grameen bank founded by Nobel Peace Prize laureate Muhammad Yunus, there are now at least 3,589 microfinance institution (MFIs) serving more than 190 million clients, 128 million of which are poorest (Siaw, Brako, Oteng, & Opoku, 2014).

Meanwhile, the 1970s saw the birth of microcredit. Programs in Bangladesh, Brazil, and a few other countries began lending to poor women entrepreneurs. Early microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. Examples of early pioneers include Grameen Bank in Bangladesh, which started out as an experiment by Prof. Muhammad Yunus; ACCION International, which began in Latin America and then spread to the United States and Africa; and the Self Employed Women’s Association Bank in India, which is a bank owned by a women’s trade union. These institutions continue to thrive today and have inspired countless others to replicate their success (Helms, 2006).

Micro lending also known as Micro-credit is defined as an extremely small loan as small as RM100 given to impoverished people to help them become self-employed. Micro-credit was given to the poor individuals for income-generating activities that will improve the borrowers’ living standards. The loans characteristics are: too small, short-term credit (a year or less), no collateral, required weekly repayment, poor borrowers and mostly women who are not qualified for a conventional bank loan. Usually the loan pays high interest rates because of the high cost in running micro-credit program (Robinson, 2002). Micro-credit is also used as the extension of very small loans to those who are in poverty that desire to spur entrepreneurship and help them out from poverty group. These individuals lack collateral, steady employment and verifiable credit history, which therefore, cannot even meet the most
minimal qualifications to gain access to traditional credit. The Grameen Bank defined microcredit as small loans given to the poor for undertaking self-employment projects that would generate income and enable them to provide for themselves and their families. The target population comprising women microenterprises from the low-income households and the loans have no collateral (Nawai & Shariff, 2010). Microcredit fits best to those with entrepreneurial capability and possibility. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance (Sarumathi & Mohan, 2011).

Microfinance is the provision of financial services to the poor, aiming to empower low-income populations by providing them with access to credit and other financial services (Ledgerwood & White, 2006). Through microfinance institutions (MFIs), the poor can obtain collateral-free loans at relatively low interest rates and use the money for creating microenterprises (small businesses owned by poor people), funding children’s education, and improving homes, among others. Aside from microcredit (small loans to the poor), MFIs have also developed numerous financial products, such as micro-insurance and micro-mortgage that are designed to accommodate the poor’s financial needs. Most of these institutions have also required their clients to open up savings accounts, which could be used for emergency and investment purposes (Electrin, Mosoti, George, Mandere, Jonathan, Kagumba&Njenga, 2013). Indeed microfinance has so much to offer to the poor that it has now become a global phenomenon.

Historically, governments (both at national and local levels) have used credit to target specific economic sectors and populations. They have done this directly through state-owned banks and other credit schemes operated by government entities, and indirectly through wholesale funds. In many cases, international donor funding has fueled theses credit schemes as well as government budgets (Helms, 2006). In many countries, governments mandate that formal financial sector institutions provide a certain percentage of their portfolio or a certain volume of their assets to the informal or poorer segments of society or to certain economic sectors. Special windows are created in commercial banks or rediscounted lines of credit are provided (Schreiner & Yaron, 2001).
The major goal of microfinance is the provision of micro loans to the low-income and the poor households. The chance that a microfinance institution (MFI) may not receive its money back from borrowers (plus interest) is the most common and often the most serious vulnerability in a microfinance institution (Fong & Perrett, 1991). Since most microloans are unsecured, delinquency and default can quickly spread from a handful of loans to a significant portion of the portfolio. This contagious effect is exacerbated by the fact that microfinance portfolios often have a high concentration in certain business sectors. International organizations are coming to the realization that MFIs are veritable and effective channels to ensure program implementation effectiveness, particularly in poverty alleviation projects and firsthand knowledge of the needs and interest of the poor (Siaw, Oteng and Opoku, 2014).

Loan delinquency in microfinance refers to an occurrence in a loan portfolio where payments are in arrears. Delinquency management is an important function in every microfinance institution and the main causes of loan delinquency can be analyzed as follows: Institution related, credit staff related, client related, group related and externally driven causes (Kairu, 2009).

Institutional related causes are those that arise due to the nature of the institution and its operations. They include: lack of well-defined credit policies and procedures for handling delinquency, lack of clear outreach target group, inadequate appraisal of clients, misleading philosophy and perceived image of the lending institution, too much pressure on the field officers, poor remuneration of loan staff, lenient loan recovery processes, poor selection of loan clients, the management style and information system can significantly contribute to loan default and delinquency. Client related causes are those that arise due to the characteristics of the clients that the MFI Institution is dealing with. They include: ignorant loan borrowing, poor leadership among group borrowers, multiple borrowing, poor performance of clients’ businesses and over-borrowing among the clients. Staff related courses are those that arise as a result of the functionalities of staff in the specific financial institution. They include; fraudulent staff, staff with poor client relationship skills and inadequate loan portfolio management skills (Kairu, 2009).
According to Owusu, Oppong, Agyeiwea and Abreuquah (2015) there are a number of reasons that have been cited as the causes of loan delinquency. These include lack of willingness to repay loans, diversion of funds by borrowers to other functions, willful negligence, and improper appraisal by credit officers. Also included are exchange rate depreciation, loan shortages, delay in time of loan delivery, small farm size, high interest rate, age of clients, poor supervision, non-profitability of business enterprises and undue government intervention with the operations of government sponsored credit programs which makes them think it is political money. Further studies have also identified improper selection of an entrepreneurs, deficient analysis of project viability, inadequacy of collateral security, unrealistic terms and schedule of repayment, lack of follow up measures, natural calamities, the nature, and time of disbursement to be the cause of high delinquency rates among the Microfinance Institutions. Poor management of loans processes by MFI has also been cited as one of the causes of loan delinquency. All these factors can further be grouped as either: Institutional, client-related or staff related causes.

The Youth Enterprise Development Fund is a flagship project of Vision 2030 and is the leading youth economic empowerment agency in Sub-Saharan Africa. The Fund provides loans and other enterprise solution services and also facilitates structured labour export. The Fund’s main mandate is to provide loans to existing micro-finance institutions (MFIs), registered non-governmental organizations (NGOs) involved in micro financing, and savings and credit co-operative organizations (SACCOs) for on-lending to youth enterprises. It targets youth aged 18 to 35 years. They may be individuals or organized as groups (Youth Enterprise Development Fund, 2014).

Consequently, many clients’ agricultural businesses may be exposed to the same external threats such as livestock disease outbreak and bad weather. These factors create volatility in microloan portfolio quality, heightening importance of controlling credit risk. In this regard, MFIs needs a monitoring system that highlights repayment problems clearly and quickly, so that loan officers and their supervisors can focus on delinquency (repayment rate) before it gets out of hand. In lending services, a default is the failure to pay back a loan. A loan is delinquent when a payment is late (Warue, 2012).
1.2 Statement of the Problem

The heightened interest by governments in microfinance brings opportunities and risks. On the other hand, well-informed governments can implement policies that encourage the emergence of permanent, sustainable financial institutions that serve the poor. At the very least, they could eliminate policies that block microfinance. On the other hand, increased attention risks politicization. Many governments equate microcredit with handing out money to poor people. A danger of too much government involvement in microfinance is that political criteria, rather than sound credit administration, could drive decision making on topics such as who gets credit and where branch operations are located. And the focus of political attention remains largely on loans, instead of the gamut of financial services required by poor people (Helms, 2006).

A loan account is termed as delinquent when repayment is due and a loanee has failed to honour a payment obligation at the stipulated time. A loan account can be past due when the loan date has passed or one week after the due date or one entire cycle. When discussing the issue of delinquency the due date must be stated in the micro finance policy document very clearly. The policy document should state very clearly at what point they consider a loan to be in arrears, past due, defaulted or delinquent in terms of timelines. For instant there are some MFI’s who define past due as one day after the due date while others may consider a loan in arrears as one month past the due date. This however varies from one microfinance institution to another. Delinquency in microfinance portfolio has a negative effect on the portfolio in that it slows the portfolio turnover causing an inability to pay expenses due to reduced cash flow. When the principal amount is not recovered at the scheduled time, loans to other borrowers cannot be made, and other expenses incurred the MFI’s may also not be met (Kairu, 2009).

The study focused on the Youth Enterprise Development Fund’s data from the year 2007 to 2014. This is the particular period the fund’s activities began and the government had allocated the financial institution a budgetary allocation of One Billion Shillings. Groups were formed randomly with the aim of obtaining the money and most funded groups and individuals assumed the funds were political in nature since they were distributed during a
political period. The overall repayment rate was thirty percent in 2007 and has risen to sixty percent due to improved structures of operations and organized mode of distributing the funds to the qualified groups and individuals at the Regional, County and Constituency levels (Youth Enterprise Development Fund, 2014).

According to Mpogole, Mwaungulu, Mlasu and Lubawa (2012) the major causes of loan delinquency are loan shortages, poor credit culture, delay in time of loan delivery, poor supervision, non-profitability of farm enterprises and undue government intervention with the operations of government sponsored programs. They can also be further grouped as either institutional related, staff related or client related causes. Some of the impacts generally associated with delinquency include: the inability to recycle funds to other borrowers, detriment of other financial intermediaries from serving the needs of farmers and the creation of distrust.

Most studies have examined the causes of loan delinquency in Non-governmental Microfinance institutions. The most prominent institutions that emerged were KREP, KWFT, PRIDE, and FAULU and increasingly other institutions like NCCK and CARE-WEDCO. All these institutions continued to be reliant on donor funds. In 1999, KREP transformed to a commercial bank (Warue, 2012). The causes of increased prevalence of loan delinquency in government funded microfinance programs need to be investigated if greater success from the revolving fund is to be achieved.

Several researchers have carried out studies on the successes and challenges of Microfinance institutions established by Non-Governmental Organizations. These have enabled several of the small MFIs to triumph and transform to commercial banks. Government funded Microfinance Institutions like the Youth Enterprise Development Fund has a repayment rate of sixty percent (60%) yet the government set it up as a revolving fund (Youth Enterprise Development Fund, 2014). The challenges of recoveries undermining the success of the revolving fund triggers my study on the causes of loan delinquency in Government funded Microfinance programs like YEDF.
1.3 Purpose of the study
The purpose of the study is to investigate causes of loan delinquencies in Government Microfinance programs in Kenya. The Youth Enterprise Development Fund will be used as a case study.

1.4 Research Questions
The study seeks to find answers to the following research questions:

i. What effects do institution related causes have on loan delinquency?

ii. What influence does credit staff have on the growing volume of loan delinquency?

iii. To what extend do client related causes influence loan delinquency?

1.5 Significance of the study
1.5.1 Management of Microfinance Institutions
This study will be beneficial to the microfinance sector in Kenya, whether government owned or non- governmental organizations (NGOs). This is specific to the management that deals with on-lending; it will allow them to rectify policies and procedures that would help them improve on their loan portfolio management.

The loan portfolios of the lending institutions are major assets that generate a significant amount of interest income. It plays a critical role in determining the financial performance of the MFIs and it can therefore be said that the healthier the loan of the MFI, the better its financial performance will be. In the light of the importance of the health of the loan portfolio, it is essential that a study be conducted to identify the problems that negatively affect the performance of the MFIs.

1.5.2 Policymakers
The study would contribute immensely to the development of microfinance sector which play a significant role in the economy. This is because notwithstanding the challenges, microfinance has emerged globally as one of the effective strategies in poverty reduction with the potential for far-reaching impact in transforming the lives of the poor people.
1.5.3 The Microfinance Industry in Kenya

The project would be of benefit to the Kenyan banking and non-banking financial sectors as a whole since the financial (Lending institutions) in the country operate within the same environment and deal with customers of similar characteristics.

1.5.4 Financiers to Microfinance Institutions

The study is beneficial to financiers; these are the donors or organizations that provide the funds. They can gauge the efficiency and sustainability of a Microfinance Institutions through the quality and performance of their loan portfolio.

1.5.5 Clients of the Financial Institutions

The customers of the financial institutions benefit from the study as they can now understand the critical role they play in loan portfolio management.

1.5.6 Researchers and Academicians

Researchers and academicians gain from the study as it forms a basis for understanding on the problem of delinquency in loan portfolio management and could serve as a source of reference for other related research works in the future.

1.5.7 The Youth Enterprise Development Fund

The outcome of this project would enable YEDF adopt workable strategies to control the problem of a growing level of delinquency that transcends to a non-performing loan portfolio in the institution and thereby improve its financial performance and profitability.

1.6 Scope of the Study

The study focuses on the causes of loan delinquency in the Government microfinance programs in Kenya with particular focus on YEDF. Thus, the study seeks to establish the causes of poor loan repayment performance by the beneficiaries of YEDF. The reason for limiting the scope to YEDF is that it is one of the government’s funded MFIs which have been contributing significantly to expand the frontiers of microfinance operations in Kenya.
since 2007. It possesses all the unique characteristics of Microfinance institutions, engages in almost all the activities undertaken by the other MFIs in the country and also they are located in almost all the ten regions in Kenya in its conquest to embrace devolution.

The study would mainly focus on the data from the years 2007 to 2014; this the period the Fund has been in existence and has undergone evolution in its mode of operations. Nairobi County would form the best area of study since it is located in a metropolitan area where most youth can easily access the Fund’s services. The Nairobi regional office hosts the Nairobi County. The population was made of thirty six (36) respondents who are employees of YEDF. The regional office has three employees supported by three Credit Officers from the Head Office while every constituency has two employees, there are fifteen constituencies in Nairobi County, and this makes a total of thirty six (36) respondents.

