

EFFECTIVENESS AND PROBLEMS OF STRATEGY IMPLEMENTATION OF  
FINANCING HIGHER EDUCATION IN KENYA BY  
THE HIGHER EDUCATION LOANS BOARD

BY

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This dissertation is submitted in partial fulfillment for the award of Masters of Business Administration (MBA) degree of the University of Nairobi.

December, 2000

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DECLARATION

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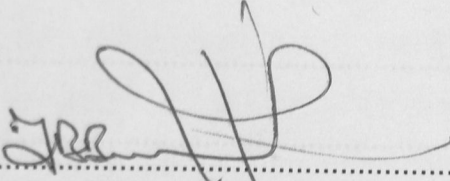
This dissertation is my original work and has not been submitted for a degree in any other university.

ACKNOWLEDGEMENTS

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Signature: 

AWINO Z.B.

30/8/2001

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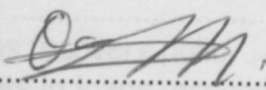
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## ACKNOWLEDGEMENTS

My gratitude goes to my parents, the entire family members, dear wife Rose, children Winnie, Kevin and Nicole who persevered and were understanding due to my long absence from home while collecting data and compiling this research paper.

My sincere thanks goes to Professor Chacha Nyaigotti Chacha, the former Board Secretary and Mr. B. C. Cheboi, the current Board Secretary, who created a conducive atmosphere and direction within which necessary information was availed in order to come up with a research paper of this magnitude. I am indeed grateful to the entire fraternity of HELB's management and staff due to their co-operation and assistance.

My gratitude and appreciation would be incomplete if I do not mention the guidance given by Dr. Martin Ogutu, a Senior Lecturer in the Faculty of Commerce, University of Nairobi and also the co-ordinator of MBA (P) programme. Without his tireless efforts and commitment, the outcome of this research paper would have not been possible, every credit of my success goes to him, may God bless him abundantly.

In conclusion, I cannot forget Elizabeth Khaoya, Monica Wachira, Mukiiria, Rose Macharia, Judith Oketch and Fritz Achola all of Higher Education Loans Board who in one way or the other contributed immensely in typesetting, proof reading and editing this work to a readable whole. My thanks and appreciation goes to all of them and I assure them of my full support always and God's blessings in their endeavours.

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HELF	- Higher Education Loans Fund	
O.C.C.	- Office of Council	
U.C.S.P.	- Universities Central Service Programme	
UK	- United Kingdom	
USA	- United States of America	

## LIST OF ABBREVIATIONS

The following abbreviations have been used to highlight strategy implementation by various players in this study:-

CAP	-	Chapter
CEO	-	Chief Executive Officer
DM	-	Deutsche Mark
GOK	-	Government of Kenya
HELB	-	Higher Education Loans Board
HELF	-	Higher Education Loans Fund
O.O.C	-	Ordinance of Council
U.C.S.P.	-	Universities Central Service Programme
UK	-	United Kingdom
USA	-	United States of America

ABSTRACT  
DEDICATION

The major determinant of an organisation success today in the changing and turbulent environment is the successful implementation of policies. The way strategies are implemented is covered by a policy framework, the direction of This piece of research work is dedicated to my late grandfather Peter, late grandmother Dora and late sister Phoebe who were a great source of inspiration and encouragement to me in the acquisition of knowledge, they shall always remain in mind for what they stood for.

The future of Kenyan citizens who wants to have well defined policies in form of guidelines must be put in the right perspective. This may call for a comprehensive effort to develop a policy manual which can be used as HELB's "Bible" or the source of reference for all HELB core activities, especially in loans recovery which is the centre of focus for this research.

The objective of this study is to find out whether HELB has been implementing its policies in loans recovery and also to look at the problems associated with such efforts, with a view to radically attain dramatic and positive change in loans recovery process.

A linear model has been used in the literature review to explain the position of strategy implementation of policy in the overall strategy management process. The literature review has also captured adequately the policy framework in total and problems of successful implementation and approaches in implementation of strategic policies. Attempts have been made to explain how HELB has implemented its loans recovery strategy since inception in 1995. A comparison has also been made between HELB and other countries to find out the level of success and reveal missing gap if any.

As a matter of procedure, an in depth research has been carried out to determine how HELB has progressed in the area of strategy implementation of the loans recovery policy.

The empirical results obtained over the period between 1995 and 2000 indicates that HELB has not attained the required level of policy implementation in the loans recovery since no such policy has been in place. Though an improvement has been recorded over the years as compared to other default loans schemes, much more still need to be done to bridge the gap of loan recovery which is too wide as compared to other countries of the world. The problems facing HELB in the implementation of loans recovery strategy can only be resolved through meticulous implementation and adoption of a policy framework.

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## ABSTRACT

The major determinant of an organisation success today in the changing and turbulent environment is the successful implementation of policies. The way strategies are implemented is governed by a policy framework, the direction an organisation takes in meeting its goals and objectives is influenced by the type of policy it employs.

The HELB cannot be left out of this major effort, it must follow the critical path of success. For its own good and for the future of Kenyan citizens who wants to pursue higher education, clear and well defined policies in form of guidelines must be put in the right perspective. This may call for a comprehensive effort to develop a policy manual which can be used as HELB's "Bible" or the source of reference for all HELB core activities, especially in loans recovery which is the centre of focus for this research.

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## CHAPTER 1

### INTRODUCTION

Although strategy implementation is viewed as an integral part of strategic management process, little has been written or researched on it. The overwhelming majority of literature so far has been on the long-range planning process itself or the actual content of the strategy being formulated. We have so far been giving lip service to the other side of the coin, namely strategy implementation. Consequently, it is not surprising that after a comprehensive strategy or single strategic decision has been formulated, significant difficulties are often encountered during the subsequent implementation process.

This research paper therefore undertakes to study the effectiveness and problems of strategy implementation of financing Higher Education in Kenya, particularly it shall focus on the performance of Higher Education Loans Board (HELB) since its inception and whether the Board has been able to realise its strategic goals and objectives especially in the area of loans recovery.

There is a general concensus amongst key stakeholders today that proper strategies are not available to address the financial needs of most Kenyan students who have the quest for learning and intend to pursue higher education in institutions of higher learning locally and abroad.

It is further envisaged that if strategies are available as it were, then perhaps their implementation has not been properly executed to recover matured loans. This may explain reasons why other loan schemes in the past have been a failure to recover the outstanding loans.

Higher Education Loans Board (HELB) was established by an Act of Parliament in 1995 to further facilitate the strategy implementation of financing higher education in Kenya.

It is the third student loan scheme after the ordinance of Council Number 49 of 1952 and the Higher Education Loans Fund Act (Cap 213 Laws of Kenya) of 1974 both repealed by the HELB Act.

Against this background, the researcher will address some fundamental attributes, which are considered key and critical to financing Higher Education in Kenya. In this endeavour, the researcher shall examine the problems associated with the strategy implementation of loans recovery policies, if any, and the effectiveness of strategy implementation in this regard.

Indeed, proper strategy implementation requires concerted effort, successful strategy formulation alone does not guarantee successful strategy implementation. Although inextricably interdependent, strategy formulation is characteristically different.

It is widely agreed that "the real work begins after strategies are formulated" successful strategy implementation requires support, discipline, motivation and hardwork from all managers and employees (David, 1997).

It is sometimes frightening to think that a single individual can sabotage strategy implementation efforts irreparably. Formulating the right strategies is not enough because managers and employees must be motivated to implement those strategies management issues considers central to strategy implementation, this include matching organisational structure with strategy, linking performance and pay strategies, creating an organisational climate conducive to change, managing political relationships, creating a strategy-supportive culture, adopting production/operations process and managing human resources.

In our case, establishing annual objectives, devising policies and allocating necessary resources are central strategy-implementation activities, which cumulatively forms the Benchmark for strategy implementation of loans recovery policy at Higher Education Loans Board.

In their article entitled, "Putting Your Strategy into Action", L.J. Bourgears III and David R. Brodwin are categorical that strategy implementation in many companies have resulted in failed strategies and abandoned planning efforts.

### 1.1 Statement of the problem

This research paper shall identify many implementation problems and factors associated with loan recovery and then offer some remedies for them.

