CREDIT OFFICER CHARACTERISTICS AND LOAN DELINQUENCY IN COMMERCIAL BANKS IN UASIN GISHU COUNTY, KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this project to my parents Mr. and Mrs. Eric Kiptoo for unfailing encouragement and love.

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Most of all I thank God for the gift of wisdom and strength to complete this project. I wish to thank most sincerely all those whose contributions have made this project a success. To my supervisor Dr.Nixon Omoro for his assistance and advice all through making this project a success and my wonderful family for their support both morally and financially. I feel indebted to the management of commercial banks in Uasin Gishu County for making this project a success .To my classmates Davis, Ruth, George Laura and all other people who in one way or another played a part in my entire MBA process.

To my workmates zeph, willy thanks for holding forth for me the many times I was away pursuing this noble course. To all of you may the Almighty God bless you richly.

ABSTRACT

It is the intention of all commercial banks, just like any other business unit, to operate profitably and maximize the shareholder value. However, due to high number of non-performing loans existing as a result of the borrowers' delinquency is challenging this goal in the banking industry. The high level of loan delinquency has greatly affected private investment and caused limitations in the scope to which banks offer credit to borrowers since banks need to compensate for loan delinquency losses. Therefore It is against this background that commercial banks need to address all factors that affect loan delinquency and it is out of this that the objective was to establish credit officer characteristic and loan delinquency in commercial banks in Uasin-Gishu County, Kenya. An individual bank success in management of credit risk is greatly seen in the percentage of loan delinquencies to gross lending. Therefore, internal and external environments are key drivers to occurrence loan default. The study applied census survey as the design of the research whereby the study consisted of all the 26 commercial banks in Uasin- Gishu County. The primary data was collected using questionnaires which were based on the research objectives and an analysis was performed on the collected data using SPSS application software. The presentations were done using tables and percentages. The findings were that sufficient level of competence among the loan officers is driven by the need to analyse a borrowers credit worthiness using different measures of screening and also to do effective follow up on the slow paying borrowers. Further, the loan officer is involved in the monitoring system that highlights repayment problems and is able to follow standard instruction with minimal supervision and this calls the competence level to be sufficiently high. The regression results reveal a strong positive correlation between the loan officer competencies and loan delinquencies. This shows that performance of loan delinquency is dependent on the competency of the loan officers. The study concluded that to manage delinquency effectively, it is important for banks to focus and understand in detail the internal sources of loan delinquency which they can easily control and find realistic and doable solutions to these problems. The study recommended that banks should imperatively look into the internal paradigm in order to improve loan delinquencies. The limitation of the study was the scope since only banks operating in one region was studied.

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ABBREVIATIONS

CGAP	–	Consultative Group to Assist the Poor
MDI	**-**	Micro Deposit Institutions
NPLS	**-**	Non-Performing Loans
SHGs	**-**	Self Help Group
SMEs	**-**	Small Medium Enterprise
SPSS	-	statistical package for social sciences
VAR	-	value at risk

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In past, banks have been faced with the challenge of credit risk management and the aftermath of the credit crisis whose roots started with the bursting of the housing bubble and high default rate on sub–prime mortgages in the United States (The Economist, 2011). This situation was attributed to the high appetites for credit and weak credit controls that saw large financial institutions such as Lehman brothers collapse. Louzis, Vouldis, and Metaxas (2012), point that the previous credit risk has been taking the form of non-performing loans (NPLs) which has continued to increase despite the Micro-credit firms adopting refined methods for quantifying credit risk by putting into consideration the borrower's personal characteristics.

This study will be based on two theories that explain why loan defaults occur on loan advanced; namely the Asymmetry theory and the agency theory. The asymmetric information theory points out that moral hazard and adverse selection may be caused by inability to differentiate good from bad borrowers. (Auronen, 2003 and Richard,2011),. It further shows in the market one party may be having additional information on an item to be transacted than the other party. The Agency theory has advanced by Jensen and Mechling (1976) argues that the principal agency problem can be reduced by better screening of borrowers and monitoring by giving more incentives to managers. Agency Problem has revealed to persuade manager's attitudes towards attracting risk and mitigating in corporate risk management (Smith and Stulz1985). Agency theory further asserts that conflict between the shareholders and management may be due to asymmetries which may lead to firm taking too much risk.

Microcredit or small loans has become popular among the borrowers since it has become an avenue for eradicating poverty among the small scale traders and farmers in the Kenya. As was found out by Evans (2013), the Credit and investments services are seen by many as a useful way of improving on entrepreneurs' way of life, enhancing local economic capacity, dropping poverty and joblessness. Consequently, the microfinance credit agreement has been popularized by many commercial banks due to its popularity among the small traders who are after the loans in the region making it possible for SMEs to secure credit from commercial banks on more affordable terms (Onyuma, 2014). However, despite the commercial banks advancing the loans to the borrowers, like most of the regions in Kenya, the rate of the loan default has been on the increase. Onyuma and Ouma (2014) further point out that one of the reasons that have led to this problem is ineffective screening of the potential borrowers and follow up by the credit officers on the loanee. In addition, weak systems of managing loan delinquency can also be sources of challenging loans. Indeed, one of the identified fundamental issues that results to instability and possible collapse of commercial banks is illiquidity caused mostly by loan delinquency.

1.1.1 Credit Officer Characteristic

A credit officer characteristic are skills, knowledge abilities that are measurable and specific that are required to undertake a particular role or function effectively in a given work setting (Woodruffle, 1998).Therefore, a credit officer characteristic forms a key pillar, whereby an incorporated system of talent management can be managed, planned, and enhanced (Munene, et al.,2004). Credit officers acts as a link between lending institutions and customers. They are the front line staff since most of their time is spent with clients, their one on one communication helps them to hear, see or even understand the importance of the customers. (Gray, B. 2013). Credit officers mainly deal with screening potential customers, loan applications; follow up of the loans and continuous monitoring of loans thus providing necessary reports. (Holtmann&Grammling, 2005).The success of lending institutions heavily relies on the success and failures of credit officers since their failure in adhering to the given policy and at the same time use their personal expertise and judgement, a lending institution might also collapse majorly for collective based lending. (Dixon et al., 2007).

A bank is mostly run by set lending guidelines which the credit officers must follow when screening prospective clients. Due to the obstacles in meeting the goals given the competitive environment in the finance sector, most loan officers fail to show the necessary operant and personal characteristics, therefore they resort to providing loans to borrowers whose credit worthiness is in doubt (Agier&Szafarz, 2011). They therefore note that in the developing countries, the results has been high default rates over set 5% recorded in most of MDIs. Credit officers take part in essential tasks such as choosing borrowers who are going to be ultimately financed and therefore are important partners in the management of borrowers; delinquency.