The Youth Enterprise Development Fund carries out its operations in ten regions namely: Nairobi, Central, Lower Eastern, Upper Eastern, Coast, Western, South Rift, North Rift, Nyanza and North Eastern. The study focuses on Nairobi County which is hosted at the Nairobi Regional Office, this would therefore act as a sample representation of all the Counties in the other regions which can possibly pose as a limitation of this particular study.

1.7 Definition of Terms

1.7.1 Loan
An amount of money borrowed from a bank or financial institution (Shekhar & Shekhar, 2005).

1.7.2 Loan default
A loan shall be declared to be in default when it is one installment overdue. Such a loan shall be realized through securities pledged or held (Kairu, 2009).

1.7.3 Delinquency
Refers to a situation where a loan is “past due”. It is an occurrence in a loan portfolio where payments are in arrears (Helms, 2006). For this particular study, a loan account is considered past due one day after the due date at the beginning of the month. Monthly installments are made on the outstanding amount.
1.7.4 Delinquent loan
A loan account is termed as delinquent when repayment is due and a loanee has failed to honour a payment obligation at the stipulated time. A loan account can be past due when the loan date has passed or one week after the due date or one entire loan cycle. The due date must be stated in the microfinance policy document very clearly (Kairu, 2009).

1.7.5 Non Performing loan
A sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days (Central Bank Act, 2014).

1.7.6 Micro-credit
Refers to Small loans given to the poor and underprivileged population for income generating activities that will improve their standards of living (Kamanza, 2014). Also refers to small loans extended to poor people so they can undertake self-employment projects that generate income and enable them to provide for themselves and their families. This form of credit is targeted toward people in the lower economic brackets of society (Mokhtar, Nartea, & Gan, 2012).

1.7.7 Microfinance
It is defined as the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services (Nawai & Shariff, 2010).

1.7.8 Microfinance Institutions
Refer to an institution licensed under the Microfinance Act (Microfinance Act, 2006). It also refers to those institutions which provide financial services (savings, credit, insurance and payment services) and enterprise development (skills training, marketing and social services) to those people who have limited access to credit (Ledgerwood & White, 2006).

1.8 Chapter Summary
This chapter covered the introduction to the research study, which sought to carry out an analysis of the causes of loan delinquency in Government Microfinance Programs using the Youth Enterprise Development Fund as a case study.
The next chapter provides the literature review which addresses the research questions. The third chapter covers the research methodology on how data was collected, presented and analyzed. The fourth chapter gives the results and findings while chapter five would present the discussions, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on loan delinquency management at the Youth Enterprise Development Fund in Kenya. In general, it reviews the multidimensional factors that are responsible for loan delinquency in Government funded Microfinance Institutions.

2.2 The effects of Institution-related causes on loan delinquency

These are institutional based causes of loan delinquency, they arise as a result of how the organization carry out all its functions and activities on a day to day basis.

2.2.1 Lack of well-defined Credit policy manual and procedures

Most Microfinance Institutions do not have well defined policies and procedure for handling delinquency and therefore when delinquency situation occurs, it becomes difficult to solve the problem or the delinquency is handled when it is at an advanced stage (Kairu, 2009). Loan servicing procedures are to be followed consistently and should not vary. The lender must have an organized means of periodically identifying the payment status of delinquent loans to enable personnel to initiate and follow up on collection activities and must document its records to reflect its collection activities regarding delinquent loans. The lender must accept partial payments under an executed modification agreement or an acceptable repayment plan. A modification agreement may be used to increase or reduce monthly payments but not to increase the term or the interest rate to ensure that the delinquent or defaulted loan is brought current before or by the end of the loan term. A modification agreement may also be used to effect a reduction in the interest rate and monthly payment for current loans (Shear, 2012).

2.2.2 Over-reliance on Management Information System (MIS)

The banking system, the issue of computerization has its effect; people rely much on the information generated by the computer without considering the capacity and carefulness of the persons whose responsibility it is to “feed” the computer with information. Poor
documentation and careless handling of data have often impacted much on the accuracy and validity of information in the system. Banks might not have the full descriptions of customers which may include: their names, addresses, occupations or even the amount borrowed. How can these banks therefore recover the loan borrowed by such types of customers? Correct information is therefore crucial for reducing the incidence of NPLs. A decline of the net worth and capital employed, which is a managerial reserve for banks, reduces banks’ ability to take major risks, such as acquiring new potential customers and investing in robust growth fields. Non-performing loans inhibits banks’ intermediary function thereby affecting productivity and performance of the economy in a very retrogressive manner (Kanu & Isu, 2014). Technological based procedures and standards can restrict the decision of the loan officers. As a result, these things are there basically to enhance structural pressure on the loan staff by increasing red tape procedures that might lengthen loan duration (Sarker, 2013).

Sometimes the role of loan officers contradicts with the credit policies established by the MFIs. In microfinance practice, standardization and automation of decisions for on-lending creates huge challenges to loan officers’ capabilities to manage clients since most processes have been outlined in the credit manuals. Centralized policies cannot be implemented because of the uncertainties that occur in several contexts at the operational levels (Owusu et.al, 2015).

2.2.3 The multiplier effect

High levels of NPLs increase the uncertainty regarding the capital position of the several banks and therefore tend to limit their access to financing which negatively affects their liquidity ratios. This in turn increases the banks’ lending rates since there is limited money in circulation and this consequently contributes to lower credit growth. In some banks, governments have large amounts of non-performing loans and some Commercial banks tend to finance government fiscal deficits and sustain some unprofitable government ventures with large borrowings from banks. These actions increase the prospects of generating multiple NPLs in several financial institutions (Kanu & Isu, 2014).

High level of loan delinquency and default is linked with banks failures and financial crisis. Failure in one bank might lead to run on bank which in turn has contagious impact affecting
the whole banking industry as has recently been experienced in the USA and other parts of the world. Though the recent financial crisis began with Fannie Mae and Freddie Mac, US banks, it rapidly spread from Wall Street to the rest of world economies (Geletta, 2012).

2.2.4 Gender biasness in loan disbursements

Many financial institutions that service underserved markets focus on gender when deciding to underwrite a loan, after realizing that female repayment rates are sometimes higher. For example, in a study done on measuring the likelihood of small business default in Community Development Financial Institutions, it was found that Grameen’s membership was 94% female by 1992, even though targeting women was not the initial social mission the essence of social capital was inevitable. This rate can be deceiving because although Grameen claims that women are better borrowers, women may not be significantly different from men when controlling for other factors. Men in most developing countries are the sole property owners. The 94% also captures Grameen’s preference for working with women rather than men, which is part of their social mission (Coravos, 2010).

2.2.5 Interest rate variation

Over the past thirty years, many microfinance institutions (MFIs) have emerged across the globe, and compared to traditional banks, many MFIs boast high repayment rates from borrowers without formal credit histories. From the study on measuring the likelihood of small business default in Community Development Financial Institutions, it was established that the relevant rate is about 92%. In addition, although Grameen charges interest rates of 20% per year, it would have to charge around higher interest rate of 32% in order to become fully financially sustainable. This is practically very expensive for the low income earners. This therefore means that banks often need to charge large interest rates to enhance their sustainability because small loans can be very expensive to service and do not return large profits per loan (Owusu, 2015).

Most financial institutions charge high interest rates on loans to reduce their risk exposure in case of delinquency and default. When loans are extended to customers, banks charge numerous interests as determined by them yet the customers are not informed of such hidden
charges prior to taking these loans. The accumulation of these interests plus the hidden charges often accumulate to a higher loan amount than the principal borrowed. This usually increases the loan portfolio as well as the volume of bad loans (Kanu & Isu, 2014). When we see the impact of interest rate, it affects the difficulty in servicing debt, in the case of floating rate loans. This implies that the effect of the interest rate should be positive, and as a result the increasing debt burden caused from rising interest rate payments should lead to a higher number of NPLs (Geletta, 2012).

2.2.6 Information Asymmetry

Information asymmetry refers to a situation in which one party to a transaction has more information about the transaction that the other; such unequal information can lead to adverse selection and decision making (Robinson, 2001). Delinquency risks in the financial sector arise as a result of the presence of weak channels of information sharing and insufficiency of the same information conjoined with uncertainties of some of the parameters that are used in the pricing of these particular loans. While information asymmetry may cause banks to select wrong borrowers and projects to fund, uncertainties of natural phenomena such as floods, storms and insurgency have been instrumental to some loan default cases recently (Ofonyelu & Alimi, 2013).

Aside the inherency of information in the banking system, the lending contracts is mostly designed in such a way that all relevant information from the borrower may not be fully ascertained as at the time of seeking the loan. The commonest possibility is that the borrower is always at a better information advantage. This is because; it is the role of the bank to adequately conduct a proper background information check on the borrower to ensure repayment. Incomplete or inaccurate disclosure of information during loan consideration widens the gap between the expected and actual default risk outcome of the borrowers. Lending efficiency essentially requires that the mismatches between estimated and actual default outcomes are minimized since delinquency precedes default. The efficiency of banks’ risk assessment exercise depends on how well it is able to foresee default loss and protect the bank in the event of delinquency occurrence (Mugambi, Njeru, Member and Tirimba, 2015).
Viewed from the perspectives of both the bank and the borrower, there may be differences between the sources of information on delinquency on loans that has been availed. From the point of view of the bank, it views a borrower as giving incomplete and inaccurate information when the necessary details required for its loan consideration are not fully declared. But on the part of the borrower, they might have provided all the information required. From a different perspective, a borrower views the lending financial institution as having provided insufficient information if he finds out that additional charges are levied to him outside the terms of the loan’s offer letter, or are introduced after the loan transaction has already commenced. However, the divergences in perspectives have been found not to influence delinquency risk incidence. The important question for consideration is, whether credit risks are essentially the same before and after the loan consideration (Mohapatra & Mishra, 2010).

The purpose of information sharing is to communicate relationship information from existing lending relationships to outside lenders. Credit providers use credit information to conduct credit risk analysis of prospective borrowers in order to mitigate credit risk. Information sharing is useful both at the origination stage and after credit have been extended. Especially at the origination phase, information sharing reduces the problems of adverse selection. In fact the exchange of credit information improves non-performing loan ratios, leads to fewer losses through write offs and decreases interest rates for good credit risks. Furthermore the sharing credit information between lenders intensifies competition and increases access to finance. Credit information sharing results in improved bank’s knowledge of applicant’s character, easing adverse selection and reduce the informational rents that banks could otherwise extract from their customers. Credit information also acts as a borrower disciplining device, by cutting insolvent debtors off from credit and eliminates or reduces the borrower’s incentive to become over-indebted by drawing credit simultaneously from many banks without any of them realizing it (Geletta, 2012).

### 2.2.7 Excessive overhead costs

A study on the microcredit challenge was carried out in California. They found out that most of the MFIs are not achieving financial sustainability. They attributed part of this problem to
excessive overhead costs incurred by their financial institutions, some of which can triple the size of the loan portfolio. These overhead costs can include the time a loan officer spends investigating the borrower’s background, any paperwork – both in-house and for the government – compiled during the loan process, and other administrative tasks. They also noted that unlike in the developing world like Kenya, in the U.S., an individual’s ability to obtain future credit is less critical for survival, because most people have the ability to fall back on the government welfare system. In other words, a CDFI-borrower population in the USA is significantly different from an MFI’s borrowers in the developing world, and each would also have a different set of risks. The CDFI are small business banks, which are designed for the low-income entrepreneurs, and are significantly different from traditional commercial banks. They develop special relationships and localized expertise that larger banks cannot provide, which makes the small business credit markets vast, differentiated and segmented (Coravos, 2010)

2.3 The Influence Credit staff-related causes have on the growing volume of loan delinquency

2.3.1 Lenient Credit Appraisal techniques

Credit methodology encompasses every activity involved in lending including sales, customer selection and screening, the application and approval process, repayment monitoring, and delinquency and portfolio management. It is also linked with the institutional structure pertaining to the credit process. Quality of credit methodology is one of the most determinant factors for the efficiency, impact and profitability of the institutions. Thus getting the credit methodology and product mix right is therefore one of the most demanding as well as rewarding challenges of every financial institutions (banks). The major issues in credit methodology include credit information, credit analysis process, credit approval and credit monitoring processes. Getting these well significantly affect loan performance (Owusu et.al, 2015).

A number of factors are evaluated by banks before loans can be available to the customers. The considerations are usually made with respect to the nature, size and type of business for which loan is sought for. Bank’s credit analysis refers to the complex process of assessing the
credit worthiness of a potential borrower through the investigation of the financial records to give a summary of their credit history. The essence of the exercise is to find out the extent to which the borrower could honor its financial obligations in the face of an eventuality not to repay. Credit analysis involves a wide variety of financial analysis techniques which include: ratios and trend analysis, creation of projections and a detailed analysis of cash flows. A further examination of the collateral, other additional sources of repayment, credit history and management ability of the borrower needs to be done. (Ofonyelu & Alimi, 2013).

Engagement in financing begins with customer recruitment. An issue of knowing the customer, customarily known as KYC (Know Your Customer) is so vital before proceeding to details. Banks use various means to obtain such information about the existing or potential customer. Use of financial statement, credit report from credit bureau, customers’ history if not new is the potential sources of information (Mugambi et.al, 2015).