The researcher shall provide suggestions that can help managers to be more successful in three general areas:-

- Developing strategies that can realistically be implemented, given not only the market place but also in the policy decisions.
- Putting formulated strategies into action.
- Revising strategies continually so that you can take advantage of new opportunities and respond to threats.

In conclusion, RJR Nabisco's Lou Gerstner, probably America's most famous CEO since Lee Lacocca was quoted recently as saying: "It is my absolute conviction that you can outmanage your competition by having brilliant strategies but those brilliant strategies have to be executed brilliantly." It is a sign of times that he added the point about brilliant execution.

More and more, CEO's today are concluding that a good strategy by itself is not enough. So they are also focussing on strategic partners, core institutional skills, which is an essential attribute to strategy implementation. These skills are after all, what enable you to get your strategy executed.

They are the critical capabilities that an organisation as a whole has as distinct from the capabilities of individuals in the organisation.

### **1.1 Statement of the problem**

After independence in 1963, the Kenya Government was faced with a critical shortage of high level trained manpower to manage both the public and private sector economy.

It was on this basis that the Government decided to intensify training at all levels and especially to encourage university education through the provision of full scholarships for all Kenyans admitted to the public universities (UCSP, 1991).

The scholarship programme which was started in 1952 continued upto 1974 when the loan scheme was introduced, this saw the enactment of Higher Education Loans Fund (HELFF) Act (Cap 213 Laws of Kenya) of 1974 by parliament. This was later repealed by HELB Act of 1995 after it failed to live to the expectations and requirement of funding higher education.

The loan scheme has been in operation for over twenty-six years since its inception. The recovery of matured loans has not been effective, as it ought to have been due to lack of commitment on the part of past loanees.

More than Kshs.14 billion has been disbursed towards university student loans over the years and out of this about KShs.12.5 billion has matured for recovery but only KShs.1.5 billion has been collected (HELB Financial Report, 1998). This has been partly due to poor strategy implementation, which has not been properly executed to net defaulters and bring recovery of loans to a more sustainable level.

Poor performing economy and increased poverty levels amongst Kenyans have also had its toll on loan repayment and recovery efforts from past loanees.

A scenario is now emerging where a handful of graduates are not securing jobs to repay their loans, and those who are employed live under fear of losing them through retrenchment programme currently going on in the civil service and the private sector where most graduates are employed. The rate of unemployment amongst past loanees is threatening the efforts of loan recovery which is key in building a self sustaining revolving fund.

A quick quip through loans portfolio reveals that none of the loans so far disbursed to the past loanees is secured, what is the remedy in case of default? This is a clear weakness in the loans recovery strategy, as loans cannot be effectively recovered.

The capability of HELB in terms of well-established information system to identify the whereabouts of past loanees with a view to compel them pay loans awarded is lacking. The HELB has to rely on the goodwill of the media to advertise for an appeal and ask the beneficiaries to own up some efforts have been made in this area through various employers but little has been achieved so far.

The major question being pondered is whether HELB can survive and accomplish its goals and objectives successfully given the myriad problems at stake. It is with this understanding that skillful implementation of strategy in the loan recovery is inevitable and a must as the way forward.

1.1.2 The HELB has no option but to look at those strategic choices necessary for proper implementation of strategies in the area of loans recovery. For a viable revolving fund to be established in financing higher education and to see HELB fulfil its mandate in loans recovery, proper policies with clear guidelines must be put in place to enable HELB recover the outstanding loans more adequately and put the recovery process on course.

Currently, the available strategies in loans recovery have not been able to address the issue of loans recovery more effectively.

The methods which are available such as sending demand notices to employers to recover loans has not been effective, no legal proceedings have been entered against defaulters and lack of security on loans, together with information laps as to the whereabouts of loanees has created a bottleneck in the recovery efforts.

This being the case, a revolving fund that HELB has long desired to establish, has not been a reality. It is on this basis that the researcher focuses on the strategic thinking and proper implementation of policies in loans recovery, this issue must now be addressed in total to facilitate the recovery of loans and help HELB achieve its goals and objectives in financing higher education in Kenya.

The purpose of this study is to explore and document strategy implementation policies by Higher Education Loans Board. This will make a further contribution to research in strategic management in Kenya and more so in government parastatals where no research of this magnitude has been done before.

### **1.1.2 Higher Education Loans Recovery in Kenya and other countries**

A Report by Kipsang on HELB study tour of Sweden, Denmark, Germany, Belgium and the United Kingdom by members of HELB Board of Directors and the Management representatives on 14<sup>th</sup> March to 3<sup>rd</sup> April, 1998, indicates that a gap exist between these countries and Kenya. Take for example a country like Sweden where the repayments have been successful and are done electronically. Recovery stands at 4 billion kronor (KShs.29.66 billion per year).

In Denmark, the recovery of student loans are handled by Mortgage Bank of Denmark and the recovery is 4.2 billion Danish kronor per year (KShs.32.2 billion).

In the Federal Republic of Germany, the repayment of loans per year stands at 750 million Dm (KShs.24.75 billion) comparatively, the gap between these countries and Kenya is wide since HELB is only able to recover on the average a paltry figure of KShs.540 million per year



1.3 taking into account the outstanding amount of KShs.14 billion. In total HELB has managed to recover approximately KShs.1.2 billion as at October, 2000.

This is far much below the expected amount to build up a revolving fund which requires nearly 2 billion Kenya shillings a year to be self reliant and enable it finance higher education to all its applicants. Due to this shortfall, HELB solely depends on subsidy from the Exchequer at KShs.600 million a year.

2. The study can be of benefit to Higher Education Loans Board and It is therefore conclusive that in advanced countries of Europe, recovery of loans has been successful, though the disbursement figures were not available but the consensus in the report reveals that the recovery rate is much higher than the loans outstanding. The case is however different in Kenya where HELB has yet to come up with proper policies for implementation in the recovery of outstanding loans.

## 1.2 Objectives of the study

This study has attempted to find out the following:-

1. To establish whether HELB has been implementing the loans recovery policies.
2. To establish the possible problems HELB has encountered in implementing the loans recovery policies.

### 1.3 Importance of the Study

1. This study can be of interest to major stakeholders, the current beneficiaries of the student loans, the past loanees, the parents, schools and institutions of higher learning such as universities, polytechnics and colleges, corporate organisations, employers, etc. since they will be able to understand the operations of HELB and appreciate its role in financing higher education in Kenya.
2. The study can be of benefit to Higher Education Loans Board and enable it reform its operations and gear itself towards the many challenges ahead especially in the area of loans recovery and in building a viable revolving fund for financing higher education.
3. It would be useful to the government of Kenya and enable it address the needs of creating an enabling environment, sound loans recovery policies, incentives and motivation to the investors interested in financing higher education.
4. It can prove as a milestone for other potential players besides HELB to finance higher education in Kenya. This is because of immense opportunities readily available for this purpose which still remains untapped.

## CHAPTER 2

### LITERATURE REVIEW

The strategy implementation stage of strategy management stands out in the model given (in Appendix 3), which has elaborately illustrated at a glance the implementation process. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation)! Although inextricably linked, strategy implementation is fundamentally different from discussions of strategic planning focus on how to formulate strategy. There are several tools and techniques in widespread use. Management consulting firms offer strategic planning on a commodity basis, and business school programs are adorned with methodologies for choosing the best strategy.

By contrast, scant attention has been given on how to implement those strategies. Yet many people have recognized that problems with implementation in many companies have resulted in failed strategies and abandoned planning efforts.

Implementation of a chosen strategy is by making any necessary adaptations to structure, the systems and people of the organization and managing the required acquisition and deployment of resources.

Of course, the notion of implementation as distinct belongs to one view of strategic management; others would have implementation and formulation as inextricable. However, this view gives a convenient structural device recognizing that linear presentation of ideas may mask that they inter-relate and need to be integrated perhaps incrementally (Wendy, 1997).

Feurer, (1995) pick up the argument for the simultaneous (and continuous) nature of strategy formulation/implementation relationship as the grounding for arguing that if this is so, the strategy implementation (and of course formulation) squarely related to the issues of the learning notion.

When an organization implements a trial decision it learns about the feasibility, appropriateness and desirability of that decision and not as a separate issue.

When the process of strategic management has identified possible Alternatives and weighed (in some way) those alternatives then the final stage is to implement the resultant choice. This element of the strategic management process aims at turning the selected strategy into action.

