Factors Affecting Credit Management in Microfinance Institutions in Kenya: A Case of "J B" Bank

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***Abstract*: The core focus of this study was to investigate the factors affecting credit management in microfinance institutions in Kenya. This effect of poor credit and loan performance has led to collapse of financial institutions and poor individual credit rating in Kenya. The main objectives were to find out effects of technical competency, information technology, finance, credit terms and government policy on credit management in microfinance institutions in Kenya. The study covered a population of 125 personnel in "J B" Bank, Head Office and used stratified random sampling where 50% of the entire target group formed the sample size (62) of the study. Data was collected from both primary and secondary sources by means of feedback form and literature analysis correspondingly to get comprehensive facts. The findings were presented using graphs, pie charts, and table diagrams separately subject to the methods used. Based on the findings the study reveals that technical competency affects credit management at a very high rate. Most of the respondents cited that it is significant for the organization to have employees who are trained with IT basic knowledge and leadership skills. Majority of the respondents agreed that credit terms affect credit management in microfinance institutions in Kenya and they rated its effect in microfinance institutions in Kenya. It was found out that finance is very vital in providing smooth flow of services. Based on the findings the study also reveals that government policy affects credit management in microfinance institutions in Kenya at a very high rate. The researcher suggested that the organizations should be in a position to improve the competency of personnel. It was recommended that in the crucial work of private managers involving discretion and advice, as well as policymaking, that the ethical standards of credit management in microfinance institutions assume particular significance.**

***Keywords:* Micro Finance Institutions, Credit Terms, Finance, Government Policy, Information Technology, Technical Competency**

I. INTRODUCTION

According to Anderson (2015), Micro Finance Institutions are progressively a central source of credit for the poor in many countries. Microfinance Institutions are those institutions which provide micro-credit, savings, and other services to the productive poor, together in the urban and rural settings.

According to Habil (2015) stated that some of the factors that lead to credit management default include; inadequate or non-monitoring of micro and small enterprises by banks, leading to defaults, delays by banks in processing and disbursement of credit finance of funds, over-concentration on decision making, where all credit managements are required by some MFIs to be sanctioned by Area/Head Offices. The distinctive repayment schedule given by an MFI includes weekly repayment beginning one to two weeks after credit management disbursement. Weekly collection of repayment installments by bank personnel is one of the main features of micro-finance that is believed to lessen default risk in the absence of collateral and make lending to the poor accessible. In addition, frequent meetings with a credit management officer may improve client trust in credit management officers and their willingness to stay on track with repayments (Kenneth, 2013).

It is reasonable to expect that an impressive credit management repayment rate would be beneficial to both the micro-entrepreneurs and credit management institutions. On the part of the farmers good credit ratings would definitely entice more credit management s with which to procure improved inputs and technology. In such situation, competence will advance as well as profitability and these are capable of elating them out of the vicious circle of poverty. For the financial institutions, which depend mainly on interest income for their institutional growth, prompt credit management repayment would mean enhanced profitability and robust growth (George, 2014).

Technical Competency

Strategic technical competency is multifunctional that includes managing through others and support organizations cope with change that appears to be increasing exponentially in today's globalized business environment. It serve no purpose to talk about things that need to change, while no effort is made by management to ensure that personnel understand and support the change to avoid its negative effect on credit management in microfinance institutions. According to Robinson Birdi, K. (2013) Technical competency is defined as a combination of practical and theoretical knowledge, cognitive skills, behavior and values used to improve performance; or as the state or quality of being sufficiently or well skilled, having the ability to accomplish a specific role.

Information Technology

This is the use of electronic technology to support information, process activities, data collection and storage. The use of technology in the company is critical because technology makes the company reach a wider range of customer within a short period. The more the business advances in technology the more it becomes competitive. Embracing Technology has also led in expansion of the realm of the business opportunities. Proper Training and well planned deployment of IT can determine an organizations growth. According to Kathy Schwalbe (2015) she defines information technology as Information technology (IT) is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data.

Credit Terms

A credit policy has a straight result on the cash flow of the business that is a credit policy that is very strict chases away potential clients which eventually cause the decrease in profitability of the business. Steven M. Bragg 2017 defines credit terms as a set of principles that a financial institute or business uses in determining who it will lend money to or gives credit.

Finance

Finance is the art and science of management of money. Finance deals with the process institutions, market and instructions concern in the transfer of money between individuals, business and governments. The finance sourced by the organization should be used by the organization to widen their operations so that they can maintain their standards therefore affect credit management in microfinance institutions. According to Mihir Desai (2017), finance is defined as the structure that includes the circulation of money, the granting of credit, the creating of investments, and the delivery of banking facilities.

Government Policy

Government policies are fundamental organization tools which provide a basis of checklist for work, activities so as to ensure that each time a certain task is undertaken and completed in a uniform and objective way hence affecting credit management in microfinance institutions in Kenya. Kerwin and Scott R. Furlong (2018) define Government policy as the general principles by which a government is guided in its organization of public affairs, or the legislature in its procedures.

Statement of the Problem

Poor credit repayment in developing countries has become a major problem, especially to smallholders who have limited collateral capabilities (Japrie, 2014). Credit management function is aimed at ensuring that customers service their Loans within the defined payment terms. Defaulters lead to a loan system failure of Liquidity due to late loan repayment or written off credit. Its advisable microfinance and other lending Agencies to implement appropriate lending strategies and credible credit policies

High default rate discourages the microfinance institutions from refinancing the defaulting members, which put the borrowers into vicious circle of low productivity. The lenders are forced to ask for Collateral to secure loan issued thus limiting the access of Loan facilities to the Small and Micro enterprise Customers. This research therefore aims to establish factors affecting credit management in microfinance institutions in Kenya.

Objectives of the Study

1. General Objective

The general objective of the study was to determine factors affecting credit management in microfinance institutions in Kenya.