Credit analysis is the first step in the process to tailor-make a solution to fit the customer’s needs. The assessment starts with an understanding of the customer’s needs and capacities to ensure there is a good fit in terms of the financing solution. Credit assessment is the most important safeguard to ensure the underlying quality of the credit being granted and is considered an essential element of credit risk management. The credit quality of an exposure generally refers to the borrower’s ability and willingness to meet the commitments of the facility granted. It also includes delinquency probability and anticipated recovery rate. Credit assessment thus involves assessing the risks involved in financing and thereby anticipating the probability of default and recovery rate (Geletta, 2012).

A credit analysis is used by the credit official to evaluate a borrower’s character, capital, capacity, collateral and the cyclical aspect of the economy (Kairu, 2009) the other consideration by banks before loans are disbursed is otherwise referred to as the 7Cs of lending. The bank evaluates the borrower based on the availability and adequacy of each of the lending criteria, with the primary emphasis being the cash flow of the borrower as drawn from the analysis of financial statements. While each of the C categories is important, collateral charged on loans is calculated by deducting the salvage value of the loan from the actual market value of the asset. It is therefore expected that the value of the loan do not
exceed $66\frac{1}{2}\%$ of the value of the pledged collateral. Even though a customer might be considered capable of repaying the loan, a collateral security is still required of the customer as a means of conditioning the borrower to repayment (Mohapatra & Mishra, 2010).

A credit report is the organized presentation of information about an individual’s and/or company’s credit record that a credit bureau communicates to those who request information about the credit history of an individual’s and/or company’s experiences with credit, leases, non-credit-related bills, collection agency actions, monetary-related public records, and inquiries about the individual’s credit history. Credit information is usually integrated with data from other sources such as court judgments, electoral rolls and other private information provided by other organizations, which compile additional information referring to a consumer. This naturally is ideal source of input for credit analysis (Fidrmuc & Hainz, 2009).

Extending credit is the careful balance of limiting risk and maximizing profitability while maintaining a competitive edge in a complex, global marketplace. Banks go through a thorough process in approving credit to hit the balance. Credit approval is the process of deciding whether or not to extend credit to a particular customer. It involves two steps: gathering relevant information and determining credit worthiness. The quality of credit approval processes depends on two factors, i.e. a transparent and comprehensive presentation of the risks when granting the loan on the one hand, and an adequate assessment of these risks on the other. Furthermore, the level of efficiency of the credit approval processes is an important rating element. Due to the considerable differences in the nature of various borrowers and the assets to be financed as well the large number of products and their complexity, there cannot be a uniform process to assess credit risks (Kairu, 2009).

2.3.2 Pressure on Loan Officers in Microfinance Institutions

Loan officers work as the link between Microfinance institutions and clients. Loan officers are the immediate staff who are in direct contact and communication with the clients. Considering the methodologies of loan portfolio management, loan officers are mainly in charge of screening potential customers and their loan applications, continuous monitoring and follow ups of the loans and producing the required performance reports. Loan officers play a critical role in the selection of clients who will be finally financed (Owusu et. al,
The performance of the MFI highly depends on the success and failures of loan officers. If they do not perform up to their tasks, the MFI also underperforms with them especially for group based lending portfolio. But in most cases, they get immense pressure from the higher management on different issues for example: more loan disbursements, selection of new clients and high repayment rates. Loan officers always encounter an inherent tension as they consider to satisfy the needs of their clients; while, they also supposed to ensure the success of their organization as a whole. Beyond following the stipulated rules and policies of the organizations, they are sometimes required to compromise on certain situations. In most circumstances, loan officers perform numerous duties and responsibilities outside of their regular and usual working hours. When they break the rules of the organization, they get fired. (Sarker, 2013).

Pressure on Loan officers is an ethical issue in microfinance institutions. Every individual needs to be treated with respect and dignity in the workplace. The absence of remedial measure or consideration of the effect of issues related to ethics on the workplace environment leads to reduced output and dissatisfaction with work, hamper intra and interrelationship in the workplace, lower confidence, affect personal life, drop respect on rules and values of organization, stimulate malpractices in the operation etc. Lowered efficiency and performance is the first sign of a stressful atmosphere (Warue, 2012). The employer-employee relationship should not be looked at simply in economic terms. It should be an important human relationship of mutual understanding and reliance which could have greater impact on all the people associated and of course, for both employee and employer should produce some moral obligation resulting from this relationship. But severe unexpected and unrealistic pressure is putting on the shoulder of loan officers (Fong & Perrett, 1991). Sometimes pressure is artificially created to achieve a harmful objective of the organization. It is normal to see pressure in the workplace because it is the command of the modern-day workplace. Excessive pressure or sometimes unmanageable pressure creates stress. Stress could be bad for staff’s health and performance of the business. Stress could be come out because of the weak work organization meaning that the way job is designed or system is developed or even the way it is managed, weak management, working condition without satisfaction and absence of support from co-workers as well as supervisors. Loan
officers want to leave their job as because of the pressure from their organization and unusual situation they face dealing with group members. They need to play positive and negative games with clients for balancing their work to clients and organization but when repayment issues come; loan officers become bad people (Christen & Flaming, 2009).

2.3.3 Inadequate training

It is vital for the correct handling of the borrower in payment difficulty that relevant staff are appropriately trained on the policies and procedures of the creditor and are sensitive to the situation of the borrower. This ensures that staff are both knowledgeable and capable of dealing appropriately with the borrower during this difficult and potentially stressful time for the borrower. It is also inevitable that the borrower will have queries on the process to attempt to resolve the difficulties and it is therefore imperative that staff are in a position to answer these queries (Enria, 2013).

Too much Pressure from carrying out numerous work related chores, especially when the credit staff are to achieve unrealistic targets given to them by their superiors, this could lead to a breakdown in ethical judgment. Sometimes the loan officers are not prepared and oriented for their job, this normally hinders their performance since proper training empowers them. Loan officers suffer serious consequences when their clients do not repay. On the other hand, clients also suffer in return in some cases where their property is auctioned to recover the loan principal. With a proper guidance on the ethical orientation, loan officers are sometimes forced to violate their ethical standards while recovering their debt from clients. Treating their clients badly is not a policy but respecting clients is a mantra. But this rule does not always work specially when there is a poor performance of loan portfolio (Sarker, 2013).

2.3.4 Poor Loan Portfolio management

The occasional failure of MFI managers, donors, and investors to detect portfolio failures is simply part of the growing pains of a generally vibrant microfinance industry (Christen &
Flaming, 2009). Regular monitoring of loan quality, possibly with an early warning system capable of alerting regulatory authorities of potential bank stress, is thus essential to ensure a sound financial system and prevent systemic crises. In line with Basel II accord asset quality is regularly monitored by supervisory authorities—central banks to ensure their wellbeing. Impaired assets or non-performing loans signal failures and calls for rapid intervention to protect the public fund the banks mobilized (Geletta, 2012).

Lending decision is made on sound credit risk analysis /appraisal and assessment of creditworthiness of borrowers. But past records of satisfactory performance and integrity are no guarantee future, though they serve as useful guide to project trend in performance. A loan granted on the basis of sound analysis might go bad because of the borrower may not meet obligations per the terms and conditions of the loan contract. It is for this reason that proper follow up and monitoring is essential. (Fong & Perrett, 1991). Monitoring or follow-up deals with the following vital aspects: Ensuring compliance with terms and conditions, monitoring end use of approved funds, monitoring performance to check continued viability of operations, detecting deviations from terms of decision, making periodic assessment of the health of the loans and advances by nothing some of the key indicators of performance that might include: profitability, activity level and management of the unit and ensure that the assets created are effectively utilized for productive purposes and are well maintained, ensuring recovery of the installments of the principal and interest in case of term loan as per the scheduled repayment program, identify early warning signals, if any, and initiate remedial measures thereby averting from possible default. Basically there are three types of loan follow up systems. These are: Physical follow up, financial follow up and legal follow up (Kairu, 2009).

Discrepancies between real and reported portfolio quality are common in MFIs. In fact, many well-known MFIs have experienced at least one significant portfolio crisis—sustaining delinquency and default rates well above what they reported to the public (Christen & Flaming, 2009). Financial institutions should use various mechanisms to recognize early warning signs regarding their loans. The regulation and monitoring process will be successful when there is strong legal as well as institutional framework of the banking business. This is why most countries need to provide strict regulation regarding non-performing loans. In
order to put mechanisms that help to recognize early warning signs, to need to examine the root causes of loan default is of paramount importance (Nawai & Shariff, 2010).

### 2.3.5 Inadequate Credit risk assessment

Credit Risk is the potential that a bank borrower/counter party fails to meet the obligations on agreed terms. There is always scope for the borrower to default from his commitments for one or the other reason resulting in crystallization of credit risk to the bank. These losses could take the form outright default or alternatively, losses from changes in portfolio value arising from actual or perceived deterioration in credit quality that is short of default. Credit risk is inherent to the business of lending funds to the operations linked closely to market risk variables. The objective of credit risk management is to minimize the risk and maximize bank’s risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters. Credit risk consists of primarily two components, Quantity of risk, which is nothing but the outstanding loan balance as on the date of default and the quality of risk, the severity of loss defined by both Probability of Default as reduced by the recoveries that could be made in the event of default. Thus credit risk is a combined outcome of Default Risk and Exposure Risk (Bhaskar, 2014).

Credit risk is the risk that a financial contract will not be concluded according to the agreement. It is the risk that the counterparty to an asset will default. In other words it is the risk to earnings or capital due to borrowers’ late and nonpayment of loan obligations (reference). Credit risk encompasses both the loss of income resulting from the sector inability to collect anticipated interest earnings as well as the loss of principal resulting from loan defaults. Credit risk arises because the possibility that the expected cash flows from advances and securities held, might not be paid in full. Credit risk is considered the most lethal of the risks banks face. Credit risk includes both transaction risk and portfolio risk (Mohapatra & Mishra, 2010).

Microfinance institutions (MFIs) operate with risks that investors need to be concerned about. Unfortunately, external audits, ratings, evaluations, and even supervision too often fail to identify the primary risk—faulty representation of portfolio quality. These due diligence
guidelines need to be developed to help investors, donors, and regulators verify the real level of risk in an MFI’s loan portfolio (Christen & Flaming, 2009).

Despite the fact that loan is major source of banks income and constitutes their major assets, it is risky area of the industry. That is also why credit risk management is one of the most critical risk management activities carried out by firms in the financial services industry. In fact of all the risks banks face, credit risk is considered as the most lethal as bad debts would impair banks profit. It has to be noted that credit risk arises from uncertainty in a given counterparty’s ability to meet its obligations (Gatimu & Kalui, 2014).

Risk assessments are done for a number of reasons. Proper loan assessment is fundamental in the reduction of bad debts and non-performing loan incidence in banks. The prevalence of the phenomena in the financial sector has affected the performance of the loan book and this constitute early signs of deterioration in the asset quality of the affected financial institution. Secondly, risk assessment is crucial because of the uncertainties of the parameters upon which bank base their lending decisions on. Inadequate assessment of borrowers’ characteristics puts the bank in a disadvantaged position to adequately protect itself in the event of delinquency consequences. Bank’s assessment helps to ascertain the degree of risks and non-repayment probabilities of prospective borrowers, prior to the granting of the loan. This action is important since the borrowers’ incentives tend to differ from that of their lending bank once loans have been made available to them. A timely assessment of risk is a veritable measure towards reducing the undesirable consequences of adverse selection and/or moral hazard, which are both inherent in every lending action (Bhaskar, 2014).

At the time of pressure, loan officer select bad clients to fund since they ignore the procedural bindings while screening these clients and in disbursing the loan. Primarily, it may seem that current portfolio quality is good but eventually it could drastically damage the same portfolio in future. Immense pressure could create corruption and fraudulent activities which could negatively affect the credit culture of microfinance institutions. Unrealistic pressure could eventually distress long term sustainability of microfinance organizations (Sarker, 2013).
Loan delinquencies and defaults from lending have been at the root of most bank distresses occurrences in the country. High prevalence of loan delinquency in the banking industry can be linked to poor and inadequate assessment of loan risks. The accuracy of risk assessment is dependent on a number of parameters, of which complete disclosure of information is vital. Imperfect information disclosure and asymmetry arise because of the unavailability of well-developed information sharing among the financial institutions. The credit reference bureaus act as the storage centers where details of individual borrowers can be accessed (Owusu et.al, 2015)

However, credit-scoring of their clients may also compel the CDFI to drift away from its mission clientele if the borrowers are not deemed as credit-worthy. CDFIs use non-traditional financial instruments and cater to a different type of clientele when compared to traditional banking institutions, which do not face these special borrowers’ requirements. There is no specific literature from a standardized professional body that identifies the characteristics of a risky loan for a CDFI-borrower population in the USA. In addition, there is insufficiency of information concerning CDFI credit-scoring methodologies and expected scoring outputs for a given small business loan portfolio. This problem becomes difficult to completely address because it is expensive for a CDFI to develop credit-scoring technologies (Coravos, 2010).

The trend of delinquency incidence in Kenya suggests that a combination of factors is responsible for the loan delinquency occurrence in Kenya. In most of the loan situations considered, the observation was that loans which were adjudged to be potentially safe and good eventually turned bad. While probability of loss is inherent in every loan, proper loan appraisal is made difficult when there is incomplete information. Even as the prevalence of risks provides opportunity for banks to charge higher prices for the use of their funds, the rise in interest rates worsen the chances of borrowers repaying their debt. Since lending is primary to the existence of banks, loans are made within acceptable threshold of risk in view of the loan principal to be recouped. The key essence of loan assessment is to evaluate the extent of delinquency of loans. Inability to reduce prevalent risks is the main reason for the adoption of non-price approaches, such as collateral requirement (Ofonyelu & Alimi, 2013).
All lenders do a variate of risk analysis before underwriting a loan. The two types of risk analysis are: quantitative and qualitative. Loan officers perform a qualitative risk analysis when they carry out field visit of the client’s business on location, interview the potential borrower, evaluate the business plan and review past credit and financial history. Quantitative risk analyses are more expensive and time consuming, because they require regular loan tracking of portfolio data both during loan evaluation and monitoring. Quantitative analyses are often combined to create an ideal credit score, which quantifies the predicted risk of the borrower. Each credit-scoring model provides the best predictions when it is individually and independently developed for a particular bank’s loans and lending practices (Enria, 2013).