Successful strategy implementation is just as critical to organization's success as strategic choice, and just as difficult. Such strategy implementation requires that the organization deal with the:

- Resources required
- Organization structure and changes required
- Systems and work force necessities.

Resource planning identifies the major tasks to be done and assess how and who can resource these tasks. Organization structure will commonly, require amendments as part of the process of strategy implementation, and the organization must judge how best to organize the business in order to carry through the strategy.

The systems and work force must be geared up appropriately. The business procedure and information systems may need adjusting and the skills mix may also require tweaking.

Implementing strategies requires that you spell out clearly the required policies to be followed during the implementation process without operating within a vacuum. Guidelines, rules, procedures and ideal framework must be set up as the basis of strategy implementation. Failure of which implementing a strategy may be difficult (David, 1997).

It has already been emphasized that to be considered effective a chosen, intended strategy must be implemented successfully. The process for effective implementation is clearly dependent upon the appropriateness, feasibility and desirability of the strategy (Thomson, 1997).

### 2.1 Policies as Instrument of Strategy Implementation

Some strategies are not capable of implementation. At the same time, competency in implementation with the ability to translate ideas into actions and general positive outcomes – can itself be a source of competitive advantage. Internal process can add value by creating high levels of customer service and/or saving on costs by say, remaining any unnecessary delays or duplication of activities. Under this section we consider issues of strategy implementation in relation to policy decisions as part of the implementation process.

The new strategies are selected because they offer opportunities and potential benefits, but that their implementation, because it involves changes, implies risk. Implementation of strategies should seek to maximize benefits and minimize risks (Reed, 1988).

The major implementation theme that we shall consider for the purpose of this study concerning policies and central systems related to the management of resources.

- How effectively are we managing our resources? Are the various functions and activities co-ordinated and contributing towards clearly understood objectives?

This question mainly relates to implementation, and the ability of the organization to answer is determined by the effectiveness of the information system and the strategy awareness of managers.

How do we manage changes in policies of the organization?

## 2.1 Policies as Instrument of Strategy Implementation

Changes in a firm's strategic direction do not occur automatically. On a day-to-day basis, policies are needed to make a strategy work. Policies facilitate solving recurring problems and guide the implementation of strategy.

Broadly defined, policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work toward stated goals. Policies are instruments for strategy implementation.

Policies set boundaries, constraints, and limit on the kinds of administrative actions that can be taken and sanction behavior, they clarify what can be done in pursuit of an organization's objectives (David, 1997).

Policies let both employees and managers know what is expected of them, thereby increasing the likelihood that strategies will be implemented successfully.

They provide a basis for management control, allow co-ordination across organizational units, and reduce the amount of time managers spend making decisions. Policies also clarify what work is to be done and by whom.

The information and communication systems are inadequate for reporting

They promote delegation of decision making to appropriate managerial levels where various problems usually arise. Many organizations have a policy manual that serves to guide and direct behaviour. About 80% of all corporation in the United States have instituted "no smoking" policies.

Policies can apply to all divisions and departments (for example, "We are an equal opportunity employer".) Some policies apply to a single department ("Employees in this department must take at least one training and development course each year").

agree in meetings to make changes, they may be more reluctant in

Whatever their scope and form, policies serve as a mechanism for implementing strategies and obtaining objectives. Policies should be stated in writing whenever possible. They represent the means for carrying out strategic decisions.

development, communication systems and so on, which operate within

## 2.2. Problems of Successful Implementation

past strategies

Owen (1982) contends that in practice there are four problem areas associated with the successful implementation of strategies.

and again it is difficult to modify them continuously.

- At any time, strategy and structure need to be matched and supportive of each other.

Products and services need to be managed independently, or in linked groups of business units, if they are to be matched.

Closely and effectively with their environments. There may be good reasons for having a structure, which does not separate the product services and business units in this way.

- The information and communication systems are inadequate for reporting back and evaluating the adoptive changes, which are taking place, and hence the strategic leader is not fully aware of what is happening. Hence, the performance of the existing structure is not monitored properly; as a result control mechanisms may be ineffective.

- Implementation of strategy involves change, which in turn involves uncertainty and risk.

- New skills may have to be developed for example whilst managers, may agree in meetings to make changes, they may be more reluctant in practice to implement them. Motivating managers to make changes is therefore a key determinant.

- Management systems, such as compensation schemes, management development, communication systems and so on, which operate within the structural framework, will have been developed to meet the needs of past strategies.

- They may not be ideal for the changes, which are taking place currently, and again it is difficult to modify them continually.



Alexander (1985) argues that additional factors are also significant, especially: -

- Measures of performance should be established and appropriate
- The failure to predict the time and problems which implementation will involve.
- These, Owen argues, can all be achieved without necessarily changing the
- Other activities and commitments that distract attention and possibly cause resources to be diverted.
- The basis on which the strategy was formulated changed or was forecast poorly and insufficient flexibility has been built in.

All these problems presuppose that the formulated strategic change is sound and logical. A poorly thought-out strategy will create its own implementation problems.

### 2.3. Successful Implementation of Strategic Policies

To counter these problems, Owen suggests the following: -

- Clear responsibility for the successful outcome or planned strategic change should be allocated.
- The number of strategies being pursued at any given time should be limited. The ability of the necessary resources to cope with the changes should be seen as key determinant of strategy and should not be overlooked.
- Necessary actions to implement strategies should be identified and planned, and again responsibility should be allocated.

- Milestones or progress measurement points should be established.
- Measures of performance should be established and appropriate monitoring and control mechanisms.

These, Owen argues, can all be achieved without necessarily changing the structural framework but rather changing the way people operate within it.

In addition, Alexander contends that the involvement and support of people who will be affected by the changes in strategy must be considered and that the implementation of the new strategies and changes should be communicated widely, awareness created and commitment and involvement sought. Incentives and reward systems underpin this.

## 2.4 Approaches to Implementation of Strategic Policies

In their book entitled "Putting Your Strategy into Action"; Bourgeois (1983) and his colleagues have come up with five ways companies implement strategic policies.

In studying the management practices of a variety of companies, they found that their approaches to strategic implementation could be categorized into five descriptions. In each one, the Chief Executive Officer plays a somewhat different role and uses distinctive methods for developing and implementing strategic policies. They have given each description a title to distinguish their main characteristics.

(4) The first two descriptions represent traditional approaches to implementation. Here the CEO formulates strategy first and then thinks about implementation later.

### (1) **The Commander Approach.**

The CEO concentrates on formulating the policies, giving little thought to how the plan will be carried out. He either develops the policies himself or supervises a team of planners. Once he is satisfied, he passes it along to those who are instructed to make it happen.

(5) *The Creative Approach*

### (2) **The Organization Change Approach**

Once a plan has been developed, the executive puts it into effect by taking such steps as re-organizing the company structure, changing incentive compensation schemes, or hiring staff.

The next approaches involve more recent attempts to enhance implementation by broadening the bases of participation in the planning process.

### (3) **The Collaborative Approach**

Rather than develop the strategic policy single handedly, the CEO enlists the help of his senior managers during the planning process in order to ensure that all the key players will back the final plan.

#### **(4) The Cultural Approach.**

This is an extension of the collaborative model, which involves people at middle, and sometimes-lower levels of the organizations. It seeks to implement the policy through the development of a corporate culture throughout the organization.

The final approach takes advantage of managers' natural inclinations to develop opportunities as they are encountered.

#### **(5) The Crescine Approach**

In this approach, the CEO addresses strategy planning and implementation simultaneously. He is not interested in planning alone or even in leading others through a protracted process. Rather he tries through his statements and actions to guide his managers into coming forward as champions of sound strategic policies.

In studying these five approaches, we notice several trends. First, the two traditional methods are gradually being supplemented by the others. Secondly, companies are focussing increasingly, once organizational issues involved in getting a company to adapt to its environment and to pursue new opportunities or respond to outside threats. Finally, we see a trend toward the CEO playing an increasingly indirect and more subtle role in policy development.

In conclusion, we have seen a more pragmatic approach in the implementation of policies in organizations, by and large, this is virtually the form that strategic policy implementation should take at all levels of strategic management process.