1.1.2 Loan Delinquency

A loan is said to be delinquent when there is a delayed payment (CGAP, 1999) and it is defaulted when there is minimal probability of recovery. In process of credit management, loan delinquency is measured as it gives an indication of an high risk of loss, warnings on problems associated with operations, and can assist in predicting number of the portfolio that might be lost if its not repaid finally. The objective of lending institution is to provide loans to poor households and low income groups (Bystrom, 2007).

owed to the fact that a good number loans are not secured ,it means that delinquency can stretch easily from handful to great portion of portfolio due to fact that micro finance portfolio have high concentration in some certain business sectors. Also several customers might be exposed to external threats which are same for example outbreak of livestock diseases and bad weather which might create high volatility in quality of loan portfolio, increasing the extent of minimizing credit risk. It is in this view that MFIs require good system for monitoring that can clearly and quickly detect problems in repayment. This will assist loan officers and their supervisors to deal with settlement rate before it gets late. (CGAP,1999).

1.1.3 Credit Officer Characteristic and Loan Delinquency

In MDIs achieving performance targets is associated to several factors for example competencies of the employees assigned with management of credit facility. Loan officer characteristic refers to the skills, knowledge abilities that are measurable and specific that is required to undertake a particular role or function effectively in a given work setting (Woodruffle, 1998) and are considered to be a key foundation in which an incorporated system of talent management can be improved, managed and designed. Podpiera and Weill (2008) in their study in the Czech banking industry between1994-2005 recommended that for achievement of stable financial system in emerging economies regulatory authorities should focus on the performance of management. Indeed, microcredit firm staff productivity is essential to the long run viability of financial institutions, through the provision of job satisfaction and good career prospects (Rhyne&Rotblatt, 2004).

According to Matsukawa (2010), loan officers are the vanguard of micro loans in commercial banks. They are the means through which the ‘social good’ is managed and delivered. Credit officers play a key role in providing of financial services to the poor by connecting them with financial institutions (O’ Reilly, 2006). Loan officers are capable of reducing information asymmetry problems, by collecting information on applicant’s solvency level and presenting it to the credit committee for okay, As such, it is paramount that credit officers are competent, and adequately trained to avoid such eventualities (Goddard et al., 2014).

1.1.4 Commercial Banks in Kenya

Over the past decade the banking sector in Kenya has gone through many financial and regulatory reforms which have brought a lot of operational changes in the sector and has attracted more foreign banks to the country (Kamau, 2013). Financial intermediation in kenya mainly depends on commercial banks hence Kenya’s financial sector is largely bank-based since capital market are considered as not well developed. Most sectors in Kenya depend largely on banking sector for their growth and survival .However, in the last year several firms have been put under receivership due to liquidity problems and there has been need to protect depositors’ funds through increase in the capital base of the banks.

In Kenya, the main challenge that has been facing commercial banks is the implementation of the Finance Act 2008 that was effected on 1st January 2009 which required mortgage firms and banks to have minimum capital of Ksh 1 billion by December 2012 and to Ksh 5 billion by the year 2018. It was hoped that this requirement will stabilize small banks and increase their liquidity position. Implementing this Act causes challenge to some banks since they may need to form a merger in order to meet the requirement. However, the National Assembly did not support the increase of the bank's Capital Base to Ksh 5 billion and this may be related to the recent finance crisis which led to several commercial banks to be put into receivership for reasons that can be attributed to their illiquidity. In addition, the current clamor to fix the maximum interest rate that can be charged by a bank on a loan borrowing has also threatened the existing performance of the Kenyan commercial banks.

1.2 Research Problem

A very essential requirement for effective credit management in a financial institution is the ability to manage customers' credit lines intelligently and efficiently. This is due to the perception that companies must have greater insight into a customer financial record, credit count history and background information on payment patterns in order to decrease exposure to loan delinquency (Goddard, 2014). In addition, the capacity to venture into new opportunities such as markets and customers depends on the capacity of a bank to easily make up to date credit decisions and set appropriate lines of credit. This is because an effective credit management starts with the sale of a loan product and does not end until when full payment is made. This therefore brings into the forefront, credit officers in the management of a commercial bank loan portfolio. This position was reinforced more recently by Louzis, Vouldis, and Metaxas, (2012), who pointed out that the achievement of micro financial institution relies on the efficiency of credit management systems since they create most of their income from interest earned from loans advanced to entrepreneurs. The Central Bank Annual Supervision Report, 2015 showed that high levels of non-performing loans by the commercial banks in the last 10 years led to credit risk, which impacts greatly on banks profitability. This trend does not only affect the sustainability and viability of commercial banks but also affects its objective of providing credit to small and medium business. Therefore, the first line officer who should act to the best interest of the financial institution is the credit officer whose ability to do proper judgement will reflect the customer screening level (Podpiera& Weill, 2008).

The Uasin-Gishu County is an agricultural based region whose headquarters- Eldoret has grown over the last decade to become an important economic hub in the western region of Kenya. All the major commercial banks in Kenya have set up their branches in Eldoret due to the increased economic activity in the region as well as the opening up of the region to the international market, courtesy of the Eldoret International Airport. The growth of the economic development has resulted in commercial banks competing against each other to advance loans to the small and medium enterprises as well as at personal level. However, the success of repayment of the loans is not only determined by the capability of the borrowers to repay but also in the screening process that is undertaken before the loan advancement. The first contact person with the potential borrower is the bank credit officer whose level of competency in assessing appropriately the loan application will determine the success of the loan repayment. It is on this context that the present study will seek to assess the role of the credit officers' competency in the loan processing system.

The causes of loan delinquency in the financial institutions have been discussed by various scholars. Louzis, et.al. (2012) who focused their study on the impact of specific characteristics of banks for example the management quality, choices of policies they make, power of the market and size of loans in Greece. They found that the country's finance sector fell during the financial crunch of 2007 because of loan advancement to borrowers by management without considering their credibility and compromised regulations. Bichanga (2013) in a study on loan default of microfinance in Kenya found out that loan default was due to poor supervision, inadequacy of training to borrowers prior taking of loans and borrowers spending loans in unplanned projects. Magali (2013) showed that poor management of credit risk affects profitability of commercial banks negatively.. Dinos and Ashta, (2010) on financial crisis: Lessons from microfinance showed that the microcredit institution internal policies affect to a large extent the loan repayment.

From the above studies reviewed, it is apparent that there has been minimal research to establish the role of credit officers 'characteristics in the credit management process and the rate of loan delinquency. This therefore led to the following research question: what is the relationship between credit officer characteristic and micro loan delinquency in commercial banks branches in Uasin-Gishu County, Kenya?