If the uncertainties base on poor risk probability loan assessment materialize they would lead to deterioration of loan qualities. Deterioration in banks’ loan quality is one of the major causes of financial fragility. Past experience shows that a rapid build-up of bad loans plays a crucial role in banking crises. The solidity of bank’s portfolio depends on the health of its borrowers. In many countries, failed business enterprises bring down the banking system. A sound financial system, among other things, requires maintenance of a low level of non-performing loans which in turn facilitates the economic development of a country (Helms, 2006).

The characteristics of risky and bad loans differ between populations of study. This particular research paper focuses on small business loans, which, unlike consumer loans, generally finance investment activities rather than consumption. One of the most predictive measurements of small business loan repayment is the personal credit score. Further research found that the borrower’s personal credit history is often deemed more important and predictive of repayment than the business plan or feasibility of the business idea. It was also found that the personal consumer credit and financial history of small business borrowers is highly predictive of loan repayment, particularly for loans under $100,000 (Coravos, 2010).

2.3.6 Unethical practices

Obliterate image of the institutions and fuel unethical practices: Extra pressure drives the loan officers to misbehave while handling customers to recoup repayments by forcefully...
collecting household goods so as to create panic to customers. This is however produces negative image to the clients and communities as well as other stakeholders towards the financial institution. On the other hand, so as to meet the burden of expectations, loan officers become involve with fraudulent activities, misappropriation and corruption. Unethical pressure establishes a disrespectful existing relationship between employee and employer that consequently extent to clients. Employees would not feel ownership in their assigned job as well as create a negative perception towards the organization. Thus creates an environment of mistrust and abnormal relationships in the workplace (Mohapatra & Mishra, 2010).

Misuse of power by management and staff where after granting loans to customers, they accept certain percentage as gratification, which may result in insufficient funds to execute the intended business and at the end of the day, management may not have moral standing to ask for the full refund of the money borrowed. Directors of banks often grant ghost loans to themselves and proxies to enrich their businesses without any prior intention to pay the loan. There is an observation that directors tend to misuse their privileged positions to obtain unsecured loans which, in some cases are in excess of their banks’ statutory lending limits and this is in violation of the provisions of the lending policy of banks. Furthermore they facilitate approval of loans for their friends and relatives in situations of incomplete information, thus increasing the potential of delinquent and non-performing loans. In addition, some banks grant interest waivers on non-performing insider-credits for their own selfish interests without obtaining approval from the Central Bank of Kenya (Kanu & Isu, 2014)

Unethical pressure creates multiple affect in the organization. Due to such malpractices, the quality of microfinance operations become questionable. Loan officers do not take their time during loan appraisal and assessment to ensure portfolio quality, they further hide crucial information which eventually lead to the worst situations. Sometimes MFIs introduce incentives to motivate their credit staff but it does not always yield positive results since the Loan officers have a limitation in their capacity to manage extreme workload thus making it harder for them to strike a balance between professionalism and excellent performance. These pressures do not only reduce staff productivity but also destroy employer-employee
relationship, complicate the image of the organization to internal and external stakeholders (Sarker, 2013)

2.4 The extend Client-related causes have on loan delinquency

2.4.1 Unplanned Borrowing

Sometimes borrowers decide to apply for loans without thinking enough about the future, borrowers take out large loans not because it is financially wise to do so but because they see others do it. Again, some borrowers use short term loans to finance long term projects instead of sticking to their prior loan purpose. The direct consequence of such loan misapplication can be disastrous and devastating to the loan portfolio if several borrowers engage in such malpractices. Many contractors from the public sector, borrow from the banks to execute their projects yet some of these projects are often abandoned due to none or poor mobilizations from the government or individual who own the projects; the loans borrowed have also been classified as non-performing loans adding to the existing bad loans since most of the projects stay unfinished for a long time (Kanu & Isu, 2014).

2.4.2 Multiple borrowing

The rising number of microfinance providers has led to a drastic increase in competition. On one hand, this has enabled microfinance clients to have a wider choice of services as from which MFI to take a loan. On the other hand, anecdotal evidence and our own observation show that the increasing number of MFIs has tempted clients to take more than one loan at the same time resulting into multiple loans. Incidences of one client with five different loans at the same time are not uncommon. Literature shows that multiple borrowing for low-income clients is said to increase incidences of over-indebtedness and consequently default on loans. As such, multiple borrowing can sometimes make clients poorer and at the same time threaten the sustainability of MFIs. Also, the coefficient of dependents is relatively very high. The more dependents a client had the more were the loan contracts. This reflects the response that one of the reasons for multiple loans was family obligations, where we have seen that some clients borrow to meet some family problems rather than for business. Even those who borrowed for business did not distinguish between family matters and business itself (Mpogole et.al 2012).
Clients contribute to delinquency when they have too many financial commitments requiring financial repayments especially when they have multiple loans from multiple sources (Kairu, 2009). Far above the ground pressure affecting the customers from organization, loan officers keep pressurizing clients for loan repayment to clean their loan books. Due to this, poor clients get loan from other MFIs to repay their current loan and thus becoming over indebted. Time comes when they have nothing to repay anymore since they have exhausted all avenues for multiple loans then they face credit trap. Most customers commit suicide due to the extreme consequences of non-repayment (Sarker, 2013).

2.4.3 Client perceptions on loan delinquency

The decision by any borrower to renege on loan is related to the borrower’s perception about the stringency and damages that the non-repayment could cause him. For a loan borrower who values integrity and character, the damage to his image and personality is enough incentive to foreclose non repayment. However, for a high standing and influential person in the society, delinquency may result even with repayment capability since they can politick about the issue or reschedule the loan with the financial institution’s superiors. This beckons the question: What essentially commits the borrowers to repayment when the loan become due depends on the strength of the institutional legal system for ensuring contract compliance? For example, a number of loans that falls into this category in Nigeria are made to high standing politicians. High cost of litigation against delinquent loans and delays in delivery of justice compounds recovery of loans (Robinson, 2002).

Strategic default is where the creditor decides to evade loan repayment skillfully due to the perception that the financial intermediary will accept a genuine reason of project failure. Suppose that the creditor cannot observe the actual outcome of a project. This allows the debtor to claim that his project has failed (although it was successful) and to keep the return. If the debtor is liable and loses assets in the case of failure, the likelihood of strategic default is much lower. The debtor’s liability is largely determined by the legal form. On the one hand, natural persons are fully liable for their losses. On the other hand, owners can limit their liability more easily by incorporating the firm as a legal body with a limited liability.
The higher the debtor’s liability, *ceteris paribus*, the less likely the firm is to default (Fidrmuc & Hainz, 2009).

### 2.4.4 Employed Clientele Behaviour

Civil servants who borrowed facilities from banks, when their salaries are delayed or denied for a specific period, their loans will stop performing and the consequence is rising non-performing loans. The issue of periodic strike actions in Kenya undertaken by the Kenya National Union of Teachers (KNUT) and non-payment of staff salaries resulting from there tend to add to the volume of existing non-performing loans. A case scenario is where most of the retirees have borrowed from our banks when they were in active service while hoping to complete the payment of the loan from their gratuities or monthly pension contribution. The non-payment of such gratuity and due pensions has frequently resulted in bad debts and non-performing loans (Kanu & Isu, 2014).

The vice president and economist in the Research Department of the Philadelphia Fed, cites the applicant’s monthly income, financial assets, outstanding debt, employment tenure, homeownership, and previous loan defaults or delinquencies as predictive of loan default for Small Business Loans (SBLs) (Coravos, 2010).

### 2.4.5 Diversion of loans from the intended purpose

The rise in loan delinquency is attributed by the public and private sectors to the diversion of funds away from the original purpose for which they were granted, as well as the misappropriation of funds by borrowers (Kanu & Isu, 2014). If a client is given a large loan more than the needs of the business, extra funds may go toward personal use hence when repayments are made, the client cannot pay back without recapitalizing the business (Kairu, 2009).

### 2.4.6 Bankruptcy and Insolvency

Loan delinquency is closely related to corporate bankruptcy. The causes of bankruptcy are problems in the fields of indebtedness, profitability, liquidity and solvency. Firms are more likely to default if they are highly indebted, less profitable, less liquid, and if the legal system
does not create efficient incentives to repay the loans. Selected financial ratios related to these factors are commonly used to predict the probability of corporate bankruptcy in developed financial markets but less evidence is available for the new member states. Heavy indebtedness is as a result of over-borrowing, this means the firm’s financial activities are greatly finance by debt (Fidrmuc & Hainz, 2009).

Delinquency in a microfinance portfolio has a negative effect on the portfolio in that it slows the portfolio turnover causing an inability to pay expenses due to reduced cash-flow. When the principal amount is not recovered at the scheduled time, loans to other borrowers cannot be made, and other expenses incurred the MFI’s may also not be met thus affecting the cycle of the revolving fund (Kairu, 2009).

Highly indebted firms have to pay a high proportion of their payoff to the bank if they are successful. As a result, ceteris paribus, the difference between the payoffs for success and failure decreases. This reduces the incentives to exert effort in order to increase the success of the project. Moreover, this introduces incentives to make riskier investments than originally agreed upon in the credit contract. This moral hazard behavior decreases the probability of success. Therefore, we expect that indebted firms are more likely to default. Low profitability and liquidity are also generally seen as important default determinants. On the one hand, low profits may mean that the investment was not successful. On the other hand, low liquidity can cause financial bottlenecks, which may also cause loan delinquency and consequently defaults (Electrin, et al., 2013).

2.5 Chapter Summary

This chapter has presented a review of literature related to the study. The section dealt with the background information and mainly focused on reviewing literature related to the three research questions of the study. Views of scholars on the effects institution related causes have on loan delinquency, the influence of the financial institution’s credit staff have on loan delinquency occurrence and the extent to which client related causes influence loan delinquency been discussed. The next chapter will deal with the research methodology applied to this particular study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology and procedures that were used to carry out the study. The general methodology that was used in this study was descriptive research. The chapter started with the description of the research design, the population and sampling design, the data collection methods, the research procedures, the methods used for data analysis and lastly; the chapter summary.

3.2 Research Design

The research design for this study was a descriptive design. The method is an efficient way to obtain information needed to describe opinions and views of respondents. According to (Saunders, Lewis, & Thornhill, 2012), a descriptive research design is a set of methods and procedures that describe variables. The research’s program or overall scheme is what is referred to as the plan. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data (Cooper & Schindler, 2013). The technique adopted in this study was used to reveal summary statistics by showing responses to all possible questionnaire items. The dependent variable is loan delinquency while the independent variables are: the institution related causes, credit staff related causes and the client related causes towards loan delinquency.

3.3 Population and Sampling Design

3.3.1 Population

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Saunders, Lewis, & Thornhill, 2012). The Nairobi Region of YEDF where the Nairobi County is based was identified for the study and data collection. A population is defined as the total number of elements upon which inferences can be made (Cooper & Schindler, 2013). The population for the study was 36 employees of YEDF working at the Nairobi region that serves Nairobi County.
3.3.2 Sampling design

3.3.2.1 Sampling Frame

Sampling frame can be defined as the list of elements in a population from which the sample was actually drawn from (Cooper & Schindler, 2013). It is also known as the working population. The sampling frame is the list of employees from the Youth Enterprise Development Fund (YEDF) who work at the Nairobi regional office which houses Nairobi County and has fifteen (15) Constituencies. The regional office has three employees supported by three Credit Officers from the Head Office while every constituency has two employees, there are fifteen constituencies in Nairobi County, and this makes a total of thirty six (36) respondents. The three employees at the Regional Office are: Regional Coordinator and two Assistant Regional Coordinators, they constantly in contact with the Constituency Officers and loan applicants during their field work exercise. The Regional loan vetting Committee is made up of the three Regional employees and three Credit Officers from the Head Office. The Constituency Officers are the employees who are continuously in contact with the clientele and lives amongst them. All the thirty six respondents form the sampling frame.

3.3.2.2 Sampling Technique

The study employed a non-probability convenient sampling approach, this is a sampling procedure of obtaining the people or units that are most conveniently available (Field & Miles, 2010). Thirty six (36) respondents in the population were studied. This meant that the regional staff, Credit Officers and Constituency representatives were approached to participate in the study. The technique has two advantages which are: use of resources (time, money and workload) available is efficient and it gives results with known accuracy that can be calculated mathematically.

3.3.2.3 Sample Size

According to the rule of thumb for determining the sample size, when the population (N) is less than 100, take the entire population is studied (Field & Miles, 2010). In my study, the population was thirty six (36) respondents; therefore all the respondents participated.
<table>
<thead>
<tr>
<th>Category</th>
<th>population</th>
<th>Sample Size</th>
<th>Sample %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government sector</td>
<td>36</td>
<td>36</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 3.1: Sample Size Distribution

3.4 Data Collection Methods

Primary data was mainly collected in the study. Secondary data was also collected but was used to confirm the primary data collected. Self–administered drop and pick questionnaires were distributed to the accessible regional officers for data collection. The questionnaire was made up of the following sections: Background information on the respondents, the effects of institution related causes, the influence of credit staff related causes and the impact of client related causes. The respondents were the Regional Coordinators, Credit Officers and the Constituency Officers; these are persons who are directly dealing with loan administration, appraisal, disbursement and recoveries at the field level.

