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Effect of Loan Recovery Strategies, Loan Collection Strategies, and Borrower Characteristics on the Repayment of Revolving Funds in Kenya

Joyce Wambura Kinyua[1], Grace Kiiru[2], David Njoroge[3]
[1](Business, Kirinyaga University, Kenya)
[2](Business, Kirinyaga University, Kenya)
[3](Business, Kirinyaga University, Kenya)

Abstract:
Background*: The Kenyan government has established revolving funds, including the Youth Fund, Women Enterprise Fund, and the most recent Uwezo Fund with a 6 billion Shilling budget. the establishment of a development fund by the government with the intention of youths, women, and people with disabilities to venture into self-employment is significant to a country's development. Besides, there is need for the government to integrate approaches if they want to tackle unemployment issues sustainably. Unfortunately, the revolving funds have all been plagued by low loan repayment and recovery rates, thereby affecting their performance. The youth Enterprise Fund had advanced over Kshs. 11.8 billion to about 880,000 youth enterprises, some directly and others through partnering financial intermediaries in the country. However, according to the Youth Enterprise Fund Status Report, out of Kshs. 442,872,291.90 granted to the youth as at November 2011, the repayment was only Kshs. 149,751,560.40 which translates to a 33.8 percent repayment rate (YEDF, 2012). The Kenyan Government has a range of policies to enable SMEs owned by the youth and women, to come into existence and to grow. The circulating funds loaning procedure in Kenya targets all types of youth and women owned businesses, whether they be individuals, corporations, organizations, cooperatives, or something else entirely. Any youth and women owned business operating in the district is eligible for the loan. Prior to funding a business proposal, the lending policy takes into account the target audience, eligibility and loan selection procedure, loan assessment and eligibility amount, documents required, pricing, reimbursement method and duration, validation stipulation, amount, and nature of leverage for secured debt, and required documentation. This study examines the effect of loan recovery implementation strategies, loan collection strategies, andthe moderating effect of borrower characteristics on the relationship between loan recovery strategies and repayment performance of revolving funds in Kenya.*
Materials and Methods*: The study focused on the government revolving funds in Kenya that were disbursed from 2010 to 2019, and it was carried out within 18 months from January 2020 to June 2022. The target population was 181 Youth officers in the constituencies and WEF Officers in the 47 counties.SPSS version 23 was used to analyse data. Purposive sampling was used to obtain the sample size and questionnaires were used to collect the data.*
Results*: The collection budgethad a negative effect and not significant to the rate of repayment performance, (-1.953, P-0.094). It implies that an increase of collection budget by one shilling the rate of repayment performance decreases by 1.953, all other factors kept fixedNumber of employees employed to collect arrearshad a positive effect and not significant on the rate of repayment performance, (coefficient 1.28, P-0.350). It means that an increase in number of employees for collection with one, the rate of repayment performance increases 1.28 times.The results show that, the credit risk training had a negative effect and not significant on the repayment performance (coefficient -2.174, P- 0.28). It means that if credit risk trainings are increased by one, the rate of repayment performance decreases 2.174 times when all other factors are kept fixed.The 3rd party services, had a positive effect and not significant on the repayment performance, (coefficient 2.587, P-0.389). It means that, an increase in 3rd party service providers by one, increases repayment performance 2,174 times, all other factors held constant. Number of external debt collectors involvedhad a negative effect and not significant on rate of repayment performance (coefficient -3.889, P-0.133) meaning, increase in number of external debt collectors by one, decreases the rate of repayment performance by 3.889 times.All individual characteristics have positive effect and not significant to the repayment performance.*
Conclusion:*loan recovery implementation strategies and collection strategies have no significant effect on repayment performance. However, borrower characteristics have positive effect, but were not significant to the repayment performance*
Key Word*: Loan recovery, loan collection, borrowercharacteristics, revolving funds, loanperfomance*

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I. Introduction

Loan Recovery Implementation Strategies

The first step for the collection of loans is to ensure that both the employees and board of management understand the risk appetite. The firm needs to allocate necessary resources required to ensure the success of collection. Proper understanding of the risk appetite and proper utilization of resources forms a basis of performance appraisal on the employees by the management. The study further acknowledges that the most crucial step after a collection strategy is in place, is outlining it in terms of clear procedures. Their study advocates for visual work flow maps to elaborate the collection strategies in sequential steps. Aryeetey (2005) addressed microenterprise growth in third world countries, indicating that it was hindered by restrictions among them being lack of suitable co-ordination related with credit processing, inadequate credit portfolio, increased interest rates, managerial challenges, and low repayments