2 Specific Objectives

i. To establish, the effects of technical competencies on credit management in microfinance institutions in Kenya.
ii. To evaluate, effects of information technology on credit management in microfinance institutions in Kenya.
iii. To determine, the effects of credit terms in credit management in microfinance institutions in Kenya.
iv. To determine, the effects of finance on credit management in microfinance institutions in Kenya.
v. To assess the effect of government policy on credit management in microfinance institutions in Kenya

II. LITERATURE REVIEW

Technical Competency

In contemporary years, great concern has been revealed for the strategic contribution of the human resource and its effect on firm‘s performance .The debate has led to the creation of a resource-based model of human resource management ,identifying human resource as being responsible for growing organizational success and a realistic indicator for the improved organizational usefulness (Kakabadse, 2014).

Training is of growing importance to organizations looking to achieve its strategies. There is important debate between professionals and scholars as to the touch that training has on both employee and organizational objectives. One school of thought says that that training has result to growth in turnover while the other states that training is a tool to that can result to higher levels of employee holding in implementation of strategies. The number of formal learning hours per employee similarly rose from 26 hours in 2013, to 32 hours in 2014 (atsd.com, 2015). As the investment in numerous of training programs remain to rise, it becomes even very authoritative for employers to know the effect that training has on their attainment of strategies.

A survey with about over 300 senior executives dealing with human resource, product quality, and operations at U.S. and European companies with revenues of more than $1 billion carried out by Convergys Corporation (CVG) showed that 65% of corporate executives uttered that in order to get a competitive advantage in today‘s varying markets, elastic workforce was essential. Yet, those executives said that retaining key talent was somehow a challenge because of companies did not have the greatest systems put in place to identify skilled employees. They also added that less training and development programs used to be given to their strategic employees; a lot of training and development programs should be offered to those employees to assist them stay current in the industrial and market trends and technological innovation (CVG, 2014).

In a survey of 18 companies in Hong Kong, Malaysia, Indonesia, South Korea, Taiwan and Singapore, recognize that 60% of the firms begin training programs to address the skill absences in their companies for successful implementation of strategies. (Dockery, 2015) propose that training should be taken in a wider strategic context; the researcher firmly stated that training is a very important tool in the execution of innovations and other business changes. In the similar study, Dockery obtains that a higher training frequency in firms, which had a formal strategic or business plan and showed formal performance comparisons with other firms (Nikandrou, 2017).

According to Matilda (2014), Greek firms, with acquisition experience, in managing their personnel and found that increased human resource involvement in building organizational capability through training and development activities was one of the main strategic human resource practices implemented by those companies. (Sium, 2016) found a statistically important positive relationship among the strategic integration of training in the firm‘s business strategies and the extent to which training add to the firm‘s innovation. (Chemers, 2014) defined Meta cognition as "thinking about thinking." As Anderson states, using Meta cognitive strategies initiate one’s thinking and can cause to higher level of learning and good performance. Furthermore, understanding and monitoring cognitive process may be one of the most essential skills that tutors can assist second language learners develop.

One of the most significant workforce training strategies is to appraise effectiveness of strategy use. Self-questioning, debriefing discussions after strategies practice in which workers keep the records of the results of their learning strategies applications, and checklists of strategies used can be used to obtain a chance to the student to reflect through the cycle of learning. At this stage of cognition the whole cycle of planning, selecting, using, monitoring and orchestration of strategies is evaluated. It should be known that different cognitive skills cooperate with each other. The components are not used in a linear fashion. More Meta intellectual process along with cognitive ones may be working during a learning task (Anderson, 2014). Therefore, the orchestration of various strategies is a vital component of training. Allowing employees training opportunities, and talk about how they bring together most of strategies enables strategy use .It has been proposed that learning strategy teaching may assist the learners in three ways: firstly, learning strategies instruction can help students to be good learners, secondly, skill in using learning strategies assists them in becoming independent and confident learners, and finally, they become motivated as they start to understand the relationship between their use of strategies and success in training.

To approve this statement, an abundant form of research has been carried out in current years. "Strategy training can improve both the process of language education (the strategies or behaviors learners use and the sentimental elements involved) and the product of language learning (changes in students' language performance)." Skilled employees who use strategy training frequently become passionate about their roles as facilitators of strategies achievement. Strategy training contributes to be more learners oriented and more aware of their strategic needs. Furthermore, as it has been proposed by some researchers one of the areas that training could help their employee in relation to learning strategies could be to acquaint them with diverse verbal learning strategies, which would lead to more self-sufficiency in students. Besides, most of the trainings in learning strategies have focused on identification, narrative and cataloguing of learning strategies used by learners. As a result, more attention should be paid to finding whether strategies used by fruitful employees can be communicated to ineffective students, and if so, what instructional methodologies tutors would use to instil the strategies (Papalexandris 2017)

Since, managers are mostly involved in the strategic construction of the policies and practices of the firm. Thus, arguably Credit terms, globalization, and continuous change in the market and technology form the principal reasons for the revolution of training of workforce to a current strategic role .It is aptly noted that whilst '.traditional workforce training ideas emphasize solely on physical skills concern for individual efficiency and quality and lastly workforce as management adversary. The traditional perspective on management gives more attention to task ‘at the expense of people and their development as strategic possessions of the organization. To go further to contend that human resource not only must focus on business level outcomes but also it must transform itself into a strategic core competency rather than a market follower. Accordingly, focus is shifted on to strategic instead of functional competencies, emphasizing on the most important missing element in the human resource functional expertise- a system perspective (Haerder, 2013).

The training system that develops and preserves a firm‘s strategic infrastructure should be careful be an investment. Human resource training therefore, compost of an essential element of the infrastructure that assists in this value creation process and one which acts as a potential strategic lever for

the organization. This system level look at the consistent with the development of a conceptual training rationale for the creation of a strategic influence and as such has been mentioned to as a high performance work system. Moreover, it has been suggest that a training system produces employee behavior that is directed to the key business priorities, which in turn drive profits, growth and ultimately market value. It is hardly surprising to learn that how changing market conditions have rendered many of the traditional sources of competitive advantage, such as patents, economies of scales, access to capital and market regulations, less important in the current economic environment than they had been in the recent past (Harbrick, 2015).