1.3 Research Objective

To establish the relationship between Credit Officer Characteristic and Micro Loan delinquency in Commercial Banks branches in Uasin -Gishu County, Kenya

1.4 Value of the Study

This study will help management and staff of lending organizations since they will acquire ideas on which they can solve challenges faced in debt collection. It will also help in resource management in credit functions; for instance, developing a process of identifying and planning for capacity requirements. This research is intended to assist in developing and implementing robust processes of monitoring and measuring data quality in respective loan portfolios in relation to accuracy, consistence and completeness.

This study will suggest areas to be improved in loan delinquency management for effective collection of loans in lending institutions sector. Further the study will add to the existing research by other scholars and make recommendations as per the findings of the current study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter entails the review of related studies on the influence of credit officer characteristics and loan delinquency in commercial banks. The chapter is divided into various sections as per the study objectives. The chapter articulates information from other studies in relation to the current study in order to identify knowledge gaps available in accordance to theories set forth.

2.2 Theoretical Review

According to previous studies on loan delinquency, two theories was used which enabled the objective achievement. The two theories are; the theory of finance and portfolio theory. All financial institutions have the objective of making profit in their investment put forth. The commercial bank investors' extent credit facility to their reliable customer with some interest rates attached to the principal value and the customer is given certain duration to repay back the principal and the interest charged. Due to this factors the theories stated above acts as a platform for achieving the objective of this study.

2.2.1 Portfolio Theory

According to Harry Markowitz (1952), Modern portfolio theory (MPT) is a theory on how risk-averse investors who prefer less risk venture built portfolios to improve expected return basing on the prevailing market risks.

Many financial institutions are averse to high credit risks and are trying to find better ways to reduce the risk of their investment by employing techniques of categorizing their clients in accordance their credit score. The CRB (Credit Reference Bureau) was established in Kenya to assist banks in rating their client's ability to repay back the money borrowed. In accordance to the client's credit score the CRB helps financial institution in determining the amount a client can be able to borrow.

According to Mester (2007), lending institutions have traditionally taken an asset-by-asset approach to credit risk management in that the quality of credit is weighed against the risk expected applying a credit risk rating and aggregating the results of this analysis to identify a portfolio's expected losses. According to this assertion the asset-by-asset approach is internal credit risk rating system used to achieve sound loan review.

Majority of financial institution do it wrongly by vesting all credit related decision to their branch manager in credit facility department, this poses an eminent risk to the stability of the loan delinquency. The loan officer in charge can look into the five "Cs"; of credit namely collateral, credibility, character, capital, and cycle. An expert may also take into consideration the interest rate in addition to the 5 Cs, (Mester, 2007).

2.2.2 Theory of Finance

The theory of finance peeps into how individuals and corporate institution do the allocation of resources in a given period of time and further provide the solution to the challenges faced in allocating resources through time are facilitated by the existence of capital markets and of firms that act as index reference. The theory deals with the study on the means through which organizations and individuals acquire finances and allocate them to respective project while taking into consideration the risk associated with them.

The finance theory also involves studying of how to manage and control assets, and how to manage and profile risk projects (Hull and John, 2002). The Arbitrage Pricing Theory, for example, addresses the general theory of asset pricing while The Prospect Theory takes into consideration the alternatives that come with uncertain outcomes.

2.3 Employee Characteristic

Interest rates are the major source of income for majority of financial institution globally hence the need to employ competent and skilled personnel to diligently achieve the aspiration set forth by these commercial banks. In regard to this matter the persons working in the credit section ought to be competent enough to understand the trend in the market and consumer behaviour at every stage of the economy. Bandura (2004) point out that the key loan officers characteristic that will affect the level of loan delinquency include the loan officer operant competency, personal competency and self-efficacy competence.

2.3.1 Operant Characteristic

An employee operant characteristic asserts on the individual employee and the work environment. Richey, et al, (2011) operant characteristic is factor that comes about with an increase in behaviour as reinforcement and a decrease in behaviour as a punishment feature and both conditions have a positive and a negative index. In the context of this research if a loan officer achieves his or her targets in the work environment he/she builds hope that he will get a reaction from the organization top management or workmates because the behaviour is applaud-able. In addition, the operant characteristics are self reinforcing and motivational irrespective of anticipated response from the senior management or workmates.

According to B.F. Skinner (2016) if a character is supported by reinforcement it is probable to repeat unlike when the behavior is subject to punishment with free will and individual choice held constant. As such Skinner theory is in tandem with our current study that focuses on the characteristics of the leadership of the credit department in this given commercial institution in Uasin Gishu County. The behaviour and acts of the managers will determine the output effect of loan delinquency. Further Richey (2011), a given operant characteristic recognizes the availability of prevailing situations while boosting behavioural manifestations in interacting with the environment.

2.3.2 Personal Characteristic

The concept of characteristic has been treated differently by a many different practitioners and academicians. The academicians tend to utilize personal characteristic as categorization of basic assumptions of the difference behaviour and data to gather in regards to that behaviour (Stoof et al, 2002). On the other hand researchers like Spencer and Spencer (1993), explained characteristic model constitutes of specific skills, knowledge and attitudes needed in order to execute a given job expertly and for this reason the personal characteristic can be considered as a factor of knowledge, attitudinal and behavioural endowments that is required in order to achieve performance. Competency is one key indicator that is used to measure output or result areas of an employee. This therefore postulates that the loan officer has to have the necessary skills to execute his or duties efficiently. (Armstrong, 2010).

Hudson (2008), states that the roles played by a credit officer are diverse, complex and different from other duties performed in the organization, hence making it difficult to develop credit officer profile. To solve this problem an elusive paradigm should be developed that highlights the kind of competency required which can be role, behavioral, functional or core. Palan (2008). noted that, data should be collected to authenticate the recognized characteristics before adoption using data collection methods such as focus groups, behavioral event interviews, generic observation and managerial interviews.

In the recent past, Stoof, Martens, Van Merrienboer, and Bastiaens, (2012) determined characteristic models as either objective or constructive. In lieu to this the practitioners and academicians believed that there are a number of objective competencies that a credit officer or a business entity requires in order to achieve target and once this competencies are identified an organization and credit officer works together towards achieving it. Further, (Stoof et el, 2002) asserts that constructivist point of view enables users of the concept to characterize competence from their own setting.

2.3.3 Self-Efficacy

Self-efficacy is the trust and self-determination in one's capability to manage and implement measures needed to achieve any given output for example ability to mobilize resources, self-drive and course of action required in order to have a control over an event (Bandura, 2000). The loan officer self-determination and drive sense of self efficacy is key characteristic that is required in the job so that the expected outcome is achieved.