Meyer (1986) analyzed the concepts and measures of rural loan recovery. The researcher noted that rural loan recovery was a basic issue that affected the effective performance of financial institutions. However, the study revealed that minimal attention had been paid in monitoring loan recovery performance and that delinquency and default issues had always been swept by those interested with the flow of subsidized agricultural loans. Thus, the study was conducted to illustrate the concepts and measures that analyze loan recovery challenges. Several full-time staff members who worked in rural finance offices were given a set of loan data and required to develop loan recovery statistics. The study established numerous statistics for loan recovery just like the number of staffs who participated in the study. It was established that measures, such as collection ratio affect non-repayment. The study concluded that monitoring loan recovery is essential in a financial institution. Failure to implement loan recovery strategies leads to widespread loan delinquency and defaults which has the likelihood to deteriorate the performance of financial institutions. The study recommended that managers and policy makers should have accurate information on loan recovery to make informed decisions about their financial institutions. The researcher recommended further investigations on measuring and analyzing loan recovery strategies to ensure policy makers in financial institutions make informed decisions. The current study will explore the effect of loan recovery implementation strategies on repayment performance.

Ayanda and Ogunsekan (2012) surveyed the opinion of farmers in repaying loans that have been obtained from Bank of Agriculture, Ogun State, Nigeria. Farmers who obtained loans from Bank of Agriculture were used as the respondents in the study. A sample size of 120 farmers was selected for the study using a multi-stage sampling technique from four Local Government Areas of Nigeria. Data was collected through structured interview schedules that were administered to the farmers. Descriptive statistics, such as percentages and mean were used for data analysis. Inferential statistical tools, such as Pearson Moment Correlation were used in analyzing the study results. The study found out that most farmers were not able to repay their credit due to delayed farm outputs, high interest rate, and weak loan recovery strategies by the bank officials. Also, most farmers desired to use a guarantor as a collateral since it was the best accessible security for them. The study recommended that bank officials ought to advance their efforts in recovering loans and enlighten farmers that the loans given to them are not grants, hence they should repay them with the specified interest so that other loanees can profit from the credit. The study revealed that there existed a positive connection between implementation of loan recovery strategies and repayment performance. Therefore, the current study will further investigate loan recovery strategies and their impact on repayment rates of revolving funds.

Loan Collection Strategies

In an Economy like the USA where credit is heavily relied upon for all sectors, debt collection is a well-structured industry. This study reported that creditors across the country relied on third party debt collectors to recover loans. This was seen to have a positive relationship with creditor behavior as it allows them to offer better priced loans to well paying customers. This acts as a motivator to borrowers and therefore the finance industry is performing better than the developing world. Fedaseyeu (2015) studied the enforcement of debt collection and posited that third party debt collectors may improve opportunistic borrower behavior who only pay when faced with harsh collection practices.

Jassaud and Kang (2015) discussed the weaknesses to resolving non-performing loans in Italy and the strategy that would be adopted to foster a market for restructuring distressed assets that could support corporate financial reforms. The researchers' work was aimed at relieving banks the burden of debt collection and security foreclosure by influencing financial expertise and enhancing recovery of bad loans. The paper analyzed the current state of nonperforming loans in Italy and the reasons behind the slow pace on non-performing loans resolution. It was concluded that timely removal of bad debts improved Italian banks' balance sheets and supported new lending. Also, the strategies recommended for loan collection included removing financial impediments for writing off bad loans, improving the insolvency framework, and encouraging out of court workouts. These strategies would enable banks to dispose their bad debts and adopt reforms that would promote corporate restricting. The study suggested creation of a market for restructuring and selling non-performing loans to ensure a comprehensive strategy for addressing the problem of unrepaid loans. Additionally, a non performing loan strategy should be formulated to enhance banks remove obstacles that hinder selling off bad debts. The study highlighted the strategies that financial institutions should adopt to minimize non-performing loans. Therefore, there is need to examine the impact of loan collection policies on repayment performance of revolving funds.