Information Technology

The term technology states to the creation, modification, using, and knowledge of tools, machines, techniques, crafts, systems, and methods of organization, so that to resolve a problem, advance a pre-existing solution to a problem, attain an objective, grip an applied input/output relation or do a specific function you can refer it as collection of such tools, including machinery, modifications, arrangements and procedures. Technologies expressively affect human as well as other animal species' ability to regulate and familiarize to their natural surroundings. The term can either be applied mostly or to specific areas: examples include construction `technology, medical technology, and information technology (David, 2015).

The human species' use of ICT started with the transformation of natural resources into simple tools. The historically discovery of the ability to govern fire improved the existing sources of food and the invention of the wheel facilitated by humans in travelling in and supervisory their surroundings. Modern technological developments, may compost of the printing press, the telephone, and the internet, have lessened physical obstacles to communication and enables humans to network freely on a global scale. However, not all technology has been used for peaceful purposes; the development of weapons of ever-increasing destructive power has progressed throughout history, from clubs to nuclear weapons (Burt, 2014).

ICT has affected society and its environments in so many ways. In several societies, technology has aided in come up with more modern economies including today's global economy and has led to increase of a leisure class. Numerous technological processes results to unwanted by-products, called pollution, and deplete natural resources, to the detriment of the Earth and its surroundings. Many applications of technology impact the values of a society and original technology regularly cause new ethical questions. Examples include the rise of the notion of efficiency in terms of human productivity, a term originally applied only to machines, and the challenge of traditional norms (Kotler, 2016).

ICT can be defined as the entities, both material and immaterial, fashioned by the application of psychological and physical effort so as to attain some value. In this custom, technology states to tools and machines that may be used to explain real-world problems. It is an extensive term that may comprise simple tools, such as a crowbar or wooden spoon, or more difficult machines, for instance a space station or particle accelerator. Equipment need not be material; simulated technology, such as computer software and business techniques, falls underneath this meaning of technology. The word "ICT" can also be used to mention to a group of techniques. In this situation, it is the current state of humanity's knowledge of how to associate resources to produce wanted products, to solve problems, fulfill needs, or satisfies wants; it includes technical methods, skills, processes, techniques, tools and raw materials. When combined with additional term, like medical technology or space technology it talks about to the state of the respective field's knowledge and tools. State-of-the-art technology refers to the high technology available to humanity in any field (Hackman, 2015).

Robert Kraut (2015) said that that computer industry, threats come from a stagnant economy growth and the quick relationship into decline phase having important effects on management. The finance of technology is plummeting causing the customers value such as quality, service relationship. Technology still provides value through the development of new products, still change existing product and the way they are produced. Many companies are using Technological Development to allow recycling products through the manufacturing cycle several times. Conflicts in managing systems and process arise when they do not deliver to users what they are expected to deliver. Users expect an appropriate design and full support if either of these are lacking, they are rightly angry that is; their design does not take sufficient account of user needs and is not user friendly .They no longer serve their original purpose. The manager pays insufficient attention to developing them to meet new Product demands. Support from technicians is inadequate relying heavily on computer system which is prone to failures.

According to Veness (2015), technology is abroad concept referring to the application of available knowledge and skills to create and use materials, process and products. The technology is often accorded a dominant role in business and it is often viewed as determining products, process organization structures and the individual attitude to work. ICT refers to the convergence of technological, developments in microelectronics, computing, telecommunication, fiber optics and lasers. This has enhanced quality, quality and speed of transmission, enabled the development of a global linked economy and given managers and some workers potential, flexibility in and control over work operations. Firms operate within certain technological imperatives, which shape not only the product ant the process they use, but the structure of the organization between people and individual job satisfaction. To Woodward, technologies not only determine organizations structure, but the relationship between

individual departments and focus on each business and are crucial to the success of a business. Woodward's view of technology would appear to give the manager no choice at all. Technology is dominant and managers fail to adapt it at their peril.

To improve management information, management decisions can only be as good as the information on which they are based, thereby enabling managers to institute new types of enquiry when changing business conditions product demand new or different information to secure or defend competitive advantage. Two things are certain: first, IT is now at the center of so Many businesses; second, business is a touching target. The product request for directing across value chain, functions, markets, and geographies will continue to accelerate, and it will be impossible to respond to this challenge without driving new ways of thinking through corporate ranks. Information technology is fundamental to corporate success, and an IT decision, like all other business decisions, must consider the value of its contribution to the business. In light of this, a solid, sound business case for IT investment requires mature IT and business judgment (Wolf, 2017).

Organization should be aware of changing technologies in order to cope with changes and thus enabling to adjust its position in the market share. Information technology plays critical role in increasing productivity of firms in the entire nation. According to Stephen (2014) management of information system affirms that to realize new opportunities, develop new product and create new services. Organization should move substantial investment in technology to achieve competitive advantage over the credit terms is one of the avenues for achieving such advantages along with changes in business practices and technical competencies. Information technology enhances survival and existence of many industries as well as hospitality industry.

The use of appropriate technology in the organization can have a dramatic effect on day to day operation. In a properly planned ICT Systems, M.I.S affect the way organizations operate and manage its activities. Through the use of ICT System, organizations are able to develop different approaches towards the organization operations. ICT enables the workers to improve their skills, reduce marketing and transaction finance. It also helps to co-ordinate the flow of organization information; maintain closer contacts with customers and suppliers (Thomson, 2013).