## 2.5 A brief review and reasons for the study of Higher Education Loans Board

The Higher Education Loans Board (HELB) was established as a state corporation under the Ministry of Education on 21<sup>st</sup> July, 1995 by an Act of Parliament after Higher Education Loans Fund Act (Cap 213 Laws of Kenya) of 1974 repealed by the HELB Act failed to meet its objectives in the area of loan recovery and facilitate financing higher education in Kenya.

The pivotal role of loan recovery by HELB for instance, has been enhanced from Kshs.5 million in 1980/81, when recoveries commenced, to Kshs.205 million in 1977/98. The loan recovery during 1996/97 was Kshs.84 million, which reflects an increase of 145%. This is more than 41 times the original recovery rate. At the end of 1997/98 a total of Kshs.564,258,728 had been recovered. Out of this amount Kshs.349 million was recovered by HELB during its three years of existence and the balance of Kshs.215 million being recovered by the Ministry of Education through the defunct University Students' Loans Scheme.

Viewed against the outstanding matured loans totaling Kshs.12.5 billion, this amount is still small although comparatively the growth is significant (The HELB Financial Report, 1998).

The recovery rate at the moment is approximately Kshs.45 million per month. This is a tremendous improvement from the past recoveries, the figure shown is an indication that HELB has been able to trace nearly 37,500 past loanees who currently remits an average of Kshs.1,200 per person per month into the loan recovery account. As compared to the defunct loan scheme which only managed to locate 4,200 past loanees with a remittance of Kshs.5 million per month in total.

## 2.6 Reasons for the study

It may be necessary at this point to give a brief explanation as to why the researcher has chosen Higher Education Loans Board for purpose of this research and not any other institution in Kenya.

One might even wonder whether it is HELB alone that monopolizes the disadvantages and problems of failure of sound strategy implementation. Improper strategy implementation is not the preserve of HELB, neither is it the only body corporate in Kenya in which strategy implementation can be seen as the most powerful explanatory variable for strategy implementation.

It is worth noting that there are various companies in Kenya whose strategy implementation would have been studied but it is the intention of the researcher to select a project of small size, in which the variable(s) to be examined are clear-cut and can be isolated for in-depth analysis. Complex and large projects such as Kenya Power and Lighting Company Limited, Kenya Ports Authority, East African Breweries, East African Industries, etc would have presented much more complex variables, which could have been beyond the scope of this study to adequately separate and subject to critical analysis.

Again, the researcher wish to state here that HELB as an organization is unique and the only of its kind in Africa, many African countries still relies heavily on their parent governments to finance higher education, this practice, however, is different in the West where Countries like USA, UK, Germany have liberalized the funding of Higher Education to individuals, private sectors and public corporations.

After five years of existence, it would be interesting to note how HELB is implementing the strategies of financing higher education since other past loan schemes have failed to implement sound strategies in this area.

This is basically the reason for the study of HELB, it is attracting a lot of interest in this part of the world and is now seen as a role model for study and research in the world of academia and industry.

## **2.7 The HELB Loans Recovery Strategy**

The Higher Education Loans Board has a clear and well-stated strategy in loans recovery as documented in its Act as below: -

- To facilitate the recovery of all the matured loans through various employers of past loanees by sending a demand for settlement and repayment of the loans.
- To establish a revolving fund by the year 2005 which will form the basis for future disbursement.
- To prosecute defaulters or enter into legal proceedings in the court of law and recover the loans not paid to the Board.

## **2.8 Financing Higher Education in other parts of the world**

A comparative study of issues revolving around higher education and its subsequent financing reveals that the challenges being faced by a number of countries of the world are broad and wide, and closely related.

For example, Federal Republic of Germany, Sweden, Canada, U.S.A. Jamaica and U.K. have got certain emerging common realities as below: -

- Education in general and higher education in particular is a necessary undertaking and unavoidable commitment for the development of citizens.

The experiences in other parts of Africa paints rather a gloomy picture as

- The cost of providing higher education has been skyrocketing a pace unmatched by the growth of national development.
- The globalization of national economies and the advancement of technology demand that governments continue to provide relevant education at affordable costs.
- All countries worldwide are at crossroads on the question of financing higher education, they are all exploring possibilities of cost sharing.
- As students and their parents are challenged to contribute towards their education costs, it is becoming increasingly obvious that a number of individuals will not afford to raise all the fees charged by institutions.
- Following the above observations, modalities are being worked out to establish institutions similar to HELB to ensure equity and access to higher Education, this is guaranteed through the provision of loans, bursaries and scholarships.



General observations arising from these countries indicate that Kenya is among a few countries which have given serious consideration to the question of financing higher education, and in establishing HELB, Kenya becomes the premier leader in Africa to address the what, the how and the who on the cost of higher education.

The experiences in other parts of Africa paints rather a gloomy picture as financing higher education is still entirely the responsibility of the state which through government subsidies is involved in the financing the cost of learning directly to the Universities and colleges and award bursaries and scholarships (Chacha, 1998).

The population of interest in this study consisted of Higher Education Loans Board with its Head Office in Nairobi. To improve on the validity of the results, the loans in the population were isolated into various departments and units; this was seen as a strong variable in explaining the strategy implementation process. Adopting such approach enabled a logical conclusion to be reached in the policy implementation of loans recovery and associated problems encountered since these departments played a major role in determining whether HELB was implementing its loan recovery policies or not.

The departments involved in loan recovery were as below:

- Board of Directors
- Board Secretary (CEO)
- Deputy Secretary
- Loans Disbursement and Recovery
- Finance
- Personnel and Administration
- Computer
- Legal Unit
- Procurement and Stores Unit
- Public Relations Unit

## CHAPTER 3

### RESEARCH METHODOLOGY

This chapter details the research design used to achieve the objective of the study, which is to document how HELB has been implementing its loan recovery policies and problems encountered thereto.

#### 3.1 Population of the study

The population of interest in this study consisted of Higher Education Loans Board with its Head Office in Nairobi. To improve on the validity of the results, the items in the population were isolated into various departments and units; this was seen as a strong variable in explaining the strategy implementation process. Adopting such approach enabled a logical conclusion to be reached in the policy implementation of loans recovery and associated problems encountered since these departments played a major role in determining whether HELB was implementing its loan recovery policies or not.

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- Loans Disbursement and Recovery
- Finance
- Personnel and Administration
- Computer
- Legal Unit
- Procurement and Stores Unit
- Public Relations Unit

The departments and units mentioned plays a key role in strategy implementation of loan recovery policy by creating synergy, which was seen as the most important tool in achieving the overall organization success.

### **3.2. Sampling Design**

Random sampling was used to select the population of the study. It was not possible to conduct a census due to time, financial and logistical constraints. A sample of 44 employees were interviewed from Loans recovery, finance, personnel and administration, computer, legal, public relations and procurement departments and units. This was seen as fairly representative since HELB has a total of 88 employees – distributed among the major departments and units. Charged with the responsibility of implementing the loan recovery strategic policies.

### **3.3. Data Collection Method**

This study being an exploratory survey used primary data obtained through questionnaires and personal interviews with select management groups involved in the strategy implementation of loan recovery policy at HELB. The questionnaires and personal interviews were conducted on the basis of questionnaires/interview guidelines (See appendix 2) circulated before hand to the interviewees. Secondary data was also obtained from the historic records such as Annual Reports, bulletins and magazines.

The kind of questions posed to the interviewees during primary data collection were both open and closed ended questions aimed at encouraging the interviewees to provide relevant and accurate information as much as possible.

The personnel interviewed included: -

#### DATA ANALYSIS

1. Loan recovery officers and inspectors directly involved with the recovery of loans.
2. The supporting staff in the loan recovery efforts, this included a cross section of employees within HELB from other departments.

The study obtained through a personal interview of loan inspectors indicated that HELB currently employs a team of 20 loans inspectors based at their head office in Nairobi. These inspectors have got a major role to play in locating the whereabouts of loanees and defaulters. The interview revealed that Pareto principle of 80/20 rule is used in this regard where it is assumed that 80 percent of past graduates are employed in the formal and informal sectors of the economy and are based in Nairobi, the 20 percent are based in other urban centres in Kenya and abroad.