Stijepovic (2014) used a Podgorica approach to analyze recovery and reduction of nonperforming loans. The approach was employed to minimize the negative impact of non-performing loans on loan portfolio within the banking sector. Podgorica approach aimed at reinforcing financial stability in the banking sector, supporting debtor's recovery, and enhancing economic growth. The study revealed that lending institutions should analyze borrower's financial situation and consider the possibility of restructuring the loans. Loan restructuring is collection strategy that involves financial, corporate, and business reforms. Financial restructuring plan involves assessing borrower's financial information, collateral valuation, and the client's sustainability of repaying total loans owned. Restructuring measures should include extending repayment period, decreasing interest rates, reducing the loan principal, renewing loans, and allowing provision of additional collateral from third parties. Additionally, the Podgorica approach advocates exemption of clients from VAT and income tax, reduction of doubtful debts, and write-off of loans with a possibility of non-performance. Based on the study's experimental research, it was concluded that effective results of restructuring were achieved through resolving all past due loans. Apart from financial and corporate reforms, the lending institutions should implement business structures and contraction strategies. The study recommended that the legal framework of lending institutions should be strengthened to enforce debt reforms, loan collection strategies, and liquidation of companies. Also, advisory centers should be created to allow loanees to be educated and have contacts with banks so that they can resolve repayment problems before they escalate. Based on the study's recommendations, the current study will examine loan collection strategies and their effect on repayment performance.

He et al. (2015) proposed a technique for identifying the implication of collection effects and measuring their degree on client term loans. The study employed a Markov chain model to quantify the magnitude of collection effects. The quantification process involved two steps; conducting a Chi-square test to detect the noteworthy difference on the probability distribution while collecting or not. The second step was a regression analysis and a t-test that was conducted to measure the extent of collecting loans from customers. Data was collected from interviewing administrators of three automobile financing corporations, including the Chinese automobile loan financing firm. The study concluded that extending or renewing the terms of delinquent loans that are almost defaulted was a significant collection strategy. Extending loan term would mean allowing the loanees to pay the defaulted amounts for longer periods without penalizing them and at constant interest rates. Similarly, renewing loans meant issuing the loanees the outstanding loan afresh with new repayment terms and interest rates. The study recommended future research to investigate the effects of renewing and extending loans on defaulted loans. Therefore, the current study will consider the aforementioned strategies while studying the effect of loan collection techniques on repayment performance.

Borrower Characteristics

Borrower characteristics includes individual's age, marital status, family size, and years. Education has proved to be essential when dealing with administration roles, strategic planning, investment as well as marketing. Additionally, communication skills are a key factor to any business activity. The overall human skills of a businessperson normally enrich them with the knowhow, skills, and problem-solving competences, which are applied across different situations. The moderating variable, Borrower characteristics was measured by age, marital status, and family size. The study analyzed the moderating impact on both dependent and self-sufficient variables based on the lender's perspective. Data from the lenders' non- performing loans was applied in investigating the controlling impact on the relationship between borrower characteristics and repayment of revolving funds.Kibrom (2010) examined the characteristics of borrowers, loans, and projects that established the factors which enhanced borrowers' performance on repaying their loans in Development Bank of Ethiopia North Region. The study used a probit model to identify the factors. A stratified random sampling method was used to gather data. Primary data was collected by use of open-ended and closed questionnaires while secondary data was collected from relevant documents in head and regional offices. Primary data recorded included beliefs, perceptions, attitudes, and opinions of the bank customers, while secondary data included publications, annual reports, and any other appropriate documents within the bank. The total participants were 100 borrowers, and 17 of them were defaulters while 83 were successful. The study established that young borrower were productive and successful in repaying their loans while the older were less productive and more likely to default. Also, borrowers who had high education level had high repayment rates. Borrowers who had other credit sources had higher chances of defaulting while those with single source were successful on loan repayment. Therefore, repayment performance of revolving funds depended mainly on age, education level, and availability of credit sources.

Murthy &Mariadas (2017) carried out a study in Shah Alam, Selangor, to establish the factors that made borrowers to default repaying their loans in micro finance institutions. The study employed a quantitative research methodology due to positivist assumption with objectivist epistemology and realist ontology. Data was gathered through the use of questionnaire and face to face interviews. A statistical package for social sciences (SPSS) software was then used to test reliability, linearity, normality, pilot study, correlation analysis, descriptive analysis, and multiple regression analysis of the data. The findings indicated that there existed a positive correlation between the defaulting of loan repayment and the nature of business operated. However, a negative correlation existed between defaulting of loan repayment and the age of borrowers. Also, the study established that the relationship between repayment schedule and loan repayment defaulting was negative, as well as the relationship between the defaulting of loan repayment and fund diversion by borrowers. The study recommended further research to be conducted on other independent variables such as macroeconomic variables and the characteristics of institutions that influence the defaulting of loan repayment.