Finance

Diversion of credit management purposes other than those for which they are granted most often leads to bad debt. This is because the expected cash flow cannot be granted to meet up repayment schedule. The purpose why credit is sought is an important consideration to the bank because of the risks in the lending activities. Banks being profit driven, seek to maximize returns while minimizing risks. This seemingly paradox constrain banks to examine not only viability of a project but also credit management repayment prospects (Chemr, 2014).

Banks prefer issuing Loan Facilities for low-risk activities, such as self-liquidating, short-term working capital and trade finance. They do not focus on financing high risk projects with long payback periods, and small forms that lack adequate collateral even though such business entities or entrepreneurs may be more innovative and promising than others. Disbursing the funds availed when all approvals, collateral and documentation requirements are met. It also ensures that security in form of collateral or guarantors and any other required supportive documentations are gotten beforehand funds are distributed. If disbursement control system is weak or unavailable, the whole integrity of the credit process can be weakened and abused (Nsereko, 2017). Thus, documentations and disbursement are significant in the management of credit because they make sure that the bank has right documentation, collateral and guarantees. These are main in the advent of the clients' inability to pay because the bank would be properly protected and have allowed recourse to make sure the payment of debt. This would eventually lead to reduction the amount of bad debts the banks may have.

After the credit assessment and disbursement is done, the credit customer is expected to payback the installment as per agreed schedule. Each bank has a different repayment mechanism. Based on the specifics of the bank, customers can pay weekly, bi-weekly or monthly installments. In order to ensure good repayment, Banks have to ensure proper monitoring and follow up actions as well as customer education on proper funds management. According to Robinson (2016), many of the agonies and frustrations of slow and distresses credits can be avoided by good credit management supervision. Supervision helps keeping a good credit management good. It may be go to the borrowers' buildings to examine the overall state of affairs and maintenance of plant and equipment. Inadequate maintenance is often an early sign of financial distress. Also to be observed is the state of employee morale and the physical stock of materials and complete goods. The overall business policy and advice is considered. If a bank is sanitizing to business development it can revise its own credit and credit management polices as well as advising its customers. Again keeping track of deposits and balances gives clue to the affairs of the borrowers.

Ahmad, (2018), mentioned some important factors that cause credit management defaults which include; lack of willingness to pay credit coupled with diversion of funds by borrowers, willful negligence and improper appraisal by Credit Officers. In addition, Hurt and Fesolvalyi (2015), cited by Kwakwa, (2015) found that, corporate credit management default increases as real gross domestic product decline, and that the exchange rate depreciation directly affects the repayment ability of borrowers. Balogun (2015) also identified the major causes of credit management default as credit management shortages, delay in time of credit management delivery, small

farm size, high interest rate, age of farmers, poor supervision, non-profitability of farm enterprises and undue government intervention with the operations of government sponsored credit programs. Moreover, Ajayi (2017) found out that farm size, family size, scale of operation, family living expenses and exposure to sound management techniques were some of the factors that can influence the repayment capacity of farmers.

Credit Terms

According to Ross et al (2015) says that when the credit period and the discount allowed (If any), when combined, are called the credit terms. Thus, if a company allows its customers 30 days in which to pay, but then gives a 2 percent discount if payment is made within 10 days, it is said to offer credit terms of 2/10 net 30. The credit manager has the responsibility for enforcing the credit terms and administering the firm's credit policy. The specific credit terms if you decide to bill a client, you may request when the payment will be due. Your terms may also involve early-payment discounts and late payment interest. Organization should have a clear definition on matters concerning payment by debtors so that bad debts are minimized. Credit terms will also induce debtors to pay promptly since they are aware of payment dates and other terms

In consumer credit, most of the customers normally pay their accounts without being reminded but it is not easy to collect from the default situations. The series of collection of letters send to overdue customers should begin sufficiently early and increase in strength to avoid a serious situation developing by neglect. The procedure in the collection process is as follows; the first reminder letter to be sent out about 15 days after the due date and the sequence to continue at 15 days interval. For those accounts with a first payment failure, a personal call should be made immediately and the account monitored until brought up-to-date, failure to which the goods should be repossessed. Timings of the letters should be made when the customer is likely to pay and especially near to the paydays and not after (Eun & Resnick, 2015).

According to Kottler (2016) when the overdue accounts go beyond the routine reminder letters, attention should be given by the credit manager and should be positive. You should never threaten an action which you do not intend to take since if this happens the customer can never take you seriously. The credit manager must always be conscious of the amounts he is following, as some balances may not be economical to spend time and money on. If the account is not brought to date by the above procedure it should be automatically included in those accounts requiring special attention by the credit office. If the customer is on telephone, a personal call should be made and try to find out why he is not paying. If the telephone approach fails, a personal visit is required where face-to-face discussion should be made which result to a definite conclusion towards the update of the account or surrender of the goods. If the customer either refuses to pay or surrender the goods voluntarily, the credit manager should try to obtain details of the debtors' employment and income and if possible check the conditions to the goods to the customer on credit. The goods can be returned when a fixed date summons or a money judgment when default summons.

Monitoring is an integral part of credit management administration processes. This enables the bank to acquaint itself with the progress of work. Monitoring is important. It guides credit officers to know the status whether repayments are made as contained in the credit management agreement. Constant monitoring prevents credit management diversion. Rouse (2016) recognizes that regular monitoring of credit management s enhances the lenders image in the eyes of the customer but it is an area where many lenders ignore but if carried out properly, the occurrence of credit management defaults will reduce drastically. Small Business Administration's proposed a credit management monitoring system that would use technology and new processes to manage its credit management portfolios, identify and effectively mitigate risks incurred through credit management s guaranteed by SBA, implement oversight of internal and external operations, and calculate subsidy rates (Koontz, 2015).