Since the loan scheme was started nearly 26 years ago, it is estimated that 100,000 loanees have benefited. According to the 80/20 percent Pareto rule 80,000 loanees are currently based in Nairobi. The other 20,000 are based in urban centres in Kenya and abroad. However, out of the 100,000 past loanees, some have also died, though this could not be statistically verified. The HELB has data of all past loanees obtained from various institutions of higher learning both locally and abroad. The greatest challenge facing HELB is how to locate their whereabouts and get them pay back the loans taken.

## CHAPTER 4

### DATA ANALYSIS

Analysis of the data gathered is by comparison with the theoretical approach as documented in the literature review of this research.

In the case of the questionnaires/interview guide (in Appendix 2) the nature of information obtained was descriptive. Descriptive statistics which included cross tabulation and charts, percentages, frequency, averages were used in the analysis of data to measure and compare outcomes. Ordinal level type of measurement was used to rank the problems faced during the strategy policy implementation process of loan recovery.

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In the secondary data obtained from HELB records, only 37,500 loanees have so far been identified, these are currently remitting an average of 45 million shilling per month into HELB recovery account.

Table 1 gives a review of the status of HELB loans recovery portfolio, nearly KShs.1.2 billion has so far been recovered from the identified loanees in a period of 26 years. The figure shown includes the amount inherited from the past defunct loan schemes. It should be noted that since the study is basically on the performance of HELB, the period of recovery has been confined to the year 1995 to-date since HELB has been in operation.

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001
23,853,800.00					11,501,240.95	
6,328,927.75	7,725,050.05	16,241,312.30	24,502,575.55	34,372,907.30		
6,301,474.70	6,946,253.31	17,246,362.40	23,146,327.25	30,687,547.25		
7,121,703.50	6,767,173.25	16,532,245.40	24,772,421.55	34,501,730.55		
6,347,111.25	6,733,151.50	16,385,576.50	27,356,678.90	38,580,235.25		
5,141,530.50	6,355,309.50	16,076,203.35	25,085,423.55	35,478,165.30		
4,385,404.25	7,366,943.00	20,833,044.70	27,767,328.30	34,834,750.55		
58,300,736.15	62,577,691.23	205,044,386.20	281,324,912.30	297,982,876.55	109,629,627.25	

Research Data

Table 1: COMPARATIVE LOAN RECOVERY FROM 1995/96 TO 2000/2001

YEAR	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
JULY	5,225,473.20	2,380,389.25	19,062,601.00	20,170,208.45	26,140,108.70	41,546,314.45
AUGUST	5,080,234.05	7,970,458.35	15,132,753.70	8,544,388.45	28,104,345.80	41,509,827.40
SEPTEMBER	1,233,393.60	851,080.65	15,704,824.80	29,097,248.75	32,925,469.15	43,158,548.35
OCTOBER	5,483,207.05	4,873,590.10	15,629,313.35	20,340,599.65	35,002,095.80	42,814,947.25
NOVEMBER	4,781,571.90	10,099,892.70	16,092,458.20	20,813,112.70	36,302,122.05	
DECEMBER	4,745,874.45	4,432,141.15	14,145,000.00	23,688,600.40	11,801,880.95	
JANUARY	3,939,995.75	7,755,090.05	16,441,212.80	24,562,883.55	54,522,007.30	
FEBRUARY	5,801,454.70	8,048,253.55	17,245,862.40	24,145,527.65	35,687,547.25	
MARCH	7,121,203.80	8,737,173.55	18,538,345.40	28,772,421.65	34,501,733.85	
APRIL	5,391,111.35	9,153,151.00	18,996,676.50	27,406,859.60	32,590,736.05	
MAY	5,431,530.85	9,069,826.00	18,676,293.35	26,085,423.55	35,470,165.30	
JUNE	4,965,934.45	10,306,645.00	20,033,044.70	27,767,338.20	34,934,766.65	
TOTAL	59,200,985.15	83,677,691.35	205,698,386.20	281,394,612.60	397,982,978.85	169,029,637.45

Source: Research Data

## 4.1 Implementation of loans recovery policy

### 4.1.1 Increase in loans recovery level

The recovery position of loans by NELD since 1995 has generally been fair. The researcher realised that the recovery of loans has been showing a tremendous increase since 1995. Table 1 testifies to this fact, there has been a continuous monthly improvement with fluctuations occurring at various stages. Table 2 indicates that about 82% of respondents believed that this increase is as a result of the recovery policies meeting their objectives, while others believed that there are factors which may lead to the rise in loan recovery and not necessarily the policy implementation, this the researcher concurs is the most likely cause and the correct position. Since policy on loans recovery was non-existent, these other factors were mentioned as the creation of public awareness, motivations of staff, image building, media campaign and improved information systems.

Table 2: Reaction of respondents on policies meeting their goals and objectives:

Indicators	No. of response	Proportion
Rise in monthly recovery	36	81.82%
Others	8	18.18%

Source: Research Data



#### 4.1.2 Implementation of strategic loans recovery policies

The recovery position of loans by HELB since 1995 has generally been fair. The table below paints rather a brighter picture.

Table 3: Degree of loans recovery by HELB since 1995

Degree of Recovery	No. of Respondents	Proportion
Excellent	11	25%
Fair	26	59%
Adequate	4	9.09%
Inadequate	2	4.55%
Most Inadequate	1	2.27%

Source: Research Data

The researcher established that 25% of respondents believed that the recovery effort is excellent, 59% believed that the recovery of loans is fair, whereas the rest thought it was adequate, inadequate and most inadequate as can be seen from (Table 3 above). The researcher thinks that, though there has been improvement in the recovery effort, the level of recovery is still far much below the targeted level compared to the amount of loans outstanding, it is predicted that with proper policies in place the recovery level will improve tremendously.

Table 4 gives an overview of the strategic policies in loan recovery whether they are easily implemented or not. The fact is that no such policy on loan recovery exists as earlier noted. However, the respondents by extension, HELB staff have continuously misinterpreted the statutes in loan recovery to mean loan recovery policies.

The 73% of respondents were indifferent as to whether they were implementable or not. This is a manifestation that majority of policy implementers do not understand clearly the policy framework of loan recovery even if they did exist, the rest strongly agreed, whereas others agreed and disagreed respectively. A small percentage however, strongly disagreed on this aspect.

It is perhaps this group that realised that policies were not available for implementation and if they existed could not be implemented.

Table 4: Implementation of loans recovery policy

Degree of Agreement	No. of respondents	Proportion in %
Strongly Agree	7	15.91
Agree	2	4.55
Neutral	32	72.73
Disagree	2	4.55
Strongly Disagree	1	2.27

Source: Research Data

4.1.3 **Employees Awareness on loans recovery policies**

The most baffling response came on employees' awareness on the loan recovery policies. Table 5 indicates that nearly 61% of respondents were aware and the rest were not. What these employees referred to as policies were mere legal pronouncements in the HELB Act of 1995 on loan recovery. Those who were not aware were likely to be accurate since no such policy exists.

Table 5: Employees awareness of loans recovery policies

No. of Respondents	Proportion	Awareness Level
27	61.36%	Aware
17	38.64%	Not aware

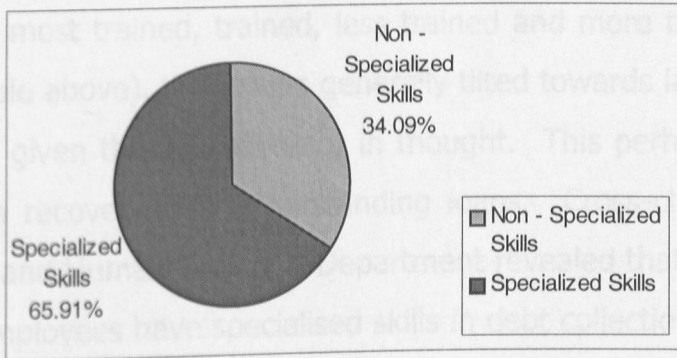
Source: Research Data

#### 4.1.4 Employees skills on loans recovery strategy

A further interview with the human resource department revealed that out Loan recovery requires various skills in human, interpersonal, technical and numerical skills. The majority of respondents nearly 66% in Chart 1 believed that a number of HELB staff are well trained to recover loans effectively, they possess the required skills to implement the strategic policies. The rise and improvement in loans recovery has been due to the available skills in computer, finance, public relations, etc. What has been lacking possibly are the viable policies to enhance the recovery efforts, the rest of respondents however felt that HELB employees did not have specialised skills in loans recovery, policies on training have not been fully developed to facilitate the recovery efforts.