Emekter et al. (2015) evaluated loan performance and credit risk in online peer-to-peer (P2P) lending. The study obtained a detailed descriptive data of the borrowers between 2007 and 2012 from 61,451 loan applicants in a lending club. The applicants borrowed round $713 million from the lending club over the study period. The research examined the reasons why the loan applicants borrowed the money to establish the characteristics of borrowers. The lending club summarized the self-claimed reasons behind the borrowing as follows: About 70% of the borrowed loan was associated with credit card debts, which was approximated to be $108 million, and debt consolidation, which was approximated to be $387 million. The total number of loan applicants for vacation, renewable energy, and education contributed to less than 1% of the total loan applications, which ranged between 1 and 3 million. According to the borrowers, their borrowing characteristics were mainly contributed by various factors. First, they had low rate of borrowing and were not able to borrow enough loans from credit cards. Secondly, they needed money to re-model their homes or pay mortgage. Therefore, the characteristics of borrowers enabled the lender to foretell if a certain client is less or more likely to default.

Dungey et al. (2012) conducted a study to examine the extend of the role in which borrower characteristics have in establishing the choice of mortgage product. The researchers used 600,000 mortgage applications from 2003-2009 as a database to a major Australian bank. The data contained information at mortgage origination that was given to the bank, with the borrower identity being excepted. The study established that the applicants who were under 30 were much unlikely to choose adjustable-rate mortgages (ARM) compared to the benchmark older applicants who more likely preferred ARM. Additionally, female applicants were unlikely to take ARM products, which potentially had lower financial literacy and greater female risk aversion consistency. Also, it found out that when offering products, the bank treated both male and female applicants equally, but characteristics such as higher dependent numbers and lower average education and income generally showed how female applicants took lower average level of mortgages. Applicant with co-borrowers or those who were married did not portray any statistically fundamental change in their likelihood of choosing an ARM compared to the single benchmark applicants despite having potentially higher risk aversion. However, the likelihood of choosing an ARM product decreased by the presence of young dependent children. First-time borrowers were found to marginally have ARM product preference than complex mortgage (CM) product. First-time home owners had less work experience, lower income, and made low down payment. Thus, the results obtained indicated a strong validation of the signs that were theoretically expected on the mortgage choice of borrower characteristics.

II. Material And Methods

The study focused on the government revolving funds in Kenya that were disbursed from 2010 to 2019, and it was carried out within 18 months from January 2020 to June 2022. The target population was 181 Youth officers in the constituencies and WEF Officers in the 47 counties.

Study Design: Correlation research design

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

Study Duration: January 2020 to June 2022.

Sample size: 181 respondents.

Sample size calculation:

S = X2 N P (1 - P)

d2 (N - 1) + X2 P (1 – P)

Where:

S = required sample size

X2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

N = the population size

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

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

Source: Krejcie and Morgan, 1970

S = 3.8412*337*0.5 (1 – 0.5

0.052 (337 - 1) + 3.8412 0.5 (1 – 0.5)

S ≅181

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

Inclusion criteria:

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

Procedure methodology

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

Statistical analysis

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

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

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

III. Result

Table 1.0 Response Rate

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

Missing	System	2	1.1
Total		183	100

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

Table 2.0 Years of Experience

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

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

Measures of Independent Variables

Loan Recovery Implementation Strategies

Table 3.0 Collection Budget

	Kshs.	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	100000	131	71.6	72.4	72.4
	500000	44	24	24.3	96.7
	500000- above	6	3.3	3.3	100
	Total	181	98.9	100	

(Source: Research data, 2021)

The results in table 3.0 shows that 72.4% of the respondents indicate that budget for loan recovery strategies should be Kshs. 100,000 while 24.3% of the respondents indicate Kshs. 500,000 and 3.3% indicate kshs.500000 and above.