3.5 Research Procedures

Before the actual administering of the questionnaires, a pretest was done to ensure that all questions were clear and understandable. The pretest was administered to the three Regional Officers and revision of the questionnaire was done accordingly. The questionnaire, after revision was administered by physically issuing the questionnaires to the respondents. In order to ensure a favorable response rate, the questionnaire was issued with a cover letter that explained how the respondents were chosen, anonymity of the identity of the respondents and a surety of using the results for the intended purpose.

3.6 Data Analysis Methods

After the data was collected, it was prepared for analysis. The data was edited to do away with omissions, improve legibility and consistency and coding was done appropriately so as to assist in interpreting, classifying and recording of data. Tabulation is the form in which data is recorded and categorized in order for it to be analyzed.
Data analysis was done through descriptive statistics and inferential statistics. This included percentages, frequencies, measures of dispersion and central tendency. Specific data analysis techniques used were mean, percentages, variance, standard deviation, regression analysis and Pearson Correlations which are techniques of Statistical Package for Social Sciences (SPSS) version 20 were performed on the data. Specific inferential statistics used was parameter estimation through confidence interval estimation. Data presentation was done using: tables, bar graphs, pie charts and figures.

3.7 Chapter Summary

In summary, descriptive research design was used in the study. The population compromised of YEDF employees working at the regional and constituency levels. Convenience sampling was used during the issuance of questionnaires for the collection of primary data. The questionnaire was pretested and revised before being issued to the actual respondents. Data that was collected was edited, codified and tabulated for analysis. Descriptive and inferential statistics were used for data analysis and data presentation was done in the form of bar graphs, pie charts, tables and figures.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter gives the data analysis results and their presentations. There are sections on the demographic information of the respondents and the financial institution such as the age, position held, level of education, work experience, age of target group, level of operation, loan duration, and the percentage of loans considered delinquent. There is also a section on the effects of institution related causes, influence of credit staff related causes and the impact of client related causes on loan delinquency. Lastly the chapter presents a section on the chapter summary.

4.1.1 Response rate

A total of 36 questionnaires were distributed to the respondents. A total of 30 questionnaires were filled and collected while 6 were not filled. The total response rate was 83.3%. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate, 60% is good and more than 70% is excellent. Thus a response rate of 83.3% was adequate and good for the study.

<table>
<thead>
<tr>
<th>Number of questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled questionnaires</td>
<td>30</td>
<td>83.3%</td>
</tr>
<tr>
<td>Unfilled questionnaires</td>
<td>6</td>
<td>16.7%</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 Response Rate

4.2 Demographic information

4.2.1 Age

Most of the respondents at 36.8% of the study were aged between 26-30 years and those between 31-35 years were 36.6%. A proportion of 15.2% were between 20-25 years while the least at 11.4% were aged above 35 years. This therefore implies that 88.7% of the
respondents were young people between the age of 18-35 years, these young respondents employed by YEDF were responding to questions of the youth population who their age mates.

![Age Percentages Chart]

**Figure 4.1 Ages of Respondents**

4.2.2 Position Held in the Organization

The respondents who took part in this study held different positions in the organization. Most of the respondents at 80.0% represented Constituency Officers, 10.0% were Credit Officers and 6.7% were Assistant Regional Coordinators. The least number were Regional Coordinator 3.3% as reflected in figure 4.2. The majority of the respondents at 80.0% being Constituency Officers, this implies the information on loan delinquency was obtained from employees of YEDF who are in direct contact with the clientele on daily basis thus enhancing the credibility of the results.
4.2.3 Educational level

According to the findings, most of the respondents had diplomas 43.3%, followed by those who had degrees at 40.0%. 10% of the respondents had Masters and the least category of the respondents at 6.7% had Secondary education as shown in figure 4.3. From the findings, 93.3% of the respondents were diploma holders, undergraduates and graduates. This implies that the employees approached during the study had higher literacy levels and thus understood the concept of loan delinquency.
Figure 4.3 Level of Education

4.2.4 Years spent in the current organization

The respondents were requested to provide information on the number of years spent in their current organization. From the findings, 73.3% of the respondents had stayed in their organization for a period between 3-5 years, followed by 16.7% who had stayed in their organization for 1-3 years. The study shows that those who had long experience with their current organizations were least at 10.0%. This implies that majority of the respondents have been at YEDF for 3-5 years, the number of years were considered credible thus enhancing the accuracy of the information on loan delinquency obtained since the respondents were familiar with the organization.
Figure 4.4 Years spent in the current organization

4.2.5 Age of Clientele

Most of the respondents stated that 46.7% of their clientele were aged between 24-29 years and 30-35 years 36.7%. A proportion of 10.0% were aged above 35 years while the least at (6.7%) were between 18-23 years. From the findings, 90.1% of the respondents stated that majority of their clientele were young people between the ages of 18-35 years, this therefore implies that the organization was indeed focusing on their target group which is the youth.
Figure 4.5 Age of Clientele

4.2.6 Level of Operation in the Organization

The respondents who took part in this study worked at different levels in the organization. Most of the respondents at 83.3% were at the Constituency level, 10.0% were at the Regional level and the least number of respondents 6.7% were at the Head Office as reflected in figure 4.6. From the findings, 83.3% of the respondents operated at the Constituency level. This implies that majority of the information on loan delinquency were obtained from employees of YEDF who work at the Constituencies and daily interact with their clientele.
4.2.7 Loan processing duration

The respondents were requested to provide information on the duration it takes for a loan to be processed and disbursed to the clients. From the findings, 53.3% of the respondents stated that it took a period of between 4-6 weeks, followed by 40.0% who had said it took above 6 weeks. It also shows that those who stated that it took a period of between 2-4 weeks were least at 6.7%. A total of 93.3% of the respondents stated that it took 4-6 weeks and above 6 weeks to process the loan. This implies that it took a longer duration for the applicants to get the loans that they applied for and thus negatively impact the growing volume of loan delinquency.
4.2.8 Percentage of loan considered delinquent

The period of study is between the years 2007-2014. From the findings, 6.7% of the respondents stated that during the year 2007 the level of delinquency was between 2-4 percent. During the year 2008, 13.3% of the respondents indicated that the level of delinquency was between 4-6 percent. During the year 2009, 16.7% of the respondents showed that the level of delinquency was between 6-8 percent. During the year 2010, 20% of the respondents stated that the level of delinquency was above 8 percent. During the year 2011, 26.7% of the respondents indicated that the level of delinquency was between 6-8 percent. During the year 2012, 10% of the respondents affirmed that the delinquency level was between 4-6 percent. For the years 2013 and 2014, the delinquency levels were both between 2-4 percent. The findings imply that, the level of loan delinquency was gradually increasing from the years 2007 to 2010. It began to gradually decrease from the year 2011 to 2012 and remained constant in 2013 and 2014. This further implies that YEDF might have focused on loan disbursements during its prior years of operation and only began to also
focus on loan recovery measures on realization that the volume of loan delinquency was growing.

![Delinquency Level in Percentage over the years](image)

**Figure 4.8 Delinquency Level in Percentage over the years**

4.3 The Effects of Institution Related Causes

The researcher went ahead to obtain relevant data with regard to the first research question. The following is the presentation of the findings that were obtained.

4.3.1 Institution-Related Causes of Loan Delinquency

The respondents were requested to rank the institution related causes that they thought contributed to loan delinquency. In statistics, a population is represented by letter N while a sample is represented by letter n. Letter n also represents the number of respondents counted. Thirty percent (30%) of the respondents where n=9 indicated that lack of well-defined credit policy manual and procedures were the institution related causes contributing to loan delinquency, 20.0% of the respondents where n=6 picked high overhead costs, 16.7% of the respondents where n=5 selected over-reliance on the Management Information System, 13.3% of the respondents where n=4 chose information asymmetry, 10.0% of the
respondents where n=3 highlighted the multiplier effect. Some of the respondents comprising of 6.7% where n=2 and 3.3% where n=1 indicated that interest rate variation and gender biasness respectively were the institution related causes affecting loan delinquency. The percentages were used to rank the extent to which the institution related causes contribute to loan delinquency. Table 4.2 is indicative of these findings.

<table>
<thead>
<tr>
<th>Institution-Related Causes</th>
<th>Frequency (F)</th>
<th>Percent (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of well-defined credit policy and procedures</td>
<td>9</td>
<td>30.0</td>
<td>1</td>
</tr>
<tr>
<td>High overhead costs on the institution</td>
<td>6</td>
<td>20.0</td>
<td>2</td>
</tr>
<tr>
<td>Over-reliance on the MIS</td>
<td>5</td>
<td>16.7</td>
<td>3</td>
</tr>
<tr>
<td>Information Asymmetry</td>
<td>4</td>
<td>13.3</td>
<td>4</td>
</tr>
<tr>
<td>The Multiplier Effect</td>
<td>3</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Interest rate Variation</td>
<td>2</td>
<td>6.7</td>
<td>6</td>
</tr>
<tr>
<td>Gender Biasness</td>
<td>1</td>
<td>3.3</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2: Institution Related Causes affecting Loan delinquency

4.3.2 The Extent to which Institution-Related Causes Contribute to Loan Delinquency

The respondents were requested to indicate the extent to which the effects of institution related causes on loan delinquency. The data was collected through a five-point Likert scale and analyzed through use of percentages. The data has been presented in percentages as shown in table 4.3.
<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A well-defined credit policy manual and clearly laid down procedures positively influence loan repayment</td>
<td>53%</td>
<td>37%</td>
<td>0%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>High overhead costs reduce the budgetary allocation to loan follow-ups thus giving rise to a delinquency crisis</td>
<td>47%</td>
<td>40%</td>
<td>3%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Over-reliance on the Management Information System to provide information on performance affect loan delinquency</td>
<td>37%</td>
<td>43%</td>
<td>7%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Information asymmetry leads to an increase in the level of delinquent loans</td>
<td>33%</td>
<td>47%</td>
<td>3%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>The Multiplier effect is one key factor affecting the growing volume of delinquent loans</td>
<td>30%</td>
<td>47%</td>
<td>10%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Interest rate variation increases the number of delinquent loans</td>
<td>13%</td>
<td>17%</td>
<td>7%</td>
<td>40%</td>
<td>23%</td>
</tr>
<tr>
<td>Gender biasness in loan disbursements relates positively with high delinquency rates</td>
<td>10%</td>
<td>13%</td>
<td>17%</td>
<td>23%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Table 4.3 The Extent to Which Institution-Related Causes Contribute to Loan Delinquency
Figure 4.9 The Extent to Which A Well-Defined Policy Manual and Procedures Influence Loan Repayment

From figure 4.9, the findings show that 53% and 37% of the respondents had strongly agreed and agreed respectively which makes up the 90% of all the participants.

From table 4.3, the results show that 90% of the respondents indicated that a well-defined credit policy and clearly laid down procedures positively influence loan repayment thus reducing delinquency. This therefore shows that if the organization comes up with an explicit credit policy and clear procedures of loan portfolio management then the loan delinquency rates will be minimized.

From figure 4.10, the findings indicate that 47% and 40% of the 87% had strongly agreed and agreed respectively.

From table 4.3, the results indicate that 87% of the respondents believed that high overhead costs reduce the budgetary allocation to loan follow-ups thus giving rise to a delinquency crisis. This therefore means that if YEDF reduces its budgetary allocation to overhead costs
and reallocates the same to monitoring, evaluation and recoveries measures the volume of delinquent loans will decrease.

![High Overhead Costs](image)

**Figure 4.10 The Extent to Which High Institutional Overhead Costs Negatively Contribute to Loan Delinquency Crisis**

From figure 4.11, the findings show that 37\% and 43\% of the 80\% had strongly agreed and agreed respectively.

From table 4.3, the results show that 80\% of the respondents stated that over-reliance on the Management Information System (MIS) to provide information on performance affect loan delinquency. This therefore shows that YEDF’s credit staff should also keep records accurately and safely to avoid over-reliance on the MIS that can provide wrong reports due to incorrect inputting of data.
Figure 4.11 The Extent to Which Over-Reliance on the Management Information System Affect Loan Delinquency

From figure 4.12, the findings show that 33% and 47% of the 80% had strongly agreed and agreed respectively.

From table 4.3, the results show that 80% of the respondents indicated that information asymmetry leads to an increase in the level of delinquent loans. This therefore means that information asymmetry inhibits information sharing between the loan officers and clients thus the clients obtain loans with insufficient information which they later find out and causes difficulty during repayments, this increases loan delinquency.
Figure 4.12 The Extent to Which Information Asymmetry contribute to Loan Delinquency

From figure 4.12, the findings show that 33% and 47% of the 80% had strongly agreed and agreed respectively.

From table 4.3, the results show that 80% of the respondents indicated that information asymmetry leads to an increase in the level of delinquent loans. This therefore means that information asymmetry inhibits information sharing between the loan officers and clients thus the clients obtain loans with insufficient information which they later find out and causes difficulty during repayments, this increases loan delinquency.
Figure 4.13 The Extent to Which Multiplier Effect Affect Loan Delinquency

From figure 4.13, the findings show that 30% and 47% of the 77% had strongly agreed and agreed respectively.