Muller (2014) cited by Agyemang (2016) maintains that credit management s should be monitored during the repayment period of the credit management. The banks should ensure that the credit management is being used for eligible purposes; the quality of the credit management will be maintained in the future and its repayment sources are protected in order to guard against unacceptable deterioration of the credit and the corpus of the bank. Should a borrower show signs of such deterioration, the Bank should be able to take action before a loss would result. Many banks today use credit scoring to evaluate the credit management applications they receive from consumers. Credit scoring systems determines the borrower's credit worthiness. If the applicant score exceeds a critical cut off level, he/she is likely to qualify for credit in the absence of poor loan repayment history. If the applicant's score falls below the cut off level, credit is likely to be denied in the absence of supporting mitigating factors.

The most variables used in evaluating consumer credit managements are credit bureau ratings, age, marital status, number of dependents, home ownership, income brackets, telephone at home, number and type of bank accounts owned, occupation and Time of service at current job. According to Jeremy (2015) the basic theory of credit scoring is that the bank can identify the financial, economic and motivational factors that distinct good credit managements from bad credit managements by observing large groups of people or businesses who have borrowed in the past. It is expected that the same financial and other factors that separated good from bad credit managements in the past will with a small acceptable risk of error, separate good from bad credit managements in the future. Credit worthiness is essentially determined through statistical analysis of the available credit

data with the introduction of products by the banks such as unsecured personal loan and mortgages. It is important for banks to have a good credit rating as Kenya is still not yet fully developed and stable on credit data collection and storage of credit history of the borrowers or account holders. Banks are still using their own credit scoring models and each bank has a different way of evaluation and Loan approval to its clients. Generally an individual credit score affects his or her ability to borrow money from the banks or any other financial institutions for instance SACCO and Microfinance.

Government Policy

Better governance is a precondition for excellent credit management and Credit performance. Good governance consists of openness and participation, accountability, effective rationality, efficiency and greater sensitivity to the immediate context that is promised by subsidiary. Business performance requirements include means of internalizing external costs and ensuring integration of policy, evaluation of alternatives and dealing with trade-offs. It is worth noting that good governance emphasizes the role of institutions as entities that are largely viewed as being on top of things and currently insufficiently within the reach of ordinary citizens. Therefore the view of governance is and should be concerned primarily with minimizing bureaucracy and rigid hierarchy.

Chemers (2016) noted that governance for performance has certain key features and components. These include policy integration, shared business objectives, criteria, trade-off rules, indicators, information and incentives for practical implementation, programmes for system innovation. Policy integration involves the coordination of government policies and the corresponding and complementary positions and initiatives of other governance actors. Organization for Economic Co-operation and Development (OECD) (2014) agrees that performance requires policy integration, along with improved interaction between government and non-government institutions without negating the creation of a longer-term opinion in government. Governance institutions or bodies should ensure they have shared long-term objectives, common criteria for planning, approval of significant undertakings, specified rules for making trade-offs and compromises, and widely accepted indicators of needs for action. Progress towards performance and having a broad sustainability plan should also be implemented. In addition information and incentives for practical implementation of policies is required for achievement of sustainability as this provides appropriate action. Policy making on performance has, for the most part, relied on laid performance standards or the recommendation of certain solutions.

The solutions adopted help to secure partial performance benefits. However governance for performance requires policy making frameworks that incorporate programmes for system innovation that actively seek to identify, nurture, and coordinate action for more sustainable technological niches. According to the United Nations Economic and Social Council, Economic Commission for Africa (2015) it’s essential to operationalize national policies through appropriate regulatory frameworks and institutions to oversee essential services provision. This can be achieved through property rights and generating equitable returns on private investments through efficient tariff structures and levels. Service standards and expansion targets is also paramount. It’s necessary for an appropriate distribution of roles amid national and local ruling classes with clearly defined responsibilities. Delegated duties or roles to local bodies for provision of services should be clearly indicated and known to all stakeholders. Private sector partnership will involve a stable and anticipated regulatory regime that promotes essential values, such as independence in legislation, accountability, transparency and professionalism. Therefore it’s essential for government institutions to consider proper legislative framework to achieve this (Cutler, 2018).

In designing the broad regulatory framework that will support a conducive environment for private sector participation, governments consider a wide range of specific laws, constitutional rules, and measures from central and local bodies. These include the constitutional and legislative separation of responsibilities and services among national, regional and local governments. Furthermore, there should be general legislation that regulates different types of public private partnership arrangements with private sector, including foreign companies. United Nations Economic and Social Council, Economic Commission for Africa (2015) also observed that there also has to be specific measures that allow close oversight of resources management, general health, and environmental protection by applying service standards and penalties for default. The government has to come up with equitable rules to ensure fair credit terms in subcontracting and business procedures, and tax liability and systems. There has to be social policy measures aimed at protecting the rights of vulnerable groups of consumers, such as tariff adjustment rules, government subsidy policies and dispute resolution mechanisms.

Conceptual Framework

The critical factors identified for the development of theoretical framework are based on the literature review. The independent variables are as follows: technical competency, information technology, finance, credit terms and government policy. The dependent variable is credit management in microfinance institutions. Provide a citation to support your statement