Table 4.0: Loan Recovery Department Employees

No. of employees		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	8	4.4	4.4	4.4
	1	155	84.7	85.6	90.1

	2	13	7.1	7.2	97.2
	3	5	2.7	2.8	100
	Total	181	98.9	100	

The results in table 4.0 shows that 85.6% of the respondents indicate that there are one staff per department hence likelihood of not able to do as required.4.4% of the respondents affirms that some departments don't have not even one hindering loan recovery hence resulting to poor repayment performance.

Table 5.0: Collection Employees Training Frequency

No of trainings		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	1	0.5	0.6	0.6
	1	130	71	71.8	72.4
	2	24	13.1	13.3	85.6
	3	16	8.7	8.8	94.5
	4	8	4.4	4.4	98.9
	5	1	0.5	0.6	99.4
	6	1	0.5	0.6	100
	Total	181	98.9	100	

The results in table 5.0 shows that 71. 8% of the respondents indicate that the loan officers are trained only once on loan collection. Aryeetey(2005) noted that micro enterprise development in third world countries was hampered by constraints including limited loan portfolio, administrative problems and lack of proper coordination associated with loan processing, high interest rates and low repayments.

Moderating Variable- Borrower Characteristics

Table 6.0: Age and Commitment to Pay Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	51	27.9	28.2	28.2
	disagree	12	6.6	6.6	34.8
	somewhat disagree	15	8.2	8.3	43.1
	neutral	15	8.2	8.3	51.4
	somewhat agree	15	8.2	8.3	59.7
	agree	29	15.8	16	75.7
	strongly agree	44	24	24.3	100
	Total	181	98.9	100	

The results in table 6.0 shows that 28.2% of the respondents strongly disagreed that age affects loan repayment while 6.6% of the respondents also disagreed that age affects loan repayment. Eze and Ibekwwe (2007) posited that higher education and young age are positively related to high loan repayment performance.

Table 7.0: Marital Status and Commitment to Pay Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	46	25.1	25.4	25.4
	disagree	20	10.9	11	36.5
	somewhat disagree	19	10.4	10.5	47

	neutral	11	6	6.1	53
	somewhat agree	17	9.3	9.4	62.4
	agree	34	18.6	18.8	81.2
	strongly agree	34	18.6	18.8	100
	Total	181	98.9	100	

The results in table 7.0 shows that 25.4% of the respondents strongly disagreed that marital status affected loan repayment while 6.1% are neutral. When you average the respondents who have disagreed are 46% less than those who have agreed 47%.

Table 8.0: Family Size and Commitment to Pay Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	48	26.2	26.5	26.5
	disagree	14	7.7	7.7	34.3
	somewhat disagree	17	9.3	9.4	43.6
	neutral	7	3.8	3.9	47.5
	somewhat agree	31	16.9	17.1	64.6
	agree	24	13.1	13.3	77.9
	strongly agree	40	21.9	22.1	100
	Total	181	98.9	100	

The results in table 8.0 shows that 44% of the respondents disagreed that family size affect commitment to pay loan.3.7% are not sure while 53% agree that family size has some effect on repayment performance.

Table 9.0 Regression Results

				No of obs.		181
				F(13,167)		112.633
				Prob>F		0
				R squared		0.898
				Adj R squared		0.89
				Root MSE		7.977
Co-efficient				Durbin Watson		1.62
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-19.254	3.396		-5.67	0.000
	Loan collection Budget allocation	-1.953	1.159	-0.043	-1.685	0.094
	HR Loan Recovery Department	1.28	1.365	0.025	0.938	0.350
	Credit risk Management training for employees	-2.174	0.979	-0.085	-2.22	0.028
	Number of CRBs engaged	2.587	2.997	0.027	0.863	0.389
	number of debt collectors engaged	-3.889	2.577	-0.047	-1.509	0.133

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

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

The results show that, the credit risk training (X8) had a negative effect and not significant on the repayment performance (coefficient -2.174, P- 0.28). It means that if credit risk trainings are increased by one, the rate of repayment performance decreases 2.174 times when all other factors are kept fixed.
The 3rd party services, (X9) had a positive effect and not significant on the repayment performance, (coefficient 2.587, P-0.389). It means that, an increase in 3rd party service providers by one, increases repayment performance 2,174 times, all other factors held constant
Number of external debt collectors involved (X10) had a negative effect and not significant on rate of repayment performance (coefficient -3.889, P-0.133) meaning, increase in number of external debt collectors by one, decreases the rate of repayment performance by 3.889 times.