Self-efficacy is in coherent with the operant conditioning and other skillful execution put forth by the credit facility personnel. Having such kind of behaviour inbuilt enables the loan officers and credit supervisors to motivate themselves with hard task that require effort and commitment and they can achieve their individual goals. On the contrary credit officers with low self-efficacy consider themselves unsuccessful and may think that challenging duties are threats that one can avoid (Armstrong, 2010). At some point this commercial institution are quite concerned with the close management of goal setting, feedback, and performance appraisal at the expense of employee personal behaviour and ergonomics at work place. However, for individuals to meet their goals in an organization they need to believe in themselves (Tams, 2007).

According to Heslin and Klehe (2009), there are three key sources of self-efficacy; enactive self-mastery, role-modeling and verbal persuasion. According to them the en-active self-mastery is experienced when individuals make achievement by doing part of the task, and they get motivated that they have what it takes to perform a difficult duty of the same kind.. The matter of role modeling is experienced when people look at others doing a task that is same as to what they are trying to learn or imagine themselves doing same job fruitfully. Oral persuasion builds self-efficacy when high end managers acknowledge the efforts of their junior staff by when encouraging and commending them for their capacity and capability to improve their efficiency (Tams, 2007).

2.4 Empirical Review

This is the interdisciplinary section of research that entails the summary of current theories concerning the topic and the historical background of our study within the context to the past literature and is based on the research objectives and this will ensure that all the literature relevant to the study is considered.

Saloner (2007) studied on the influence of organizational characteristics on the default rate developing world and found that if an organization focuses their lending to women; their default rate is lower and thus improving the success of that institution. Pollio (2010) examined loan default rates in Ghana. He noted that loan repayment is determined by factors such as number of years in business, status of loans, regularity of monitoring loans and the size of dependants in an household.

Field and Pande (2008) studied frequency of loan repayment and default in commercial banks in India and found that there is no significant relationship between the kind of repayment schedule and delinquency. Their results showed that who borrowed and their repayment schedules was either weekly or monthly lowered their transaction costs with minimal chances of default. Their study did not focus on the employee factors which influence loan delinquency which is the main objective in this research.

Srinivasan (2007) in its research on determining level of delinquency and default in commercial banks in India found that the already set and on time collection rate was a key tool in estimating rate of default. Srinivasan studied how loan delinquency is measured but the current study finds the employee factors that influence the rate of default.

CGAP (2009) report on the delinquency crisis in southern Karnataka revealed that factors such as multiple borrowing by clients, poor systems of tracking clients and collection strategies that are poor may lead to default.

Some authors link the performance of loan repayment to organization characteristic for example Nannyonga (2000), and Oke et al. (2007) mention profitability of an organization affects repayment of debt. Besides that, Khandker et al., (1995) their study in Grameen showed that area characteristics such as density of commercial banks, good infrastructure, good primary education and rural electrification are positively related low default rate.

Khan and Ahmed (2001) argued that some banks factors that related to risk management structures put in place by banks were to blame for loan defaults. These banks factors include tax procedures used in credit risk assessment. Negligence in monitoring loan defaults, insider loans, lack of trained personnel and unaggressive credit collection methods. According to Chijoriga, (1997) giving credit is a process that begins with application and ends when payment is fully made and its success relies on the tactics applied while applying and awarding. Many lending organization have developed ways of incorporating risk such as simulation, informal or subjective approaches into their decision making process. (Lino,1999). Financial institution lending decision are made mostly basing on the decision makers subjective feeling on the risk level of the anticipated repayments by the borrower because this method is simple and cheap (Payner& Redman, 2002).

Gahamanyi (2009) noted that factors such as allocating loans to unintended projects, investment in non-productive projects minimal judicious investment and lack of knowledge by borrower were sources of loan default. This poor performance was caused by inadequate financial, human and material resources provided to collection teams and to the lack of knowledge of the team.

Waweru and Kalani (2009) in their study on commercial banking crises in Kenya, noted that loan default in Kenyan banks were due to factors such as economic downturn, reduction of customers ability to buy and legal issues. This current study appreciate that the nonperforming loan and loan delinquency concepts are same, but it notably differs in terms of study area, and study methodology.

2.5 Chapter Summary

In light of the above studies carried out in relation to performance of loans it can be noted that most of the studies have mostly concentrated on factors outside financial institutions as the prime cause of non-performance of loans; however internal flaws have hardly been discussed in detail and this forms the basis of this research which I will carry out and identify the relationship between the mentioned staff competency variables.

However, studies revealed that even though competencies are necessary for achievement of performance, they are not by themselves sufficient for effective performance in a job. This coincides with efforts to develop self-efficacy to compliment loan officers' characteristic and hence leading to greater performance in loan recovery. Therefore, this study is carried out to build a characteristic profile for loan officers as well as create ways of enhancing self-efficacy and loan officer improving performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was applied in the overall process of the research. It elaborates on research design, population of study, sampling techniques, research instruments, and data collection procedures used and data analysis.

3.2 Research Design

The researcher employed descriptive cross sectional survey design to establish analysis of the nature and extent of credit officer characteristic and micro loan delinquency in commercial banks in Uasin-Gishu County, Kenya. A similar research design was used by Chege (2012) successfully. The design was used mainly because the study involved a univariate question in which the questions about the size, form, distribution and existence of employee characteristic and its influence on loan delinquency was asked by the researcher. The qualitative data basically focused on the banks official's views about loan officer competency and how they affect the level of loan delinquency.

3.3 Population

Target population refers the whole respondent targeted in a given research study jurisdiction of people, events or subjects to which a researcher wishes to develop the findings of the study (Ngechu, 2004). In this case the sample population consisted of all the 26 commercial banks operating in Uasin-Gishu County. Given the target population was minimal the study applied the census system.

3.4 Data Collection

The data collection instrument that was employed in this study was the questionnaire because of the merits it has for the study for example, it saves time, high level of confidentiality and it is the best source of primary data. The researcher made a questionnaire with both closed and open ended questions, matrix questions (with Likert scale of 5). Closed questions were expected to offer uniformity in answering the questions while open ended questions were to give objectivity to respondents by allowing them to provide their personal and unbiased views. The study specifically targeted the top level management in the banks because the people in management are the most familiar with the subject matter of the study.

The researcher sought an appointment with the management of the 26 commercial banks in the county. During these meetings, the researcher explained the objective of the intended research. These helped in reducing resistance from the respondents and also build confidence in the researcher. The questionnaires were then distributed to each bank loan managers for data collection.

3.5 Data Analysis

The data collected was subjected to errors and omission test by editing in order to validate research. The verified data was then coded by assigning code number on the responses obtained from the surveyed questionnaires using the SPSS application software and run to achieve the output. Coding is expected to organize and reduce research data into manageable summaries. Descriptive statistics such as means, percentages and frequency distributions was used to describe the responses as it is a better method of presenting the findings of the study. Presentation of the results was done using tables.