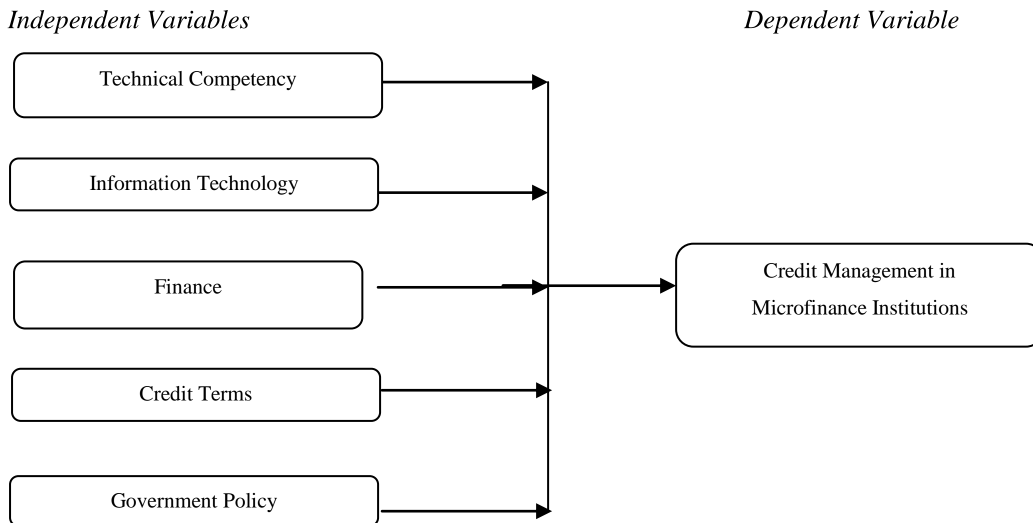

Fig 1 Conceptual Framework

III. RESEARCH METHODOLOGY

Research Design

A study design is the organized in condition for collection and analysis of data in a way that aims to bring together relevance research purpose with economy in procedure. Kothari (2014). A descriptive research design was carried out in this study since it enables the person who do research to seek new ideas from the respondents and develop an insight to the problems under study. Questionnaires as a method of collecting data were used by being issued out to the selected population.

Target Population

Target population is a set of complete persons, cases or objects with some mutual features to which the researcher generalize the results of the study. Mugenda and Mugenda (2012). The study focused mainly on the employees of "J B" Bank, Head Office in the following categories, top management, middle level management and support staff which have a target population of 125 staff.

Table 1 Target Population

Category	Target Population	Percentage
Top Level Management	2	2
Middle Level Management	9	7
Support Staff/ subordinates	114	91
Total	125	100

Sample and Sampling Technique

Sampling is a procedure by which some elements of the population are selected as representative of the total population under study, through the use of probability to acquire a representative degree of reliability in the selected area. Kothari (2014). The research used stratified random sampling because it helped generalization of a bigger population with a margin of error that is statistically determinable. . The sampled size was 50% of the target population. The sample sizes were as follows:

Table 2 Sample Size

Category	Target Population	Sample Size	Percentage
Top Level Management	2	1	2
Middle Level Management	9	4	7
Support Staff/subordinate	114	57	91
Total	125	62	100

Data Collection Procedures and Instruments

1 Questionnaire

This study compost of primary data obtained through questionnaires. The questionnaires were used because its economical, ensures anonymity, it permit use of the standardized questions and has uniform procedures. The questionnaires also contain time for subjects to think about responses and it is easy to score it. The questionnaires were made up of closed ended and open ended questions to prevent being very rigid and quantify data mostly where structured items were been used. This method helped the study to collect enough information, which was impossible using interviews and observations. Secondary data was collected from published materials too.

2 Validity and Reliability of Research Instruments

Validity states that whether the research measures what it was intended to measure. Reliability means that extent to which the measurement of a test remains consistent over repeated tests of the same subject under identical conditions.

A pilot study was conducted to identify elements of study population and unit of analysis. During the study, draft questions were pre tested to remove ambiguity and achieve high degree precision. On the other hand, questions which did not yield the required data were discarded.

Data Analysis Methods

This involved qualitative and quantitative analysis. Data analysis compost of gathering, modeling and transformation of data with the goal of getting useful information, suggestion, conclusions and assist in decision making hence making crude data into interpretable designs. Mugenda (2012). Data was analyzed using statistical methods by use of tables, charts, frequencies and percentages. It was envisaged that the comparative methods were the best since the data were quantitative in nature prior to the summarization of the data. The questionnaires were checked to ensure that they were fully completed and accurate.

IV. RESEARCH FINDINGS AND DISCUSSION

Technical competency

Figure 2 shows how technical competency affects credit management in microfinance institutions in Kenya. Based on the analysis, 88% of the total respondents indicated that technical competency affects credit management in microfinance institutions in Kenya while 12% of the total respondents stated that technical competency does not affect credit management in microfinance institutions in Kenya.

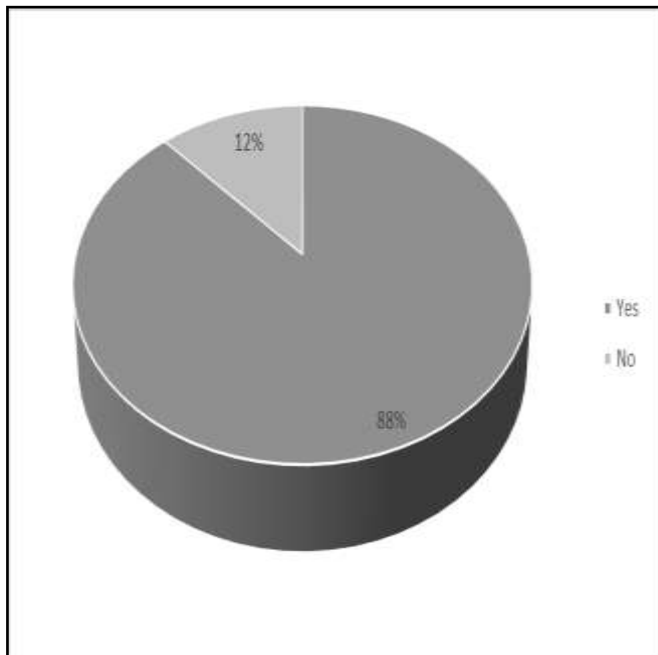

Figure 2 Technical competencies

Technical competency

Technical competency rating on credit management in microfinance institutions in Kenya