From table 4.3, the results show that 77% of the respondents indicated that multiplier effect is one key factor affecting the growing volume of delinquent loans. High level of loan delinquency is linked to the financial crisis and bankruptcy of several financial institutions, poor liquidity ratios of several businesses funded by YEDF contribute to their inability to repay their loans.
Figure 4.14 The Extent to which Interest Rate Variation Affect Loan Delinquency

From figure 4.14, the findings show that 13% and 17% of the 30% had strongly agreed and agreed respectively while 40% and 23% of the 63% had disagreed and strongly disagreed respectively.

From table 4.3, the results show that 30% of the respondents indicated that interest rate variation at the YEDF increases the number of delinquent loans. It also shows that 63% of the respondents disagreed on the same and stated that interest rate variation was not a major cause of loan delinquency at the YEDF since the interest rates charged on the loans offered were fixed and constant.

From figure 4.15, the findings show that 10% and 13% of the 23% had strongly agreed and agreed respectively while 23% and 37% of the 60% had disagreed and strongly disagreed respectively.

From table 4.3, the results show that only 23% of the respondents indicated that gender biasness in loan disbursements at the YEDF relates positively with high delinquency rates while 60% disagreed on the same. This therefore meant gender biasness was not a major
contributor of loan delinquency at YEDF, there are other factors. This also implies that loans were disbursed rather equally to all applicants irrespective of gender.

![Gender Biasness](image)

**Figure 4.15** The Extent to which Gender Biasness in Loan Disbursements Contribute to Loan Delinquency

4.4 The Influence of Credit Staff related causes

The researcher moved to obtain relevant data with regard to the second research question. Below was the presentation of the findings that were obtained.

4.4.1 Credit Staff-related causes of Loan Delinquency

The respondents were requested to indicate the credit staff related causes that they thought contributed to loan delinquency. Thirty three percent (33.3%) of the respondents where n=10 indicated that inadequate staff training was one of the staff related causes contributing to loan delinquency, 26.7% of the respondents where n=8 picked inadequate credit risk assessment, 16.7% of the respondents where n=5 selected lenient credit appraisal techniques, 13.3% of
the respondents where n=4 chose poor loan portfolio management, 6.7% of the respondents where n=2 highlighted unethical practices. Some of the respondents comprising of 3.3% where n=1 indicated that pressure on loan officers was the least of the staff related causes affecting loan delinquency. The data has been presented in percentages and the percentages were used to rank the influence of credit staff related causes on loan. Table 4.4 is indicative of these findings.

<table>
<thead>
<tr>
<th>Credit Staff-Related Causes</th>
<th>Frequency (F)</th>
<th>Percent (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate Staff Training</td>
<td>10</td>
<td>33.3</td>
<td>1</td>
</tr>
<tr>
<td>Inadequate Credit Risk Assessment</td>
<td>8</td>
<td>26.7</td>
<td>2</td>
</tr>
<tr>
<td>Lenient Credit Appraisal techniques</td>
<td>5</td>
<td>16.7</td>
<td>3</td>
</tr>
<tr>
<td>Poor Loan Portfolio Management</td>
<td>4</td>
<td>13.3</td>
<td>4</td>
</tr>
<tr>
<td>Unethical practices</td>
<td>2</td>
<td>6.7</td>
<td>5</td>
</tr>
<tr>
<td>Pressure on Loan Officers</td>
<td>1</td>
<td>3.3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.4: Credit Staff Related Causes affecting Loan delinquency

4.4.2 The extent to which Credit Staff-related causes contribute to Loan Delinquency

The respondents were requested to indicate the effects of institution related causes on loan delinquency. The data was collected through a five-point Likert scale and analyzed through use of percentages. The findings are shown in table 4.5.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trained staff reduces the percentage of occurrence of delinquent loans</td>
<td>50%</td>
<td>37%</td>
<td>3%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Inadequate credit risk assessment relates positively to the level of loan delinquency</td>
<td>53%</td>
<td>33%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Lenient credit appraisal techniques precipitate delinquent loans</td>
<td>47%</td>
<td>33%</td>
<td>3%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Poor loan portfolio management leads to a greater percentage of delinquent loans</td>
<td>43%</td>
<td>37%</td>
<td>10%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Unethical practices contribute to a growing volume of delinquent loans</td>
<td>33%</td>
<td>37%</td>
<td>3%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>The pressure exerted on the loan officers by management negatively affect their clients’ relationship thus increased chances of loan delinquency</td>
<td>20%</td>
<td>27%</td>
<td>10%</td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Table 4.5 The Influence of Credit Staff Related Causes on Loan Delinquency

From figure 4.16, the findings on staff training show that 50% and 37% of the 87% had strongly agreed and agreed respectively.

From table 4.5, the results show that 87% of the respondents indicated that staff training reduces the percentage of occurrence of delinquent loans. This therefore meant that by the credit staff having the profound knowledge of loan portfolio management while carrying out their duties and responsibilities would give rise to an efficient loan book thus reduced rates of loan delinquency.
From figure 4.16, the findings on inadequate credit risk assessment show that 53\% and 33\% of the 86\% had strongly agreed and agreed respectively.

From table 4.5, the results show that 86\% of the respondents indicated that inadequate credit risk assessment relates positively to the level of loan delinquency. This therefore meant proper risk assessment methods had to be put in place to reduce the level of occurrence of loan delinquency at YEDF.

From figure 4.16, the findings on lenient credit appraisal techniques show that 47\% and 33\% of the 80\% had strongly agreed and agreed respectively.

From table 4.5, the results show that 80\% of the respondents indicated that lenient credit appraisal techniques precipitate the level of delinquent loans. This shows that when effective credit appraisal processes are properly laid down in the organization’s credit policy and procedures, the amount of delinquent loans are reduced since prospective delinquent customers can be eliminated before they are funded.

From figure 4.16, the findings on poor loan portfolio management show that 43\% and 37\% of the 80\% had strongly agreed and agreed respectively.

From table 4.5, the results show that 80\% of the respondents indicated that poor loan portfolio management increases the percentage of delinquent loans. This therefore shows that all the loan book management processes are crucial in a loan cycle and this would curb against the growing volume of delinquent loans.

From figure 4.16, the findings on unethical practices show that 33\% and 37\% of the 70\% had strongly agreed and agreed respectively.

From table 4.5, the results show that 70\% of the respondents indicated that unethical practices contribute to the growing volume of delinquent loans. This therefore shows that since the loan officers act as a link between the financial institution and the clients, any deviation of behavior from the acceptable norm adversely affect the organization.
From figure 4.16, the findings on pressure on loan officers show that 20% and 27% of the 47% had strongly agreed and agreed respectively while 16% and 27% of the 43% had disagreed and strongly disagreed respectively.

From table 4.5, the results show that 47% of the respondents indicated that the pressure exerted on the loan officers by the management negatively affects their relationship with their clients while 43% disagreed on the same. This therefore meant that the pressure on loan officers was partially contributing to loan delinquency at YEDF.

![The Influence of Credit Related Staff Related Causes on Loan Delinquency](image_url)

**Figure 4.16 The Influence of Credit Related Staff Related Causes on Loan Delinquency**

### 4.5 The Impact of Client related causes

The researcher moved to obtain relevant data with regard to the third research question. Below was the presentation of the findings that were obtained.
4.5.1 Client-related causes of Loan Delinquency

The respondents were requested to indicate the institution related causes that they thought contributed to loan delinquency. Forty percent (40%) of the respondents where n=12 indicated that unplanned borrowing was the key client related causes contributing to loan delinquency, 26.7% of the respondents where n=8 picked diversion of loans, 13.3% of the respondents where n=4 selected bankruptcy and insolvency, 10% of the respondents where n=3 chose client perceptions, 6.7% of the respondents where n=2 highlighted multiple borrowing. Some of the respondents comprising 3.3% where n=1 indicated that employed clientele behavior was the least client related causes affecting loan delinquency. The data has been presented in percentages and the percentages were used to rank the impact client related causes have on loan delinquency. Table 4.6 is indicative of these findings.

<table>
<thead>
<tr>
<th>Client-Related Causes</th>
<th>Frequency (F)</th>
<th>Percent (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unplanned borrowing</td>
<td>12</td>
<td>40.0</td>
<td>1</td>
</tr>
<tr>
<td>Diversion of loans</td>
<td>8</td>
<td>26.7</td>
<td>2</td>
</tr>
<tr>
<td>Bankruptcy and Insolvency</td>
<td>4</td>
<td>13.3</td>
<td>3</td>
</tr>
<tr>
<td>Client Perceptions</td>
<td>3</td>
<td>10.0</td>
<td>4</td>
</tr>
<tr>
<td>Multiple borrowing</td>
<td>2</td>
<td>6.7</td>
<td>5</td>
</tr>
<tr>
<td>Employed Clientele behaviour</td>
<td>1</td>
<td>3.3</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.6: Client Related Causes affecting Loan delinquency

4.5.2 Client-related causes of Loan Delinquency

The study collected data from the respondents to establish the impact of the client related causes on loan delinquency.
The data was collected through a five-point Likert scale and analyzed through use of percentages. The findings are shown in table 4.7.

<table>
<thead>
<tr>
<th>Unplanned borrowing negatively influences the choice of project for investment thus increased chances of the loan being declared delinquent</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>57%</td>
<td>33%</td>
<td>3%</td>
<td>7%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diversion of loan is a key factor influencing the level of delinquency</th>
<th>50%</th>
<th>37%</th>
<th>3%</th>
<th>7%</th>
<th>3%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Bankruptcy and insolvency decreases the probability of business success thus increased level of loan delinquency</th>
<th>47%</th>
<th>33%</th>
<th>7%</th>
<th>10%</th>
<th>3%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>A client’s perception towards loan delinquency will influence their decision to repay or not</th>
<th>50%</th>
<th>30%</th>
<th>10%</th>
<th>3%</th>
<th>7%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Multiple borrowing by the client increases the chances of the loan becoming delinquent</th>
<th>33%</th>
<th>37%</th>
<th>7%</th>
<th>10%</th>
<th>13%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Employed clientele are likely to have delinquent loans</th>
<th>23%</th>
<th>17%</th>
<th>3%</th>
<th>27%</th>
<th>30%</th>
</tr>
</thead>
</table>

| Table 4.7 Impact of client related causes on loan delinquency |

From figure 4.17, the findings on unplanned borrowing show that 57% and 33% of the 90% had strongly agreed and agreed respectively.

From table 4.7, the results show that 90% of the respondents indicated that unplanned borrowing negatively influences the choice of project for investment, this thus increases the
chances of the loan being declared delinquent. This also confirms the point that short-term borrowing should not be used to finance long-term projects.

From figure 4.17, the findings on diversion of loans show that 50% and 37% of the 87% had strongly agreed and agreed respectively.

From table 4.7, the results show that 87% of the respondents indicated that diversion of loans is a major contributor of loan delinquency. This therefore shows that when the clients are funded, they divert the funds to others uses other than the intended purpose, this therefore fuel their inability to make their repayments on time making their loans delinquent.

From figure 4.17, the findings on bankruptcy and insolvency show that 47% and 33% of the 80% had strongly agreed and agreed respectively.

From table 4.7, the results show that 80% of the respondents indicated that bankruptcy and insolvency inhibits the success of a business thus its inability to repay their loan on time due to liquidity problems. This therefore means that lack of efficient cash flows in a business fuel the rate of loan delinquency.

From figure 4.17, the findings on client perceptions show that 50% and 30% of the 80% had strongly agreed and agreed respectively.

From table 4.7, the results show that 80% of the respondents indicated that client perceptions towards loan delinquency eventually influence their decisions on either to make repayments or not. This shows that customers credit culture and attitude towards loan borrowing and its repayment influence their behavior. Negative customer perception leads to non-repayment thus a growing volume of loan delinquency.

From figure 4.17, the findings on multiple borrowing show that 33% and 37% of the 70% had strongly agreed and agreed respectively.

From table 4.7, the results show that 70% of the respondents indicated that multiple borrowing by clients increase the chances of the loans becoming delinquent. This means that
acquiring loans from different sources overburdens the client during repayment thus making most of the loans acquired delinquent.

From figure 4.17, the findings on the employed clientele behavior show that 23% and 17% of the 40% had strongly agreed and agreed respectively while 27% and 30% of the 57% had disagreed and strongly disagreed respectively.

From table 4.7, the results show that 40% of the respondents indicated that employed clientele are likely to have delinquent loans while 57% disagreed on the same. This therefore meant that the clients on employment were more likely to delay on their loan repayments due to over-reliance on salaries for all their financial obligations.

![The Impact of Client Related Causes on Loan Delinquency](image)

**Figure 4.17 The Impact of Client Related Causes on Loan Delinquency**

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unplanned Borrowing</td>
<td>57%</td>
<td>50%</td>
<td>47%</td>
<td>50%</td>
</tr>
<tr>
<td>Diversion of Loans</td>
<td>33%</td>
<td>37%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>Bankruptcy and Insolvency</td>
<td>3%</td>
<td>3%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Client Perceptions</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Multiple Borrowing</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Employed Clientele Behaviour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>What is your age bracket</td>
<td>position in an organization</td>
<td>Education level</td>
<td>Working period</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------</td>
<td>-----------------------------</td>
<td>-----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.193</td>
<td>-.343</td>
<td>.464**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.306</td>
<td>.064</td>
<td>.010</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.193</td>
<td>1</td>
<td>-.282</td>
<td>.321</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.308</td>
<td>.131</td>
<td>.083</td>
<td>.309</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.343</td>
<td>-.282</td>
<td>1</td>
<td>-.106</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.064</td>
<td>.131</td>
<td>.577</td>
<td>1.000</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.464**</td>
<td>.321</td>
<td>-.106</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.010</td>
<td>.083</td>
<td>.577</td>
<td>.340</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>
From Table 4.8, the results show the following:

There is a positive correlation between the age bracket of the respondents and their position in the organization ($r=0.193$). There is a 19.3% degree of variation between the two variables.