Table 10.0 Regression Analysis Results on Moderating Effect of Borrowers Characteristics

				No of obs.		181
				F(16,164))		92.565
				Prob>F		0
				R squared		0.9
				Adj R squared		0.89
				Root MSE		7.943
Co-efficient				Durbin Watson		1.622
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-21.334	3.566		-5.983	0
	Loan collection Budget allocation	-1.731	1.162	-0.038	-1.49	0.138
	HR Loan Recovery Department	1.501	1.381	0.029	1.087	0.279
	Credit risk Management training for employees	-2.037	0.98	-0.08	-2.08	0.039
	Number of CRBs engaged	2.51	2.996	0.026	0.838	0.403
	number of debt collectors engaged	-3.437	2.625	-0.042	-1.309	0.192
	Age and commitment to pay loan	0.232	0.287	0.023	0.809	0.42
	Marital status and commitment to pay loan	0.259	0.326	0.025	0.796	0.427
	Family size and ability to pay loan	0.21	0.319	0.021	0.658	0.511

The results in table 9.0 shows the moderating effect between borrower characteristics and repayment performance of revolving funds in Kenya. Client appraisal strategies remained positive and significant on repayment performance of revolving funds in Kenya. Loan default period had a negative relationship and insignificant as before (coefficient -2,461, P-0.055). Loan monitoring visits remained positive and significant (coefficient 2.043, P-0.000). The frequency of demand letters was positive and insignificant (3.018, P-0.048). Arrears report results was positive and significant on repayment performance (coefficient 9.594, P-0.00).

All individual characteristics have positive effect and not significant to the repayment performance. Age (X11) (coefficient 0.232, P-0.42), Marital status (X12) (coefficient 0.259, P- 0.427), and Family size (13) (coefficient 0.21, P-0.511). It implied that age, marital status, and family size had a positive relationship but not a commitment to pay any loan.

IV. Conclusion

The study findings concluded that loan recovery implementation strategies were not significant to the repayment performance of revolving funds. The various debt recovery strategies used by financial institutions include training the relationship officers, securing loans, visiting customers, and informing them to pay loans (Migwi, 2013). Debt recovery strategies are significant in shaping an organization's future, but they should be efficient and maximize resources at the possible lowest cost. This study established that the collection budget had negative effect on the rate of repayment performance. Besides, information asymmetry and moral hazard which are only known to the borrower determines their capacity to repay the loan. This study's findings are similar to Sungunya (2018) who found an insignificant relationship between loan recovery implementation strategies and repayment performance.

This study concluded that loan collection strategies were insignificant on repayment performance of revolving funds in Kenya. The debt collection strategies used included credit risk training, third party services, and external debt collectors involved. The aforementioned strategies had negative and insignificant effect on repayment performance. The effectiveness of debt recovery strategies depends on the resources required to collect the loan. When the loan collection strategies use more resources, the implementation will not be significant on the repayment performance. The study supports Gichimu (2013) who conducted a study on credit reference bureaus, loans advancement and recovery performance by the higher education loans Board of Kenya and recommended a study to be done to determine the effect of use of CRBs services on repayment of non-performing loans in financial institution.

The study concluded that moderator effect of borrower characteristics had positive but insignificant effect on the repayment performance. Age, marital status, and family size positively affects the repayment performance but do not increase the commitment for the borrower to pay the loan. According to Mungai (2009), marital status does not have a positive relationship on loan repayment. However, family size is critical in influencing loan repayment (Sigei, 2017). Similarly, Eze &Ibekwwe (2007) posited that higher education and young age are positively related to high loan repayment performance. Thus, moderator effects do not significantly affect repayment performance of revolving funds.

The study recommended that effective loan recovery implementation strategies should be adopted to enhance repayment performance. Financial institutions should use credit score cards to monitor and recover loans and determine a borrower's credit worthiness since employing workers to collect arrears did not influence client's repayment performance. Financial institutions should create good customer relations to minimize bad debts and huge financial losses since repayment performance is about moral hazard and information asymmetry.

Additionally, the government should engage the external debt collectors, such as Credit reference bureaus to ensure borrower's compliance in repaying loans. Credit reference bureaus will enable the lenders to obtain key client information which will enable them make informed decisions. Besides, the private agencies help in processing loans and determining the amount to award a borrower. If the success on loan recovery is to be achieved the management need to put in place a clear policy on recovery and specific penalty for defaulters to ensure good repayment performance

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