In addition, the significant of two variables were selected to run on the loan officer competency on the level of loan delinquency in commercial banks in Uasin-Gishu County. The estimated regression coefficients and p-values were then interpreted.

The model of analysis assumed the following form:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where:

Y = Loan Delinquency Level

$\beta 1$, $\beta 2$, $\beta 3$, represent the coefficients of loan officer competency

X1 - Operant Characteristic

X2 - Personal Characteristic

X3 - Self-Efficacy

The coefficient of determination, $R^{2,}$ was used to determine how much variation in Y is explained by X. The Statistical Package for Social Sciences (SPSS) was used to analyze the data.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish credit officer characteristic and loan delinquency in commercial banks in Uasin-Gishu County, Kenya. This chapter gives the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.2. Response Rate

26 questionnaires were issued out and only 21 were returned representing a response rate of 81% and was considered adequate for data analysis and as it conforms to Mugenda and Mugenda (2003) which states that a response rate of 70% and over is sufficient. In addition, considering the period the researcher took on follow up with the respondents, the chances of more questionnaires being received declined with time and therefore, this was considered adequate for the research analysis.

4.3 Demographic Information

The demographic information considered in this study included the gender, age, education level, length of service of the respondent, and position held by the respondents in the bank. This section was used to establish the respondents' competence to understand the questions because such individual characteristics as length of continuous service in the bank, level of education, current position held and the age, ceteris paribus, will determine an individual's capacity to appropriately answer the questions in concerning the organization they work for. The result on the respondents' characteristic is presented in Table 4.1.

Table 4.1 Demographic Information

Category	Item	Frequency	Percentage	Cumulative
Gender	Male	15	73.7	73.7
	Female	6	26.3	100.0
Age	Under 30 years	3	15.8	15.8
	31-40 years	9	42.1	57.9
	41-50 years	8	36.8	94.7
	Over 50 years	1	5.3	100.0
Education level	Post graduate level	4	21.1	21.1
	University	15	73.7	94.7
	Tertiary college	2	5.3	100.0
Length of continuous service	Less than five years	1	5.3	5.3
	5-10 years	9	42.1	47.4
	10-15 years	10	47.3	94.7
	Over 15 years	1	5.3	100.0
Position	Credit Supervisors	3	36.8	36.8
	Accounts relationship officers	13	63.2	100.0

The findings show that majority of the respondnets (74%) were male and at the same time majority of them fall in the over 30 years category. At the same time, 84% of them had atleast university level of education. In this regard, it implies that the credit section is manned by staff who had at atleast university level of education and atleast 10 years of experience in the respective banks. In terms of the current position that the respondents held, the findings show that most of them (63%) were relationship managers and the balance were credit supervisors. Indeed only 5% of the respondents had worked in the respective banks for less than five years and this means that it is the intention of the banks to have persons with a wealth of experience. In awarding loans to a borrower, the banks will consider the business cash flow, the time of the repayment, and the repayment of the loan successfully. A borrower's cash flow will help the bank in determining the borrower's ability to repay the loan. The analysis of cash flow can be very technical and will require more than simple comparison of income and expenses. This requires therefore that the loan officer has the requisite capacity to review the lenders financial capacity and consequently, the credit officer need to have sufficient competency.

This position is in line with that of Orlando (1990) who argues that lenders put into consideration the borrower's business plan and financial statements because they have a checklist of items to look at, for example the number of financial ratios that the financial statements disclose. These ratios are guiding principle to aid lenders establish whether the borrower will be able to service current expenses and pay for the extra expense of a new loan. As a result, the loan appraiser will need to have the necessary competence. Indeed, earlier researchers have extensively argued that individuals are likely to be creative in loan appraisal when they experience high levels of intrinsic motivation (Amabile, 1996) as such motivation raises their propensity to be inquisitive, cognitively flexible, risk taking, and determined in the face of barriers all of which should contribute to the improvement of creative ideas.

Berger and DeYoung's (1997) seminal paper sampled U.S commercial banks during the period 1985-1994 and observed that increase in future NPLs was due to 'bad' management with poor skills in credit scoring, appraisal of pledged collaterals and monitoring borrowers. This was further supported by Podpiera& Weill (2008) who discovered the same phenomenon in Czech banking industry between 1994 -2005. With these results, it therefore becomes imperative that a loan officer acquires sufficient skills, both from academic field as well as from working experience. This explains the decision of the banks of having senior members of staff with the necessary technical know-how.

4.4 Reliability Test

Before interpreting any of the data, it was essential to confirm the validity and reliability of the data collected. In this study, data were collected through a questionnaire and for reliability Cronbach's alpha was used to assess the consistency of the answers provided by the respondents. The test of the reliability scales is provided in Table 4.2.

Table 4.2: Output of Reliability Scales

Row	Assessment question	Measure	No. of questions	Reliability
1	7a	Operant Characteristics	5	0.823

2	7b	Personal Characteristic	4	0.851
3	7c	Self-Efficacy	7	0.782
4	8	Loan Delinquency	4	0.844

The results to determine internal consistency of provided the Cronbach's alpha greater than 0.7 as the threshold value and this means that all the questions contained in the variables and this means that there was greater internal consistency reliability of this survey instrument. Therefore the results from the respondents have some level of consistency on the same variables.

4.5 Loan Officer Characteristics

Loan officer characteristic is concerned with the abilities and skills required to perform a given role or function effectively in a defined work setting and this forms an important basis upon which an incorporated talent management system can be managed, designed, and improved. Credit officer’s work as an intermediary between a bank and clients and consequently, their ability to make correct judgement in loan advancement will determine the repayment level as well as non-performing loans level. This section of the questionnaire sought to establish different loan officer characteristic, namely; operant, personal and self-efficacy attributes.

4.5.1: Operant Characteristic

This form of employee characteristic is concerned with the competency that directly affect the conditions of the work environment and articulates employee practices that brings changes under a given work environment. Therefore operant competence directly affects the work environment and has its own reinforcements. The results on operant characteristics are presented in Table 4.3.