There is a negative correlation between the age bracket of the respondents and their education level ($r=-0.343$). There is a 34.3% degree of variation between the two variables.

**Table 4.8 Correlations between the background information Variables**

<table>
<thead>
<tr>
<th></th>
<th>Average age of clients</th>
<th>Level of organization</th>
<th>Loan time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>0.075</td>
<td>-0.192</td>
<td>0.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.694</td>
<td>0.309</td>
<td>1.000</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

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

*Correlation is significant at the 0.05 level (2-tailed).*
There is a positive correlation between the age bracket of respondents and their working period in the organization (r=0.464). There is a 46.6% degree of variation between the two variables.

There is a slight positive correlation between the age bracket of respondents and the average age of clients funded by YEDF (r=0.075). There is a 7.5% degree of variation between the two variables.

There is a negative correlation between the age bracket of respondents and their level of operation in the organization (r=-0.302). There is a 30.2% degree of variation between the two variables.

There is a positive correlation between the age bracket of respondents and the time it takes to process a loan (r=0.526). There is a 52.6% degree of variation between the two variables.

There is a negative correlation between the position held in the organization and the education level (r=-0.282). There is a 28.2% degree of variation between the two variables.

There is a positive correlation between the position held in the organization and the working period of the respondents (r=0.321). There is a 32.1% degree of variation between the two variables.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Loan delinquency in YEDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of well-defined credit policy manual and procedures</td>
<td>-0.150</td>
</tr>
<tr>
<td></td>
<td>0.106</td>
</tr>
<tr>
<td>High Overhead Costs on the institution</td>
<td>-0.072</td>
</tr>
<tr>
<td></td>
<td>0.274</td>
</tr>
<tr>
<td>Over-reliance on the management Information System</td>
<td>-0.215</td>
</tr>
<tr>
<td></td>
<td>0.142</td>
</tr>
<tr>
<td>Information Asymmetry</td>
<td>-0.117</td>
</tr>
<tr>
<td></td>
<td>0.158</td>
</tr>
<tr>
<td>The Multiplier Effect</td>
<td>-0.029</td>
</tr>
<tr>
<td></td>
<td>0.383</td>
</tr>
<tr>
<td>Interest Rate Variation</td>
<td>-0.129</td>
</tr>
<tr>
<td>Variable</td>
<td>Correlation 1</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Gender Biasness</td>
<td>0.133</td>
</tr>
<tr>
<td>Inadequate Staff Training</td>
<td>0.092</td>
</tr>
<tr>
<td>Inadequate Credit Risk Assessment</td>
<td>0.076</td>
</tr>
<tr>
<td>Lenient Credit Appraisal Techniques</td>
<td>-0.321</td>
</tr>
<tr>
<td>Poor Loan Portfolio Management</td>
<td>0.233</td>
</tr>
<tr>
<td>Unethical Practices</td>
<td>-0.158</td>
</tr>
<tr>
<td>Pressure on Loan Officers</td>
<td>0.168</td>
</tr>
<tr>
<td>Unplanned borrowing</td>
<td>-0.695</td>
</tr>
<tr>
<td>Diversion of Loans</td>
<td>-0.584</td>
</tr>
<tr>
<td>Bankruptcy and Insolvency</td>
<td>-0.025</td>
</tr>
<tr>
<td>Client Perceptions</td>
<td>0.366</td>
</tr>
<tr>
<td>Multiple Borrowing</td>
<td>-0.040</td>
</tr>
<tr>
<td>Employed Clientele behavior</td>
<td>0.072</td>
</tr>
</tbody>
</table>

*Correlation is significant at 0.05 Level (1-tailed).

*Correlation is significant at 0.01 Level (1-tailed).

**Table 4.9 Correlations Between the Independent and the Dependent Variables**

65
### Table 4.10 Regression analysis between Independent and Dependent Variables

**Model Summary From Table 4.10**

a. **Predictors**: (Constant), Unplanned borrowing, Inadequate Staff Training, Unethical practices, Multiple Borrowing, Bankruptcy and Insolvency, Employed Clientele Behaviour, Client Perceptions, Inadequate Credit Risk Assessment, Pressure on Loan Officers, Lenient Credit Appraisal techniques, Diversion of Loans

b. **Dependent Variable**: Loan delinquency

From the research findings on table 4.10, 93.8% change in dependent variable is caused by independent variable while 6.2% is caused by other factors as shown by R Squared. There is therefore a positive direct relationship between the predictors (independent variable) and loan delinquency (dependent variable) at (r=0.981, p<0.001). This means there is 98.1% degree of variation between the two variables.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.981a</td>
<td>.962</td>
<td>.938</td>
<td>.24234</td>
</tr>
</tbody>
</table>

### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.915</td>
<td>.548</td>
<td></td>
<td>1.671</td>
</tr>
<tr>
<td>Pressure on staff</td>
<td>.168</td>
<td>.092</td>
<td>.267</td>
<td>1.825</td>
</tr>
<tr>
<td>Inadequate Staff</td>
<td>.037</td>
<td>.076</td>
<td>.036</td>
<td>.496</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lenient Credit</td>
<td>.532</td>
<td>.176</td>
<td>.718</td>
<td>3.021</td>
</tr>
<tr>
<td>appraisal techniques</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unethical Practices</td>
<td>.158</td>
<td>.076</td>
<td>.223</td>
<td>2.082</td>
</tr>
</tbody>
</table>
### Table 4.11 Linear Regression Analysis on Independent and Dependent Variables

Table 4.11 shows that the predictors (beta=1.915, p<0.001) are positively related with loan delinquency. This is clear indication that there is a positive significant relationship between the predictors: pressure on staff (beta.168), inadequate staff training (beta.037), lenient credit appraisal techniques (beta.532), unethical practices (beta.158), inadequate credit risk assessment (beta.469), bankruptcy (.025), clientele behavior (beta.072), multiple borrowing (beta.040) and loan delinquency (dependent variable).

#### 4.6 Chapter summary

The chapter has provided a presentation of the research findings. Data presentation was done through the use of bar graphs, pie charts, frequency tables and Likert scales to show the results that derived from the study. Data analysis was done using regression analysis and Pearson correlations. The chapter has also shown that a total of 36 questionnaires were issued to respondents and 30 questionnaires received feedback, thus the response rate for the study was 83.3%, which is relatively high and sufficient to facilitate the acquisition of data that can generalized among the population. The next chapter, Chapter Five provides: a recap of the whole study; the summary and discusses the findings with the conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary and discussion of the major findings of the study; it also provides the conclusion and the recommendations in relation to the findings of the study.

5.2 Summary of the Study

The purpose of this study was to carry out an analysis of causes of loan delinquency in government microfinance programs in Kenya: A case study of the Youth Enterprise Development Fund (YEDF) in Nairobi County. The study was guided by the following three research questions: one, what effects do institution related causes have on loan delinquency? Two, what influence does credit staff have on the growing volume of loan delinquency? Three, to what extent do client related causes influence loan delinquency?

The study adopted a partially descriptive research design. The population of the study included 36 employees currently working at the YEDF’s Nairobi Region and the Head Office which serves Nairobi County. For this study, the whole population of 36 individuals was involved. The study employed a non-probability convenient sampling approach where the respondents were chosen on availability.

However, prior to the actual study, a pilot study was conducted on a fraction of the population in order to determine the reliability and suitability of the data collection instrument. The feedback of the pilot study was used to improve the questionnaire. During the actual study, semi-structured questionnaires were administered randomly to the respondents for data collection. The questionnaire was divided into four sections, the first section focused on general information while the other three sections asked questions relating to the three research questions the questionnaires were distributed to all the respondents randomly. The response rate for the study was 83.3%, out of the 36 questionnaires distributed, 30 were determined complete and valid for presentation and analysis. The questionnaires were coded and fed to the SPSS from which statistical calculations were
conducted. Tables, graphs, charts and figures were used for data presentations. Data analysis was done using regression analysis and Pearson Correlations.

The study found that on the institution related causes, 90% of the respondents agreed that lack of a well-defined credit policy manual and clear laid down procedures negatively influence loan delinquency while the least number of respondents at 23% chose gender biasness in loan disbursements as a cause of loan delinquency. On the Credit staff related causes, 87% of the respondents highlighted untrained staff as a major contributor of loan delinquency while the least number of respondents at 47% picked excessive pressure on loan officers. On the client related causes, 90% of the respondents agreed that unplanned borrowing greatly contribute to loan delinquency while the least number of respondents at 40% chose employed clientele.

5.3 Discussions of the findings

5.3.1 The Effects of Institution related causes

The study determined that several institution related causes greatly contribute to the growing volume of delinquent loans. These include: unclear credit policy and procedures of loan handling and conducting recoveries, high overhead costs on the institution that reduce the budgetary allocation to loan follow-ups thus giving rise to a delinquency crisis, over-reliance on the management information system to provide performance reports for decision making, the multiplier effect of failed businesses, information asymmetry thus unavailability of complete information to clients, interest rate variation and gender biasness in terms of loan appraisals and disbursements.

From the findings of the study, on the institution related causes; 90% of the respondents agreed that a well-defined credit policy manual and clearly laid down procedures positively influence loan repayment thus reduced loan delinquency, 87% of the respondents indicated that high overhead costs on the institution reduce the budgetary allocation to loan follow-ups thus giving rise to a delinquency crisis, 80% of the respondents stated that over-reliance on the Management Information System to provide information on performance reports affect loan delinquency, 80% of the respondents agreed that information asymmetry leads to an
increase in the level of delinquent loans, 77% of the respondents indicated that multiplier
effect is a major contributor of loan delinquency, 30% of the respondents stated that interest
rate variation increases the number of delinquent loans while 63% of the respondents
disagreed on the same and the least number of respondents at only 23% agreed that gender
biasness in loan disbursements negatively influence loan delinquency.

The Micro finance Act 2008 of Kenya concurs with the requirement that loans policy and
procedures manual specifying the criteria and procedures applicable in the evaluation,
processing, approval, documentation and release of loan or credit facilities are to be put in
writing by every licensed society. Loans must be disbursed according to the established
credit policy and procedures (Gatimu et.al, 2014). According to Geleta (2012) in his study on
determinants of Non-Performing Loans; a case of Ethiopian banks, he revealed and agrees
that there is need to formulate a prudent credit policy for individual manufacturing firms as
as well as the need for a conducive macro and micro environment in order to synchronize
benefits of using credit facilities to facilitate financial mobilization of firms which can be
likened to institutions also. Therefore formulation of a prudent credit policy for institution is
important to avoid loss of its market to its rivals and improve performance in terms of
development.

5.3.2 Influence of Credit Staff Related Causes

The study determined that several credit staff related causes negatively contribute to loan
delinquency and they include: untrained staff, inadequate credit risk assessment, lenient
credit appraisal techniques, poor loan portfolio management, unethical practices and
excessive pressure exerted on loan officers.

According to the study findings on credit staff related causes, the highest proportion of the
respondents at 87% indicated that training of staff reduces the percentage of occurrence of
delinquent loans, 86% of the respondents agreed that inadequate credit risk assessment
relates positively to the level of loan delinquency, 80% of the respondents stated that lenient
credit appraisal techniques precipitate delinquent loans, 80% of the respondents also
indicated that poor loan portfolio management leads to a greater percentage of delinquent
loans, 70% of the respondents agreed that unethical practices contribute to the growing
volume of delinquent loans and finally 47% of the respondents highlighted that the excessive pressure exerted on the loan officers by management negatively affect their relationship with clients thus increased chances of loan delinquency.

The success of any microfinance institution therefore depends on its employee integrity and its risk mitigation strategies. Government funded Microfinance institutions face many risks that threaten their financial viability and long-term sustainability. Some of the most serious risks come from the internal working environment where the employees are the majority.

According to Gatimu et.al (2014) in their research on assessing institutional factors contributing to loan defaulting in MFIs in Kenya concur that proper credit appraisal means critical analysis of the client’s credit worthiness. The borrower’s credit worthiness is the ability of a customer to pay out the credit as and when due with a comfortable margin of error. Further according to Kairu (2009) in his book on credit management, credit risk is measured most accurately when loans are approved and processed on the basis of five Cs of Credit appraisal: Character, Capital, Capacity, Collateral and Conditions. Loans must be disbursed according to established credit policies and procedures within the stipulated duration. Loan analysis should therefore be guided by the formula: purpose, repayment schedule, amount applied for, collaterals, and terms of loan agreement, interest rate chargeable, applicant’s character and experience that a member and the loanee has to fulfill the purpose of loan borrowed. Credit risk management should include strict delinquency monitoring, loan-loss provision and collection procedures.

5.3.3 The impact of Client Related Causes

The study determined that several client related causes greatly contribute to loan delinquency and they include: unplanned borrowing, diversion of loans, bankruptcy and insolvency, client perceptions, multiple borrowing and employed clientele behavior.

From the study findings on client related causes, 90% of the respondents agreed that unplanned borrowing negatively influences the choice of project for investment thus increased chances of the loan being declared delinquent, 87% of the respondents indicated that diversion of loans contributes greatly to the level of loan delinquency, 80% of the
respondents stated that bankruptcy and insolvency decreases the probability of business success thus increased level of loan delinquency, 80% of the respondents also agreed that a client’s perception towards loan delinquency will influence their decision to either repay or not, 70% of the respondents highlighted that multiple borrowing by clients increase the occurrence of their loans being delinquent and finally only 40% of the respondents agreed that employed clientele tend to be delinquent with their loan repayment due to salary over-commitment.