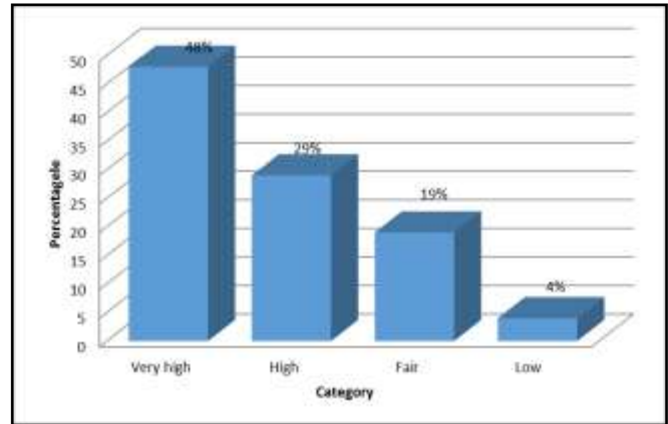

Figure 3 Technical competency rating on credit management

Figure 3 show how respondents rated technical competency on credit management in microfinance institutions in Kenya. Based on the analysis, 48% of the total respondents rated technical competency as very high, 29% as high, 19% as fair and 4% said it has No-effect. From the study it can be said that more of the staff rated technical competency as a factor affecting credit management in microfinance institutions in Kenya to be very high.

Information technology

Table 3: Effect of Information Technology on Credit Management

Category	Frequency	Percentage
Yes	45	86
No	7	14
Total	52	100

Table 3 shows the effect of information technology on credit management in microfinance institutions in Kenya. Based on the analysis 86% of the total respondents agreed that information technology affects credit management in microfinance institutions in Kenya while 14% of the respondents stated that information technology does not affect credit management in microfinance institutions in Kenya. From the study it can be made clear that Information Technology has a great impact and effect on Credit Management in Microfinance Institutions in Kenya.

Information Technology

Table 4: Information Technology Rating on Credit Management

Category	Frequency	Percentage
Very High	15	29
High	20	38
Fair	10	19
No-effect	7	14
Total	52	100

Table 4 shows how they rated effect of Information Technology on Credit Management in Microfinance Institutions in Kenya. Based on the study, information technology had high impact at 38% , 29% believed its very high, 19% thought it was fair while 14% of the total respondent stated that it had No-effect. From the studies it can be concluded that majority rated information technology effect on credit management in microfinance institutions in Kenya as high.

Credit terms

Table 5: Effect of Credit Terms on Credit management

Category	Frequency	Percentage
Yes	48	92
No	4	8
Total	52	100

Table 5 shows the effect of credit terms on credit management in microfinance institutions in Kenya. Based on this, 92% of the total respondents indicated that credit terms had an effect on credit management in microfinance institutions in Kenya while 8% of the total respondents stated that credit terms had no effect on credit management in microfinance institutions in Kenya. From the study, it can be concluded that the credit terms had an effect on credit management in microfinance institutions in Kenya.

Credit terms

Table 6: Credit terms rating on credit management

Category	Frequency	Percentage
Very High	25	48
High	16	31
Fair	8	15
No-effect	3	6
Total	52	100

Table 6 show how they rated credit terms on credit management in microfinance institutions in Kenya. Based on the analysis, 48% of the total respondents' rated credit terms effect as very high, 31% as high, 15% was fair while 6% was No-effect. From the study it can be made clear that majority of the respondents rated credit terms as very high in affecting credit management in microfinance institutions in Kenya.

Finance

Table 7 Effects of Finance on Credit Management

Category	Frequency	Percentage
Yes	42	81
No	10	19
Total	52	100

Table 7 show the effect of finance on credit management in microfinance institutions in Kenya. From the analysis majority of the respondents at 81% against the minority at 19% indicates that finance affects credit management in microfinance institutions in Kenya.

Finance

Table 8 Rating of Finance on Credit Management

Category	Frequency	Percentage
Very high	23	44
High	17	33
Fair	8	15
No-effect	5	9
Total	52	100

Table 8 indicates the rating of finance on credit management in microfinance institutions in Kenya. From the analysis majority of the respondents at 44% rated very high, 33% rated high, 15% rated fair while the minority at 9% rated it No-effect. Based on the analysis it can be concluded that finance affects credit management in microfinance institutions in Kenya at very high rate.

Government Policy

Table 9 Effect of Government Policy on Credit Management

Category	Frequency	Percentage
Yes	44	84
No	8	16
Total	52	100

Table 9 show the effect of government policy on credit management in microfinance institutions in Kenya. From the analysis majority of the respondents at 84% against the minority at 16% indicated that government policy affects credit management in microfinance institutions in Kenya.

Table 10 Rating of Government Policy on Credit Management

Category	Occurrence/frequency	Measurement in %
Very high	22	42
High	15	29
Fair	9	18
No-effect	6	11
Total	52	100

Table 10 indicates the rating of government policy on credit management in microfinance institutions in Kenya. From the analysis majority of the respondents at 42% rated very high, 29% rated high, 18% rated fair while the minority at 11% rated it No-effect. Based on the analysis it can be now be

made clear that government policy affects credit management in microfinance institutions in Kenya at very high rate.

Summary of Data Analysis

In all the 62 questionnaires, which were distributed only 52 of the respondents, responded representing 89% of the total respondent who participated effectively and their analysis were included in the study. The remaining 10 respondents represented by 11% never returned the questionnaires for analysis and therefore were not included in the study. From the analysis, 83% were male respondents against 27% who were female. In terms of age category, between the ages of 18-25 were represented by 21%, the ages between 26-35 were represented by 40%, and the ages between 36-45 were represented by 25%, while 46 and above were represented by 16%. Based on the findings it is clear the majority of the respondents had university qualifications with 46%, respondent at 38% from college level and then 15% from secondary level affected them. In terms of job experience those who had worked for 1 year and below were represented by 10%, 2-7 years were represented by 34%, 8-13 years by 44% and those who had worked for 10 years and above were represented by 12%.

Technical Competency

The study revealed the effect of technical competency on credit management in microfinance institutions in Kenya. It was established that 88% of the respondents said that technical competency affects credit management in microfinance institutions in Kenya while 12% said that there was no effect on credit management in microfinance institutions in Kenya.