Table 4.3: Operant Characteristic

Statement	Mean	Std. Deviation
The loan officer is able to adjust under different work environment and clients	4.368	.684
The loan officer is able to combine such operational attributes as technical knowledge ,values, and the work environment condition to make the best judgment during loan recovery process	4.316	.582
The loan officers have a monitoring system that discloses repayment problems and is able to center on delinquency before it gets out of hand	4.211	.713
The use of age analysis is vital for a careful monitoring of the quality of portfolio and making an estimate of the terms required for loan losses.	4.053	1.129
The loan officers follow standard instruction with minimal supervision	3.895	.737
The loan officer is perceived to be able to adopt different loan screening practices with different applicants that will make a difference under a given loan application position	3.842	.834
The loan officer follow set practices and procedures without opportunity to alter them	3.632	.955

The loan officers follow already developed work routines but work under minimal supervision	3.474	1.073
The loan officers have strict instructions and work plan which must be adhered to and cannot complete a task without consulting supervisor	3.105	1.150
Overall Mean	**3.877**	

The finding shows that the respective loan officer is able to adjust to different work environment and clients as they arise (M=4.368) and the low standard deviation (SD=0.684) means that there was high concurrence among the respondents. In addition, the study found that the loan officers were found to be able to combine such operational attributes as technical knowledge, values, and the work environment condition to make the best judgment during loan recovery process (M=4.316) and at the same time be able to monitor system that highlights repayment problems and is able to center on delinquency before it gets out of hand (M=4.211). As an aid to their loan appraisal process, the loan officers were found to be versed with the use of aging analysis tools for purposes of monitoring quality of portfolio and creating approximation for provision loan losses (M=4.053).

On the lower side of the results, it was found that to a moderate extent, the loan officers have established work routines and at the same time work under close supervision (M=3.474) and similarly, the loan officers have strict instructions and work plan which is adhered to and cannot complete a task without consulting supervisor (M=3.105). However, since these two activities were done to the lower extent, it is evident that the loan officers are more independent and in their duties and this implies higher level of independent in decision making.

4.5.2 Personal Characteristic

Personal competence refers to the combination of specific skills, knowledge, attitudes and behavioral that is required by an employee in order to perform a given job. It is the categorization of essential difference in assumptions between behaviour and the kind of data to collect about the behaviour. The results on the loan officers' personal competency is presented in Table 4.3.

Table 4.4: Personal Characteristic

Statement	Mean	Std. Deviation
Loan officers have the necessary combination of knowledge, skills and attitudes that are required to perform a job competently	4.316	.478
Loan officers give directives that influence departmental policies	3.474	1.020
Loan officers give directives that influence organizational policies and objectives	3.368	.955
Loan officers provide strategic direction that can re-orient the broader organizational goals and policies on issues relating to loan management	3.368	.68399
Overall Mean	**3.632**	

As regards individual loan officers characteristics, the result reveal that the loan officers have the necessary combination of skills ,knowledge, and attitudes that are required to perform their job proficiently (M=4.316) and that they in also provide appropriate directives that influence departmental policies (M=3.474) there on this characteristic, there was high deviation among the respondents' (SD=1.02).

4.5.3 Self-Efficacy

Self-efficacy is the trust and self-determination in one's capability to manage and implement measures needed to achieve any given output for example ability to mobilize resources, self-drive and course of action required in order to have a control over an event. The researcher also sought to establish the loan officer self-efficacy and the results are presented in Table 4.4.

Table 4.5: Self-Efficacy

Statement	Mean	Std. Deviation
The loan officer has the capacity to monitor portfolio quality ratios on monthly, weekly or daily basis and therefore make appropriate decisions	4.263	.562
The loan officer is aware of the number and values of loans that have been rescheduled and this segment of the portfolio should be tracked separately	4.211	.787
The loan officers have verbal persuasion command and are able to encourage and praise individuals for their competence and ability to improve their effectiveness	4.105	.658
The banks' loan officers, have a strong sense of efficacy are more likely to challenge themselves with difficult tasks and be intrinsically motivated	3.947	.780

By the loan officers being self- efficacious, they are able to recover quickly from setbacks and ultimately are likely to achieve their personal goals	3.947	.705
This brings us to the importance of financial ratio analysis in MFIs with a focus on portfolio quality ratios.	3.842	.765
The banks' loan officer has a sense of efficacy of judgment of his or her capabilities to structure a particular course of action in order to produce desired outcomes in the job that he/her does	3.632	.895
Overall Mean	**3.992**	

The finding on the loan officer self-efficacy suggest that loan officer have the capacity to monitor portfolio quality ratios on monthly, weekly or daily basis and therefore make appropriate decisions (M=4.263) as well as the loan officer being aware of the number and values of loans that have been rescheduled and identify the segment of the portfolio that need to be tracked separately (M=4.211). in addition, it found that the loan officers had have a strong sense of efficacy are more likely to challenge themselves with difficult tasks and be intrinsically motivated, in spite of the loan officers being self- efficacious, they are able to recover quickly from setbacks and ultimately are likely to achieve their personal goals (M=3.9474).

4.6 Effect of Credit Officers on Loan Delinquency

The respondents were requested to indicate on the extent to which the loan officers affected the level of loan delinquency in their banks. The results of the responses are presented in Table 4.5.

Table 4.6: Influence of the loan Officers on Delinquency

	Mean	Std. Deviation
A competent loan officer is able to limit cases of change of tenacity by a borrower through development of good communication with the borrower	4.263	.653
A loan officer competence level is able to determine better incidences of diversion of funds from the intended level when it occurs	4.105	.994
Development of an effective groups is enhanced with an effective loan officer and this limits cases of loan delinquency	4.105	.658
A loan officer competency level determines better the operational age of the business unit and assess better its ability to service the loan	3.684	.946
Overall Mean	**4.039**	

The result indicate that competent loan officer is able to limit cases of change of tenacity by a borrower through development of good communication with the borrower (M=4.263). In addition, loan officer competence level is able to determine better incidences of diversion of funds from the intended level when it occurs and the development of effective groups is enhanced with an effective loan officer and this limits cases of loan delinquency (M=4.105). The respondent further indicated that loan officer competency level determines better the operational age of the business unit and assess better its ability to service the loan (M=3.684). However, it was evident that loan officer is able to limit cases of change of tenacity by a borrower through development of good communication with the borrower and determine better incidences of diversion of funds.

4.7 Effect Credit Officers Characteristic on Loan Delinquency

For quantitative analysis the study used regression analysis to establish the relationship between the loan officers' characteristic and the level of the borrower delinquency. To determine the same, the relationship between the overall mean of each of the loan officers' characteristic under section 4.5 was regressed with the resultant mean from the performance measure in section 4.6 for each questionnaire.

Table 4.7: Loan Officer Characteristic and Delinquency

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Co linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	2.345	1.054		1.173	0.174		
	X_1	1.457	0..898	0.007	0.167	0.047	0.902	.893
	X_2	0.925	0.283	0.071	0.090	0.192	0.934	1.071
	X_3	3.012	1.654	0.086	0.189	0.333	0.833	0.972

Note: Dependent variable – Loan Delinquency; X_1 = Operant Characteristic; X_2 = Personal Characteristic; X_3 =self-efficacy

From Table 4.5, the established multiple linear regression equation becomes:

$Y = 2.345 + 1.457X_1 + 0.925X_2 + 3.012X_3$

The coefficient of the independent variables (X_1 – X_3) is however insignificant at 5% level except the operant characteristic. The estimated regression coefficient (β=2.345) for delinquency variable means that an advancement in loan officer characteristic per unit leads to a corresponding 2.345 decline in loan delinquency in the banks at Uasin-Gishu County. This shows that, a unit increase in operant characteristic (β= 1.457) leads to a corresponding 1.457 decline in loan delinquency in the commercial banks. Equally, the regression analysis outcome shows that the loan officer personal characteristic are positive though insignificantly (p-values = 0.192) related to loan delinquency performance. This depicts that, a unit increase in personal characteristic (β= 0.925) leads to a corresponding 0.925 decline in loan delinquency in the commercial banks. This implies that the independent variables (operant characteristic, personal characteristics and self efficacy) have major effect on loan delinquency. Overall employee competence contributes to loan delinquency performance.