It should be noted that there could be areas which need additional skills especially in debt collection where HELB lacks the required expertise to force the recovery level upwards.

Chart 1: Position of respondents on employees' skills in loans recovery strategy



Source: Research Data

A further interview with the human resource department revealed that out of 88 employees in HELB, 32 were actually university graduates in various disciplines ranging from Bachelor to doctoral degrees, the rest have diplomas and certificates. As a matter of fact all managers in key positions have masters degrees with many years wealth of experience and specialised skills in their areas of specialisation. However, some respondents were indifferent as to the level of training required for employees in recovery strategies including policy decisions, this can be found in Table 6(a).

Table 6(a): Manpower training on loans recovery strategies

	Most Trained	More Trained	Trained	Less Trained	Least Trained	None	Total Respondents
No. of Employees	4	2	4	2	13	19	44
Percentage	9.09	4.55	9.09	4.55	29.55	43.18	100

Source: Research Data

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About 43% of respondents were non-committal as to the level of training employees should possess in loans recovery, nearly 30% felt that employees were least trained in loans recovery strategies, others thought they were most trained, trained, less trained and more trained as shown in (the Table above), the results generally tilted towards lack of consensus in training given the inconsistency in thought. This perhaps explains the shortfall in recovery of the outstanding loans. Cross-checking with the Personnel and Human Resource Department revealed that only a few, less than 10 employees have specialised skills in debt collection which is key in loans recovery.

Employees were not frequently trained in loans recovery strategies as expected. Table 6(b) explains that about 34% were neutral on this aspect, the rest thought otherwise as shown in the table below. It appears that the respondents were not consistent in thought since different views were recorded. The HELB seems to be targeting a few cadre of staff for training in this area who are frequently trained, this then leaves the rest of staff handicapped to effectively collect or recover loans adequately because of lack of proper skills and the supporting policy in training.

The staff should be multi-skilled and enjoy equitable training opportunities for successful implementation of loans recovery policy.

Table 6(b): Frequency of employees training on loans recovery strategies

Status	Most frequent	More frequent	Neutral	Less frequent	Least frequent
No. of Respondents	1	5	15	12	11
Percentage (%)	2.27	11.36	34.09	27.27	25

Source: Research Data

#### 4.1.5 Training needs of loans recovery staff

The training needs of loans recovery staff is not identified by the immediate supervisor, consultants, the Human Resource Manager or combination of the above – the study revealed.

Table 7 indicates that about 52% of respondents were not aware whether their immediate supervisors were responsible in doing so, nearly 23% felt that the immediate supervisors were responsible or most used, whereas the rest gave different opinion (as shown in the Table below).

What this reflects is that supervisors were hardly involved in making decisions regarding training of their personnel. The position of consultants on this aspect was not any better, about 61% of the respondents in Table 7 did not think that consultants were involved in identifying their training needs, about 21% felt that they were least used, the rest gave a different version as indicated in the Table below.

The role of Human Resource Manager reflects a more or less the same position (as shown in Table 7), a situation which indicates that the role of human resource manager is down played in identifying the training needs of staff.

Further interviews with various sectional heads revealed that training needs of employees is collectively done by the management committee of HELB in conjunction with the training committee which make decisions on training employees. This method though is in use, may not adequately identify the level of training for individual employees. This should be done by supervisors on the advise of human resource department, taking into account, the availability of financial resources.

The respondents further felt that policies on training were not in place as earlier observed and need to be spelt out for proper implementation of loans recovery amongst other training needs.

Table 7: Identification of training needs for loans recovery staff

1. Immediate Supervisors

Description	Count	Percentage
Most used	10	22.73%
More used	3	6.82%
Used	4	9.09
Less used	1	2.27%
Least used	3	6.82%
None	23	52.27%

2. Consultants

Description	Count	Percentage
Most used	1	2.27%
More used	2	4.55%
Used	4	9.09%
Less used	1	2.27%
Least used	9	20.45%
None	27	61.36%

3. Human Resource Manager

Description	Count	Percentage
Most used	7	15.91%
More used	2	4.55%
Used	6	13.64%
Less used	1	2.27%
Least used	3	6.82%
None	25	56.82%

Source: Research Data

#### 4.1.6 Responsibility of implementing loans recovery policy/strategy

The study shows that the line of responsibility on loans recovery policy is not clear cut since respondents were absolutely divided as to who amongst the CEO, Managers or supervisors was responsible for implementing loans recovery policy. Perhaps lack of policy or vague strategy in loans recovery was the cause of this, Table 8 indicates that nearly 30% of the respondents thought that the CEO was most responsible, about 36% were non committal whereas the rest gave different opinion as shown in the Table.

The results were more or less the same for managers and supervisors where no policy is in place. The responsibility of implementation equally becomes a problem because the same policy would define its role within the strategy implementation process, it also spells out who is responsible for what and procedures and methods of doing things are clearly stated. As it stands, the responsibility of implementation does not arise because of lack of such a policy.

Table 8: Responsibility of implementing loans recovery policy

Degree of Responsibility	CEO		Managers		Supervisors	
	Respondents	%	Respondents	%	Respondents	%
Most responsible	13	29.55	11	25	13	29.55
More responsible	8	18.18	13	29.55	7	15.91
Neutral	4	9.09	3	6.82	8	18.18
Less responsible	-	-	2	4.55	-	-
Least responsible	3	6.82	1	2.27	2	4.55
None	16	36.36	14	31.38	14	31.82

Source: Research Data



#### 4.1.7 Decision on loans defaulters as part of the strategy implementation

It was stated earlier in the literature review that prosecution of loans defaulters is one of the strategies used by HELB to recover the outstanding loans. Defaulters have since gone scott free, from the data availed, majority of the loanees nearly 91% work in the government sector {see Table 9(a)}. The rest work in private and informal sectors, no defaulters have so far been prosecuted, though the office of the attorney general has mandated HELB to do so.

The study further revealed that only an estimated figure of 37,000 loanees are currently paying their loans out of 100,000 past loanees who benefited from the scheme, nearly 63,000 are yet to be traced, their whereabouts still remains unknown, though HELB has been trying through the loan inspectorate unit to track them down.

The study puts the loan defaulters at about 63%. Table 9(b) reflects on the same situation of the defaulters as given by 19 respondents or about 43% falling in that range, the rest of respondents gave different account (as shown in Table 9(b) below).

The researcher sees the figure at well over 40%, the exact figure could not be arrived at since the information availed could not be correlated for in-depth analysis, but the correct figure is estimated between 40% and 63% as the degree of loan default.

It was further revealed by the researcher that HELB has been sending demand notices to employers for recovery of insured loans, this method has proved inadequate since no action has been taken on defaulters (see Table 10).

Table 9(a): Employment of loanees in the Kenyan economy

Sector	Respondents	%
Government	40	90.91%
Private	2	4.45%
Informal	1	2.27%
Others	1	2.27%

Source: Research Data

Table 9(b): Status of loan defaulters

Rate	Respondents	%
Others	19	43.18%
30 – 40%	11	25%
20 – 30%	8	18.18%
10 – 20%	5	11.36%
0 – 10%	1	2.27%

Source: Research Data

During the study, it was revealed that majority of loanees who currently repay back their loans work in the formal sectors, and that those who are paying are doing so only out of goodwill and not of any fear of being prosecuted in case of default, this has slowed down the process of loans recovery, since HELB has not taken initiative to prosecute the defaulters. It was not until recently that HELB gazetted the first lot of prosecutors in the Kenyan gazette who are expected to catch up with the defaulters.

It was further realised by the researcher that HELB has been sending demand notices to employers for recovery of matured loans, this method has proved inadequate since no action has been taken on defaulters (see Table 10).

Table 10: Demand notices for loans recovery

Level of Agreement	Count (Respondents)	Percentage
Strongly agree	23	52.27%
Partially agree	12	27.27%
Fully agree	3	6.82%
Neutral	3	6.82%
Strongly disagree	1	2.27%
Partially disagree	1	2.27%
Fully disagree	1	2.27%

Source: Research Data

From the above data, over 50% of respondents strongly agreed that demand notices sent to employers asking them to disclose the names of loanees to pay has not been effective. The rest of respondents gave different opinion as shown in the above Table.