Information Technology

Information technology is one of the most important factors in enhancement of credit management in microfinance institutions in Kenya. Based on the finding majority of the respondents at 86% agreed that information technology affects credit management in microfinance institutions in Kenya while the remaining 14% said information technology has no effect on credit management in microfinance institutions in Kenya.

Credit Terms

The study showed the effect of credit terms on credit management in microfinance institutions in Kenya where majority of the respondents at 92% agreed that credit terms affects credit management in microfinance institutions in Kenya whereas 8% said credit terms has no effect on credit management in microfinance institutions in Kenya.

Finance

The study revealed the effect of finance on credit management in microfinance institutions in Kenya. It was established that 81% of the respondents said that finance affects credit management in microfinance institutions in Kenya while 19% said that there was no effect.

Government Policy

The study revealed the effect of government policy on credit management in microfinance institutions in Kenya. It was established that 84% of the respondents said that government policy affects credit management in microfinance institutions in Kenya while 16% said that there was no effect.

V. SUMMARY OF FINDINGS

To what extent does Technical competency affect credit management in microfinance institutions in Kenya?

With the respondents it indicates that technical competency is one of the most important factors which affect credit management in microfinance institutions in Kenya. In this regard the respondents indicated that the organization where there is maintained technical competency set up has effective credit management in MFI Locally. In this regard, the respondents said that the management should be much concerned on the ways to adhere to technical competency in the organization. The response was rated as; very high 48%, high 29%, fair 19% and low 4%. Based on the findings the study reveals that technical competency affects credit management at a very high rate.

What is the effect of Information technology on credit management in microfinance institutions in Kenya?

Information technology has impact on credit management in MFI in Kenya according to the findings. Most of the respondents cited that it is significant for the organization to have employees who are trained with IT basic knowledge and leadership skills. The response was rated as; very high by 29% high by 38%, fair by 19% and low by 14%.

To What extent does a Credit Term affect Credit Management in Microfinance Institutions in Kenya?

A credit term is one of the important factors to be put into consideration by the management. It gives an overview of the customers' ability to obtain Loan based on Trust that payment will be made in future. Majority of the respondents agreed that credit terms affect credit management in microfinance institutions in Kenya and they rated its effect in microfinance institutions in Kenya as; very high 48%, high 31%, fair 15% while low as 6%.

In which ways does the Finance affect Credit Management in Microfinance Institutions in Kenya?

It was found out that finance is very vital in providing smooth flow of services. On rating the effect of finance on credit management in microfinance institutions in Kenya, the response rate was very high at 44%, high rate at 33%, 15% at fair rate and 9% at low rate.

To what extent does Government policy affect credit management in microfinance institutions in Kenya?

Managers should ensure that government policy plans are implemented and controls the efficient, effective, forward on credit management in microfinance institutions in Kenya . The response was rated as; very high 42%, high 29%, fair 18% and low 11%. Based on the findings the study reveals that government policy affects credit management in microfinance institutions in Kenya at a very high rate.

VI. CONCLUSIONS

Technical competency that is required in Credit Management should be obtained by the organization to ensure that the rule and procedures are right. The organization should have better policies to attract even more customers to the services that they are providing. Government policies and statutory requirements are also necessary for the organization to follow and discuss the hard issues that need understanding and amendments.

Although teams are excellent ways to maximize organizational effectiveness, the leadership must support the creation of effective teams. Employees are seriously concerned about management support, role clarity, workload distribution, and team social support when assigned to work in teams. The best way to harness the wisdom, creativity, and innovative power of teams is for the organizational leaders to recognize their unique potential to deliver results and understand the benefits they provide. When leaders and management have this recognition, the leaders willingly support and nurture the development of teams in the organization.

The culture of an organization is a set of norms, values, and beliefs. These have developed over time, unplanned and emergent. An organizational culture is that which is shared by individuals within the organization their beliefs, values, attitudes and norms of behavior or the established routines, traditions, ceremonies and reward systems that determine how people within the organization react and behave both toward their internal and external stakeholders, peers and customers.

Training enables people to acquire new knowledge, learn new skills and performs tasks differently and better than before. Its objectives are to teach employees how to perform particular activities or a specific job. The smooth and efficient running of any organization depends directly on how well employees are equipped with relevant skills

The study made conclusions employee understanding of adoption of government policy is achieved through better flow of information to maintain a healthy organization culture. This ensures that the activities are well controlled and coordinated for the success and achievement of organizational objective.

VII. RECOMMENDATIONS

1 Technical Competency

The organizations should be able to improve the competency of personnel. This will be done by the management by ensuring that it improves the competing of personnel by organizing training through seminars, rallies, conferences etc. so as to educate the employees on the issues relating to service delivery management.

2 Information Technologies

Innovation is the great way to success in the digital world. This helps in accurate analysis, computation, choose the innovation path and solve complex financial problems in reconciliation. Organizations should invest richly in IT and develop clear policies to ensure information technology is provided according and sufficiently without being abused.

3 Credit Terms

The study recommends that any organization should ensure that there is extensive research on how to ensure that good culture of credit is achieved in all levels of management to deal with credit management in microfinance institutions issues. It is very important for managers to recognize and understand their own culture and how cultural differences occur, and cultural insights are vital in the understanding the tension between local cultures and global issues in international companies.

4 Finance

The organizations should be able to improve the competency of personnel. This will be done by the management by ensuring that it improves the competing of personnel by organizing training through seminars, rallies, conferences etc. so as to educate the employees on the issues relating to service delivery management.

5 Government Policies

Government policy is a key factor in every decision making process of organizations by providing them policy on credit management in microfinance institutions in Kenya. Government regulations are an important factor to the organization and it was recommended that the management should source daily the new regulations that are required and inform the clients at any moment they are changes in the regulations. The organization should embrace the use of government regulations in procurement of their products and services.

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