The variance inflation factor (VIF**)** quantifies the severity of multi co linearity in an ordinary least squares regression analysis. It provides an index that measures how much the variance of an estimated regression coefficient is increased because of co linearity. The variance inflation factor of the model variables is small which means that there is small co linearity between the independent variables and the SD of around 1.0 for the independent variables indicates that the standard error of the variables will decrease by a unit if one of the variables is excluded.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.731	0.534	0.453	0.3538

Source: Research Data (2016)

Coefficient of determination (COD) was used to determine the good fit. Adjusted R^2 that is coefficient of multiple determinations is the proportion of variance in dependent variable explained by independent variable. From the study, the three independent variables that were studied, explain 53.4% of loan delinquency in the commercial banks at Uasin-Gishu as represented by the adjusted R^2. This therefore means that other factors not studied in this research contribute 46.6% of loan delinquency among the borrowers. Therefore, further research should be conducted to investigate the other (46.5%) contributing factors to loan delinquency

4.8: Discussion of Findings

Under operant characteristics the findings showed that the respective loan officer is able to adjust to different work environment, able to combine such operational attributes as technical knowledge, values, and the work environment condition to make the best judgment during loan recovery process, monitor system that highlights repayment problems and is able to center on delinquency before it gets out of hand. Further have established work routines and at the same time work under close supervision, the loan officers have strict instructions and work plan which is adhered to and cannot complete a task without consulting supervisor activities, it is evident that the loan officers are more independent and this implies higher level of independent in decision making. The ability of the loan officers to make their own individual judgement reinforces the position by Lucia and Lepsinger, (2009) to the effect that employee operant characteristic such as attitudes and values will influence their competency in making independent judgement and this will facilitate faster decision making. Therefore, as Richey, et al, (2011) opine, competences will be realistic not only when they task specific but also behavioural. Operant characteristic specifically acknowledges the existence of fundamental states while promoting their behavioural manifestations while in contact with the environment.

In personal characteristics it is evident that the loan officers have the necessary combination of skills, knowledge, and attitudes that are required to perform their job proficiently and they also provide appropriate directives that influence departmental policies. Hudson (2008) states that the profile of a credit officer is difficult to develop because his or her duties and capabilities are complex and unique from other duties in the organization. Palan (2008) however asserts that the key to successful competency profiling depends on defining dimension for the competency profile thus defining the competence of a loan officer will vary depending on the educational, cultural, social and level of exposure to a loan officer that come about from the work experience of the said staff.

loan officer self-efficacy suggest that loan officer have the capacity to monitor portfolio quality ratios on monthly, weekly or daily basis and therefore make appropriate decisions as well as the loan officer being aware of the number and values of loans that have been rescheduled and identify the segment of the portfolio that need to be tracked separately in addition, it found that the loan officers had have a strong sense of efficacy are more likely to challenge themselves with difficult tasks and be intrinsically motivated, in spite of the loan officers being self- efficacious, they are able to recover quickly from setbacks and ultimately are likely to achieve their personal goals As the findings suggest, loan officers capacity to have self- efficacy increases their confidence and also there other employee characteristic and this position is consistent to that of Armstrong (2010) who found that loan officers with increased level of self-efficacy are likely to make concerted, extended effort and may consider challenging tasks as threats that are to be avoided. This position also supports the Portfolio Theory which qualifies that the capacity of a loan officer to effectively use credit scores and other screening techniques will limit the risk exposure to a financial institution. This therefore can be achieved through having loan officers with stronger self-efficacy characteristic.

CHAPAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides a summary of the major findings of the study, conclusions, limitations of the study, and recommendations for further research. The research objective was to establish credit officer characteristic and loan delinquency in commercial banks in Uasin-Gishu County, Kenya

5.2 Summary of the Findings

The findings of the study were that the banks credit section was being manned by competent staff with atleast university level of education as well as more than 5 years of experiences in the loan disbursement process. Suffient level of competence among the loan officers is driven by the need to analyse a borrowers credit worthiness using different measures of screening and also to do effective follow up on the slow paying borrowers. Further, the loan officer is involved in the monitoring system that highlights repayment problems and is able to follow standard instruction with minimal supervision and this calls the competence level to be sufficiently high. In terms of the loan officer competency, the common attribute among the different banks officers was the capacity to adjust to different work environment and clients and the ability to combine such attributes as technical knowledge, values, and the conditions of work environment to make the best judgment during loan recovery process and at the same time be able to monitor the system that highlights repayment problems.

In regards to individual loan officer's characteristics, the common feature was that the officers had necessary combination of skills, attitudes and knowledge required to perform their job competently and also provide appropriate directives that influence departmental policies. It was therefore found that the role and competencies of the loan officer is complex and distinctly different from other roles in the organization, making the profile very rare and hard to develop. The findings on the loan officer self-efficacy suggest that they need to have the capacity to monitor the bank loan portfolio periodically and devolve appropriate aging schedule. Further the loan officers' self-efficacy need to have a strong sense of efficiency and be able to deal with challenging tasks and be intrinsically motivated. The regression results reveal a strong positive correlation between the loan officer competencies and loan delinquencies. This indicates that performance of loan delinquency is depends on the competency level of the loan officers.

5.3 Conclusion

Based on the findings loan delinquency cases are among others caused by, the level of loan officer competency. The failure by the loan officer to efficiently screen the borrower and to control specific factors deemed to be within the direct control of the bank management lead to defaulting by the borrowers on the loan. The external factors are those that are considered to be outside the direct control of the bank seems to contribute minimal levels of delinquent loans. For effective management of delinquency, it is important for banks to appreciate and concentrate more on the internal causes of delinquency which they can easily manage and find practical and attainable solutions to these problems.

From the findings and theoretical discovery of other researchers, it can be concluded that the banks should employ loan officers with combination of personal, operant and self-efficacy characteristics. A loan officer also gives directives that influence departmental and organizational policies and therefore their level of competence will come in handy in performance of these duties. The level of loan delinquency in a bank is affected by both individual employee competence and bank specific features such as interest rates and repayment period.