The researcher realised that in most cases many employers choose not to disclose the names of the graduates (loanees) employed by them since no action would be taken and no thorough follow up made by HELB. It was revealed that the perception of loanees and employees alike was that of indifference since many assumed that the loans awarded earlier was a grant and an assistance, thus the cause of high default rate.

The majority of respondents strongly agreed (see Table 11) that HELB should have adequate manpower for loan recovery, this was stated by nearly 91%.

Source: Research Data

This will be seen later as one of the problems in loans recovery effort. At this stage it can be considered as one reason together with lack of public awareness (Chart 2), lack of viable and realistic policies, (Table 12) and lack of adequate information on the loan scheme as some of the causes of defaulting by employers and loanees.

Clear policies are therefore required in these areas to ensure that loans recovery becomes a reality and that the revolving fund is used adequately to finance Higher Education in Kenya.

Table 11: Perception of respondents on the level of manpower for loans recovery strategy

Description	Count	Percentage
Strongly agree	40	90.91%
Partially agree	0	0
Fully agree	1	2.27%
Neutral	1	2.27%
Strongly disagree	0	0
Partially disagree	1	2.27%
Fully disagree	1	2.27%

Source: Research Data

Table 12: Unrealistic policies on loans recovery strategy

Description	Count	Percentage
Strongly agree	35	79.5%
Partially agree	2	4.55%
Fully agree	2	4.55%
Neutral	2	4.55%
Strongly disagree	2	4.55%
Partially disagree	-	-
Fully disagree	1	2.27%

Source: Research Data

The analysis from the Table above reveals that about 80% of respondents think that HELB should have realistic policies on loans recovery whereas the rest think otherwise. The majority of respondents who should be the implementers of policies were fairly right to suggest that policies on loans recovery are not realistic to facilitate the loans recovery effort and help HELB realise its goal of becoming a learners' bank in the year 2005.

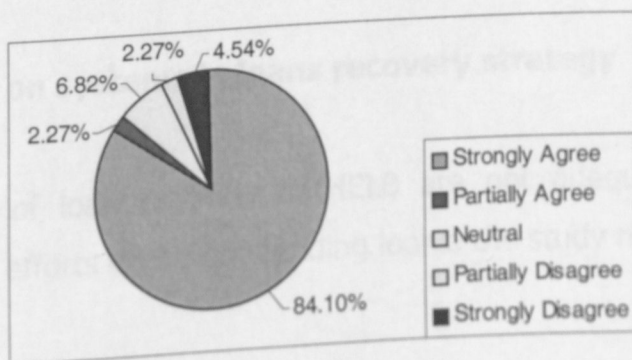
#### 4.1.8 Security of loans disbursed by HELB

All the loans awarded to students should be fully secured. The study revealed that the security of loans awarded by HELB so far is not sound since none of the loans totaling to nearly KShs.14 billion is secured by means of collateral or any other saleable securities. This puts HELB in an awkward situation.

To sustain the loan scheme, respondents constituting about 77% strongly agreed (see Chart 3) that the loans should be fully secured, the rest of the respondents however had different level of agreements.

The researcher feels strongly that without adequate security, HELB cannot meet its mandate of financing Higher Education in case of default. The scenario is now threatening the viability of HELB as an organisation committed to finance higher education in Kenya since it cannot break-even to meet its costs and fulfil its obligations without much dependency on the exchequer.

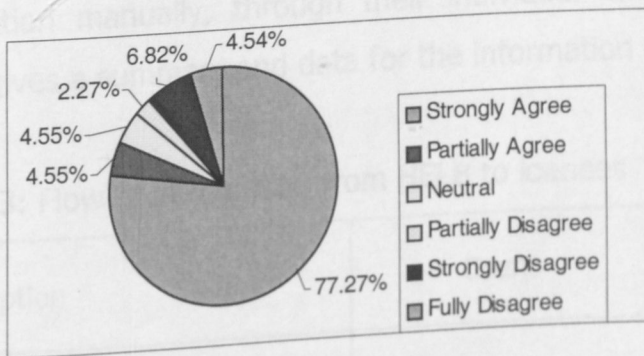
Chart 2: Sensitizing the Public on loans recovery strategy



The 84% of respondents interviewed as shown in Chart 2, strongly agreed that a large number of public and past loanees have not been properly sensitised on the operations of HELB thus making it difficult to recover loans more effectively. It is ironical that a number of organisations still do not understand the operations of HELB.

However, other respondents recorded a different level of perception as shown in the above chart. The researcher thinks that lack of public awareness on HELB operations is one of the causes of laxity in the part of employers and loanees alike on repayment of loans to HELB to build a viable revolving fund for future disbursement, since no policy stated or inferred currently exists on how to reach the wider public. The HELB has in the past used the print and electronic media to sensitize loanees to own up, a few responses have been recorded so far thus improving the recovery efforts, however much still need to be done in the form of formulating viable policies in creating public awareness.

Chart 3: Security of the disbursed loans



Source: Research Data

#### 4.1.9 Policies on systems in loans recovery strategy

Systems of loan recovery in HELB are not adequate to facilitate the recovery efforts of the outstanding loans, the study revealed.

These systems were categorised as information flow, information technology, remittance of loans by loanees, logistics (transport) for the loans officers and billing of loanees. The researcher was keen on policies on the same.

• **Information flow and Billing of loanees**

Information is passed to loanees through a billing system where the principal amount plus interest owed by each loanee is billed showing the year of study, the university attended, the registration number in the university, the course taken, the national identification number and the name used at the university.

The researcher realised (see Table 13 below) that the information flow is basically manual. The 25% of interviewees thought it was manually done, another 25% felt it was done through the press and 50% were non committal and said it was done through other means. The researcher verified the information and realised that loans officers pass the information manually, through their individual employers. The Table below gives a summary and data for the information flow.

Table 13: Flow of information from HELB to loanees

Description	Count	Percentage
Manually	11	25%
Press	11	25%
Others	12	50%

Source: Research Data

Policy regarding dissemination of information to loanees is not available, it is done haphazardly and using any media, as a matter of principle HELB should have a particular target group for loans recovery and should take this into account for whatever media used.

The researcher realised that majority of interviewees gave varied information concerning the available data on past loanees as tabulated below.

Table 14: Data bank of past loanees

Description	Count	Percentage
70 – 100%	18	40.9%
40 – 70%	13	29.55%
0 – 40%	2	4.55%
None	11	25%
<b>Total 44</b>		

$$\text{Mean} = 100/4 = 25 = 0.25 = 25\%$$

Source: Research Data

Given the variation in the information provided, an average of the four categories was worked out and a figure of 25% arrived at showing that HELB currently holds about 25% data on past loanees, 75% information has not been traced. This is an indication that without proper framework or guidelines and policy document on information flow in loans recovery, locating loanees still remains one of the major obstacles in loan recovery efforts.



- **Information technology**

To determine the availability of relevant information technology in HELB, the respondents were required to avail the data through a questionnaire on the same. Table 15 shows that nearly 46% of respondents said that information technology was most adequate, the rest gave different opinion on this matter as indicated. On further interview with the systems analyst the researcher realised that HELB is well endowed with enough and relevant technology, it currently has 100 personal computers on its stockpile, it is served with a website, internet, electronic mail, telephones and mobile phones, fax machines, etc., the researcher, going by the data availed, agreed that there is fairly enough and relevant technology for loans recovery.

Every loanee can now gain access easily to HELB through the above facilities. The researcher realised that though the technology is readily available, policy framework on loan recovery using the above facilities has not been put in place. Technology on the information is highly under-utilised since most of the loans recovery is still done manually, little of the above technology is in use, this is an impediment in loans recovery effort, Policies on the use of the available information technology should now be established to enhance the loans recovery, about 82% of respondents strongly agreed that the information systems for loans recovery need to be upgraded to make them more effective, (see Table 16) the rest gave varied opinion as indicated.