According to Warue, (2012) in her research on factors affecting loan delinquency in MFIs in Kenya concurs that the following factors fuel loan delinquency: clients borrowing excessively from multiple lenders and then finding themselves unable to pay off their loans, poor client tracking systems; poor collection practices and domestic problems. When a client begins submitting loan repayment installments irregularly, or makes incomplete payments, that acts as a warning sign of potential delinquency.

According to Kairu (2009) in his book on Credit Management, the impact of client related causes on loan delinquency is so detrimental and the causes he mentioned included the following which I have also stated in my study: unplanned borrowing, diversion of loans, bankruptcy and insolvency, client perceptions, multiple borrowing and employed clientele behavior.

5.4 Conclusions

5.4.1 The Effects of Institution Related Causes

The study concludes that institution related causes form part of the major internal causes that affect loan delinquency. The institution influences: the formulation of a clear credit policy manual and clear procedures that guides all the loan processes, budget allocation to all cost centers in the organization, the acquisition of a Management Information System (MIS) that generates accurate loan reports, the distribution and facilitation of information sharing to all customers, the provision of business support services to curb against business failure, the stabilization of interest rates and ensuring equitable distribution of funds to all customers irrespective of gender.
5.4.2 The Influence of Credit Staff Related Causes

From the study we can conclude that the credit staff related causes also form part of the major internal causes that influence loan delinquency. The staff of the microfinance institution greatly influences the characteristics of the loans in the organization’s portfolio. Inadequate staff training negatively affects the quality of the appraised by the credit team, inadequate credit risk assessment makes it difficult to manage the probability or the severity of the different types of risks (Financial, operational and strategic risks), lenient credit appraisal techniques make it difficult to gauge the credit worthiness of the clients, poor loan portfolio management makes the loans disbursed susceptible to loan delinquency or loan defaults which might result to greater financial losses, the unethical practices and pressure on loan officers also compromise on the quality of all loans.

5.4.3 The Impact of Client Related Causes

The study concludes that client related causes have a greater negative impact on the growing volume of delinquent loans. Clients are sometimes ignorant about borrowing and its implication to them and the microfinance institution. Unplanned borrowing makes the client to be in debt and with no future payback plan thus difficulty in repayment, diversion of loans toward personal use are signs of loan delinquency, multiple loans from multiple sources overburden the client with too many financial commitments requiring repayments when they fall due, clients have a wrong attitude about loans that the loans from government funded institutions should be grants thus decide not to repay, bankruptcy and insolvency means the client has no cash flows to settle the financial obligations.

5.5 Recommendations

5.5.1 Recommendations on the Effects of Institution Related Causes

The study found that the institutional related causes affected the level of loan delinquency. It is recommended that the institution should adopt a management style that is well organized with proper credit operations structure, clear allocation of duties, accurate accounting and documentation system, strong policy and systems of communication of procedures and a proper system of measuring portfolio quality and performance.
5.5.2 Recommendations on the Influence of Credit Staff Related Causes

The study found out that the credit staff related causes have a greater influence on loan delinquency. It is recommended that the microfinance institution should: take the staff on training on credit operations and loan portfolio management, employ effective methods in both appraising and tracking of loans, create a risk management framework and culture after mastering the fundamentals of individual risks and formulate a code of conduct to be adhere to by all members of staff.

5.5.3 Recommendation on the Impact of Client Related Causes

The study also found that client related causes have negatively impacted on the level of loan delinquency. It is thus recommended that all clients should be properly screened before on-lending, the MFI should establish an incentive that uses both financial and non-financial incentives to encourage timely repayments, it should also make the consequences of loan delinquency so unappealing to clients such as listing their names with the Credit References Bureaus (CRBs) to prevent further borrowing until settlement of all dues.

5.6 Suggestions for Further Areas of Study

Researchers should conduct more studies and provide more information on loan delinquency. Future research should focus on remedial mechanisms of dealing with loan delinquency. Such studies need to be done on the specific measures that should be employed to dealing with the growing volume of delinquent loans in Government funded Microfinance Institutions.
REFERENCES


APPENDIX 1 – LETTER OF INTRODUCTION

Mercy C. Cheruiyot

P.O. BOX 36496 [00200]

Tel. +254712308878

May 4, 2015

Dear Sir/ Madam,

RE: LETTER OF INTRODUCTION

I am a Masters student at United States International University. I am currently working on my project thesis entitled, “AN ANALYSIS OF CAUSES OF LOAN DELINQUENCIES IN GOVERNMENT MICROFINANCE PROGRAMMES IN KENYA: A CASE STUDY OF THE YOUTH ENTERPRISE DEVELOPMENT FUND (YEDF) IN NAIROBI COUNTY” in partial fulfilment of my degree requirements.

I have chosen your organization as one in which I want to carry out a survey in order to realize the purpose of my study. This because I believe your organization which I am also an employee has staffs that possess the relevant information that will help me determine the answers to my research questions.

The purpose of this letter is therefore to request your assistance and permission to conduct the study in your organization and among staff using a structured questionnaire.

I therefore declare to abide by the university rules and guidelines concerning research undertaking and note that any information that I obtain will be treated with utmost confidentiality and at no instance will it be used for any other purpose other than for this study.

Your assistance will be highly appreciated.

Yours Sincerely,

Mercy Cheruiyot
APPENDIX 11 – QUESTIONNAIRE


SECTION 1: Background Information

Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.

1. What is your Age bracket?
   
   [ ] 20-25 years    [ ] 26-30 years
   
   [ ] 31-35 years    [ ] Over 35 years

2. What is your position in the organization?

   [ ] Regional Coordinator    [ ] Credit Officer
   
   [ ] Assistant Regional Coordinator    [ ] Constituency Officer

3. What is your level of Education?

   [ ] Secondary    [ ] Diploma
   
   [ ] University    [ ] Graduate

4. For how long have you been working with the financial institution?

   [ ] Less than a year    [ ] 1- 3 years
   
   [ ] 3- 5 years    [ ] 5-7 years
   
   [ ] Over 7 years
5. What is the average age bracket of your clients?

[ ] 18-23 years     [ ] 24-29 years

[ ] 30-35 years     [ ] Over 35 years

6. At what level of the organization are you working from?

[ ] Head Office

[ ] Region

[ ] Constituency

7. How long does it take for a loan to be dispersed from the day of application?

[ ] 1-2 weeks

[ ] 2-4 weeks

[ ] 4-6 weeks

[ ] Above 6 weeks

8. What percentage of your loan disbursements were considered delinquent between the years 2007-2014?

<table>
<thead>
<tr>
<th>Period of Delinquency level</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Delinquency level</td>
<td>0-2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2-4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4-6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6-8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION 11: THE EFFECTS OF INSTITUTION RELATED CAUSES

9. In the table below are some of the major institutional related causes that have been identified to affect loan delinquency. Kindly, rank them from the highest to the lowest.

Key: 1= Highest 8 = Lowest.

<table>
<thead>
<tr>
<th>Institution-related causes affecting Loan delinquency</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of well-defined Credit Policy Manual and Procedures</td>
<td></td>
</tr>
<tr>
<td>Over-reliance on the Management Information System</td>
<td></td>
</tr>
<tr>
<td>The Multiplier Effect</td>
<td></td>
</tr>
<tr>
<td>Gender biasness</td>
<td></td>
</tr>
<tr>
<td>Interest rate Variation</td>
<td></td>
</tr>
<tr>
<td>Information Asymmetry</td>
<td></td>
</tr>
<tr>
<td>High overhead costs on the institution</td>
<td></td>
</tr>
<tr>
<td>Other, specify:</td>
<td></td>
</tr>
</tbody>
</table>

Please tick in the appropriate boxes concerning the board characteristics and roles that influence corporate governance practices on a 1-5 scale; 1= Strongly Disagree, 2= Disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree
The effects of institution related causes

<table>
<thead>
<tr>
<th>The effects of institution related causes</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. A credit policy manual and well laid down procedures positively influence loan repayment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Over-reliance on the Management Information System to provide information on performance affect loan delinquency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. The Multiplier effect is one key factor affecting the growing volume of delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Gender biasness in loan disbursements relates positively with high delinquency rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Interest rate variation increases the number of delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Information asymmetry leads to an increase in the level of delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. High overhead costs reduce the budgetary allocation to loan follow-ups thus giving rise to a delinquency crisis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION III: THE INFLUENCE OF CREDIT STAFF RELATED CAUSES

17. In the table below are some of the major credit staff related causes that have been identified to influence loan delinquency. Kindly, rank them from the highest to the lowest.

   Key: 1= Highest 7 = Lowest.
<table>
<thead>
<tr>
<th>Influence of Credit Staff Related Causes on loan delinquency</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Lenient Credit Appraisal techniques</td>
<td></td>
</tr>
<tr>
<td>Pressure on Loan Officers</td>
<td></td>
</tr>
<tr>
<td>Inadequate Staff Training</td>
<td></td>
</tr>
<tr>
<td>Poor Loan portfolio Management</td>
<td></td>
</tr>
<tr>
<td>Inadequate Credit Risk Assessment</td>
<td></td>
</tr>
<tr>
<td>Unethical practices</td>
<td></td>
</tr>
<tr>
<td>Other, specify:________________________________________</td>
<td></td>
</tr>
</tbody>
</table>

Please tick in the appropriate boxes concerning the board characteristics and roles that influence corporate governance practices on a 1-5 scale; 1= Strongly Disagree, 2= Disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree

<table>
<thead>
<tr>
<th>The influence of Credit staff related causes</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>18.</strong> Lenient credit appraisal techniques precipitate delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>19.</strong> The pressure exerted on the loan officers by management negatively affect their relationship with clients thus increased chances of loan delinquency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>20.</strong> Trained staff reduces the percentage of occurrence of delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>21.</strong> Poor loan portfolio management leads to a greater percentage of delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
22. Inadequate credit risk assessment relates positively to the level of loan delinquency

23. Unethical practices contribute to a growing volume of delinquent loans

**SECTION IV: THE IMPACT OF CLIENT RELATED CAUSES**

24. In the table below are some of the major Client-related causes that impact on the growing volume of loan delinquency. Kindly, rank them from the highest to the lowest.

Key: 1= Highest 7 = Lowest.

<table>
<thead>
<tr>
<th>The extent Client-related causes influence Loan Delinquency</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Unplanned Borrowing</td>
<td></td>
</tr>
<tr>
<td>Multiple Borrowing</td>
<td></td>
</tr>
<tr>
<td>Client Perceptions</td>
<td></td>
</tr>
<tr>
<td>Employed Clientele Behaviour</td>
<td></td>
</tr>
<tr>
<td>Diversion of loans</td>
<td></td>
</tr>
<tr>
<td>Bankruptcy and Insolvency</td>
<td></td>
</tr>
<tr>
<td>Other, specify</td>
<td></td>
</tr>
</tbody>
</table>

85
Please tick in the appropriate boxes concerning the board characteristics and roles that influence corporate governance practices on a 1-5 scale; 1= Strongly Disagree, 2= Disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree

<table>
<thead>
<tr>
<th>The impact of Client related causes</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>25. Unplanned borrowing negatively influences the choice of project for investment thus increased chances of the loan being declared delinquent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26. Multiple borrowing by the client increases the chances of the loan becoming delinquent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. A client’s perception towards loan delinquency will influence their decision to repay or not</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Employed clientele are likely to have delinquent loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Diversion of loan is a key factor influencing the level of delinquency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. Bankruptcy and insolvency decreases the probability of business success thus increased level of loan delinquency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

End of the Questionnaire

Thank You for Your Participation
## APPENDIX III: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Units</th>
<th>Price per unit</th>
<th>Budget in Ksh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationery</td>
<td>6</td>
<td>500</td>
<td>3,000</td>
</tr>
<tr>
<td>Printing expenditure</td>
<td>500</td>
<td>5</td>
<td>2,500</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td>1,500</td>
</tr>
<tr>
<td>Phone expenditure</td>
<td></td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td><strong>11,000</strong></td>
</tr>
<tr>
<td>Final project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationery</td>
<td>10</td>
<td>350</td>
<td>3,500</td>
</tr>
<tr>
<td>Printing expenditure</td>
<td>1000</td>
<td>5</td>
<td>5,000</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>Phone expenditure</td>
<td></td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td>Data collection</td>
<td></td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td><strong>39,000</strong></td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td></td>
<td><strong>50,000</strong></td>
</tr>
</tbody>
</table>
# APPENDIX III: IMPLEMENTATION PLAN

<table>
<thead>
<tr>
<th>Activity/ Task</th>
<th>Time Frame/Schedule</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proposal Writing</td>
<td>October 20th</td>
<td>8 weeks</td>
</tr>
<tr>
<td></td>
<td>December 15th</td>
<td></td>
</tr>
<tr>
<td>2. Data Collection</td>
<td>April 20th</td>
<td>2 weeks</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td></td>
</tr>
<tr>
<td>3. Data Entry &amp; Analysis</td>
<td>May 1st</td>
<td>4 weeks</td>
</tr>
<tr>
<td></td>
<td>May 31st</td>
<td></td>
</tr>
<tr>
<td>4. Report Writing</td>
<td>June 1st</td>
<td>8 weeks</td>
</tr>
<tr>
<td></td>
<td>July 29th</td>
<td></td>
</tr>
<tr>
<td>5. Binding and Production</td>
<td>August 10th</td>
<td>1 day</td>
</tr>
</tbody>
</table>