5.4 Recommendation Policy Implications

The following recommendations are made Based on the findings of the study:- commercial banks, micro-finance institutions, policy makers, credit referencing bureau and regulators, need to be worried of the rising levels of loan default in the industry and formulate suitable management strategies to reduce portfolio risks. Further, management of banks should frequently evaluate credit risk techniques in place and enlarge loan monitoring framework among the different cadres of borrower's effective credit portfolio assessment. Adequate staff development programs and continuous training should be put in place to enhance staff competency levels.

The banks management should concentrate on the performance of the internal factors identified in this study when advancing loans so as to scale down the level of loan delinquency. Further, the banks portfolios management strategies should focus more on the internal causes of delinquency which they can easily manage and find practical and attainable solutions.

5.5 Limitations of the Study

The major limitation in this study was its limited scope. It therefore means that the findings cannot be over generalized. The study was undertaken at Uasin-Gishu County and therefore there is limited room for comparison of findings with other areas. This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers considering that they were all commenting on their employer. More respondents would have been essential to increase the representation of respondents in this study and allowed for better check of consistency of the information given. However, despite the above limitations, the findings presented in this paper have important policy implications.

5.6 Suggestion for Further Research

This research indicated that there is a relationship between effective loan officer characteristics and loan performance among the commercial banks. Therefore the researcher suggests further research on the reasons for loan defaults from borrowers' point of view in the commercial banks and the impact of Credit Referencing on customers and loan performance in the commercial banks.

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APPENDICES

Appendix I: Questionnaire

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions on the effect of loan officer characteristic on loan delinquency among the commercial banks in Uasin-Gishu County.

Section A: Demographic Characteristics of Respondents

1. Name of the bank (Optional)…………………………………….

2. What is your gender?

Male ( ) Female ( )

3. What is your age bracket? (Tick as applicable)

a) Under 30 years ( ) b) 31 – 40 years ( )

c) 41 – 50 years ( ) d) Over 50 years ( )

4. What is your highest level of education qualification?

a) Post graduate level ( ) b) University ( )

c) Tertiary College ( ) d) Secondary ( )

5. Length of continuous working in the bank?

a) Less than five years ( ) b) 5-10 years ( )

c) 10 – 15 years ( ) d) Over 15 years ( )

6. What current position do you hold in the bank?

a) Credit Supervisors ( )

b) Accounts Relationship officers ( )

Section B: Loan Officer Characteristic

7. Please indicate the extent to which the following loan officer characteristic has influenced the loan recovery status in your bank? Where **1 - Strongly disagree; 2 - Disagree; 3 - Moderate extent; 4 - Agree; 5 - Strongly Agree**

	Operant Characteristic	1	2	3	4	5
1	The loan officer is able to adjust under different work environment and clients					
2	The loan officer is able to combine such operational attributes as values, technical knowledge and the work environment condition to make the best judgement during loan recovery process					
4	The loan officers have strict instructions and work plan which must be adhered to and cannot complete a task without consulting supervisor					
5	The loan officers follow established work routines but work under close supervision					
6	The loan officers follow standard instruction with minimal supervision					
7	The loan officer follow standardized practices and procedures without opportunity to vary them					
8	The loan officers have a monitoring system that discloses repayment problems and is able to focus on delinquency before it gets out of hand					
9	The use of aging analysis is critical for a careful monitoring of the quality of portfolio and for making an estimate of the terms required for loan losses.					
	Personal Characteristic					
1	Loan officers give directives that influence departmental policies					
2	Loan officers give directives that influence organisational policies and					

	objectives					
3	Loan officers provide strategic direction that can re-orient the broader organisational goals and policies on issues relating to loan management					
4	Loan officers have the necessary combination of knowledge, skills and attitudes that are required to perform a job competently					
	Self-Efficacy					
1	The loan officer has the capacity to monitor portfolio quality ratios on monthly, weekly or daily basis and therefore make appropriate decisions					
2	The loan officer is aware of the number and values of loans that have been rescheduled and this segment of the portfolio should be tracked separately					
3	This brings us to the importance of financial ratio analysis in MFIs with a focus on portfolio quality ratios.					
4	The banks' loan officer has a sense of efficacy of judgment of his or her capabilities to structure a particular course of action in order to produce desired outcomes in the job that he/her does					
5	The banks' loan officers, have a strong sense of efficacy are more likely to challenge themselves with difficult tasks and be intrinsically motivated					
6	By the loan officers being self- efficacious, they are able to recover quickly from setbacks and ultimately are likely to achieve their personal goals					
7	The loan officers have verbal persuasion command and are able to encourage and praise individuals for their competence and ability to improve their effectiveness					

8. Below are some of the factors that affect the extent of the loan delinquency. Please indicate the extent to which the following factors are affected by the loan officer characteristics. Where **1 - Strongly disagree; 2 -Disagree; 3 - Moderate extent; 4 - Agree; 5 - Strongly Agree**

1	A loan officer competency level determines better the operational age of the business unit and assess better its ability to service the loan				
2	A loan officer competence level is able to determine better incidences of diversion of funds from the intended level when it occurs				
3	A competent loan officer is able to limit cases of change of tenacity by a borrower through development of good communication with the borrower				
4	Development of an effective groups is enhanced with an effective loan officer and this limits cases of loan delinquency				

THANK YOU FOR YOUR TIME

Appendix II: List of Commercial Banks In Uasin Gishu County

1. Kenya Commercial Bank
2. Standard Chartered
3. Barclays Bank Of Kenya
4. Bank Of Baroda
5. Commercial Bank Of Africa
6. Prime Bank
7. Co-Operative Bank
8. National Bank Of Kenya
9. Oriental Commercial Bank
10. Bank Of Africa
11. Consolidated Bank Of Kenya
12. Credit Bank Limited
13. Trans-National Bank
14. Chase Bank
15. Cfc Stanbic
16. Abc Bank
17. Housing Finance
18. Nic
19. Eco Bank
20. Equatorial Commercial Bank
21. Guardian Bank
22. I&M Bank
23. Diamond Trust Bank
24. sidian
25. Equity
26. Family

Source: Central Bank Commercial Bank Branches report

Appendix III: Originality Report

hilda3

ORIGINALITY REPORT

%14	%13	%1	%8
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.ijmsbr.com Internet Source	%3
2	chss.uonbi.ac.ke Internet Source	%2
3	jetems.scholarlinkresearch.com Internet Source	%1
4	www.mubs.ac.ug Internet Source	%1
5	www.pilaconsultants.org Internet Source	%1
6	Submitted to Kenyatta University Student Paper	<%1
7	www.eenc.info Internet Source	<%1
8	Submitted to Higher Education Commission Pakistan Student Paper	<%1
9	xa.yimg.com	