Table 15: Information Technology in HELB

Description	Count	Percentage
Most adequate	20	45.45%
Adequate	7	15.9%
Neutral	3	6.82
Inadequate	9	20.45%
Most inadequate	5	11.36%

Source: Research Data

Table 16: Upgrade of Information systems for loans recovery

Description	Count	Percentage
Strongly agree	36	81.82%
Partially agree	3	6.82%
Neutral	1	2.27%
Strongly disagree	3	6.82%
Partially disagree	1	2.27%

Source: Research Data

• **Policies on Loans Remittance to HELB**

Once the loans have matured up for recovery, loanees are expected to payback the amount due to HELB through a check-off system, however to make the payment much easier and user friendly, nearly 68% of the respondents in Table 17 strongly agreed that HELB should open up pay points in various commercial banks country-wide to make it possible for every loanee including those in informal employment to repay back their loans, the rest gave their views as shown in the Table. Currently, there is no policy on loan repayment, loanees are not aware of how to remit their payment to HELB other than through a check off system, which is only available for those in formal employment.

Table 17: Perception of paypoints in banks for loans repayment

Description	Count	Percentage
Strongly agree	30	68.18%
Partially agree	7	15.91%
Neutral	3	6.82%
Partially disagree	2	4.55%
Fully disagree	2	4.55%

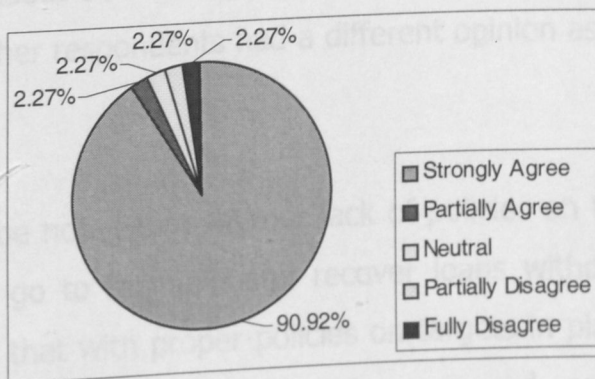
Source: Research Data

- **Logistics (transport)**

As part of the systems available for loans recovery, logistics was seen as key to the recovery process, the researcher through a questionnaire administered to the respondents about 91% in Chart 4 strongly agreed that inadequate transport was a hindrance to loans recovery effort, the rest however thought otherwise. The researcher realised that HELB has a fleet of only 10 vehicles to cover eight provinces in Kenya with a population of 100,000 loanees spread all over the country.

No policy on transport defining the number of vehicles required for recovery is available, this is an impediment and a deterrent factor to recover loans more effectively and efficiently.

Chart 4: Current position on logistics for loans recovery strategy



Source: Research Data

The personnel interviewed observed that there is acute shortage, which has resulted into backlog in recovery of the outstanding loans.

- **Policies on compensation of personnel and targets in loans recovery strategy**

Most of the respondents interviewed nearly 60% {Table 18(a)} strongly agreed that the loans recovery personnel should be well compensated to get them motivated for efficient recovery of loans, the rest however recorded a different view.

There was no consensus on this as opinions were divided, whereas, compensation of personnel should be improved in total, the respondents felt that other obstacles have largely contributed to the poor recovery of loans. This will be dealt with elsewhere. The majority of respondents further felt that loans recovery should be pegged on target level where each recovery personnel directly charged with the responsibility of loans recovery is given a target, and performance measured against those targets. About 64% strongly agreed that targets should be set {see Table 18(b)}, other respondents had a different opinion as can be seen from the Table.

It should be noted that without lack of policies on targets, each recovery personnel go to the field and recover loans without clear vision. It is envisaged that with proper policies on targets in place, the loan recovery will improve and performance will be measured accordingly, this is key to strategy implementation.

Table 18(a): Compensation of loans recovery staff

Description	Count	Percentage
Strongly agree	26	59.09%
Partially agree	6	13.64%
Neutral	5	11.36%
Strongly disagree	2	4.55%
Fully disagree	5	11.56%

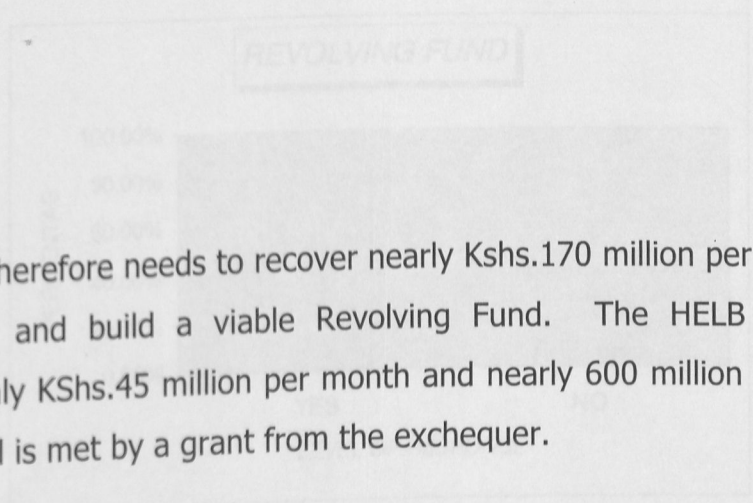
Source: Research Data

Table 18(b): Targets for loans recovery staff

Description	Count	Percentage
Strongly agree	28	63.64%
Partially agree	8	18.18%
Neutral	1	2.27%
Fully disagree	6	13.64%
Partially disagree	1	2.27%

Source: Research Data

The HELB budget currently stands between 1 and 5 billion, Table 19 indicates that 50% of the respondents stated so, the rest however gave a different figure as can be seen, verification with the finance department established that for operations and disbursement budgets the amount is actually KShs.1.7 billion annually, if this amount is raised, then HELB will comfortably award loans to all the needy cases.



The HELB therefore needs to recover nearly Kshs.170 million per month to break-even and build a viable Revolving Fund. The HELB currently recovers only KShs.45 million per month and nearly 600 million in a year, the shortfall is met by a grant from the exchequer.

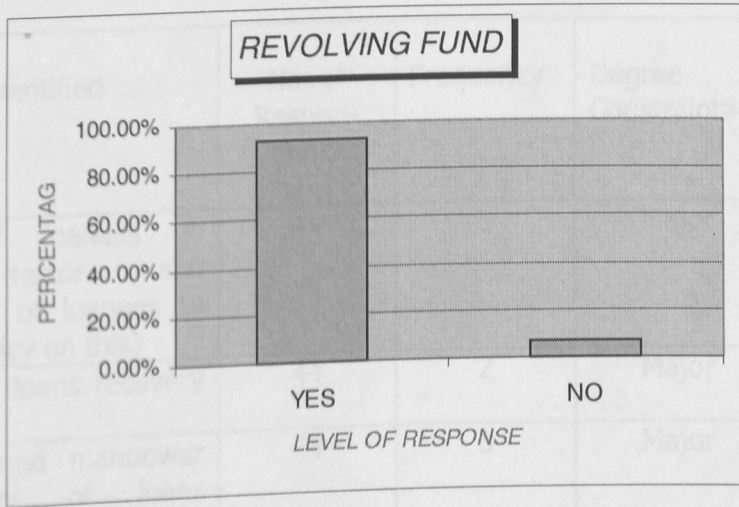
In order for HELB to meet this shortfall, policies on revolving fund should be developed, Chart 5 below shows that about 93% felt that revolving fund is one of the strategies in loans recovery efforts and it needs to be boosted for future disbursement. The rest however, felt otherwise.

Table 19: The HELB's Annual Budget

Description	Count	Percentage
5 - 10 billion	2	4.55%
1 - 5 billion	33	50%
500m - 1 billion	18	40.91%
0 - 500 billion	2	4.55%

Source: Research Data

Chart 5: Revolving Fund as a strategy in the loans recovery effort



Source: Research Data

The level of revolving fund currently is not sufficient to finance Higher Education in Kenya since it has only a paltry figure of about KShs.600 million per annum.

#### 4.2 PROBLEMS AND CONSTRAINTS IN LOANS RECOVERY STRATEGY

The respondents were asked to state the problems that are encountered during the loan recovery efforts. This was seen from the implementation point of view where constraints in strategy implementation were explored and problems identified.

##### 4.2.1 Constraints in loans recovery strategy

In total, the respondents identified 15 constraints at the strategy implementation stage. The researcher categorised the constraints into major and minor. Major constraints are those above one in the frequency of occurrence, (see Table 20). Minor constraints are those with one and below the frequency of occurrence.

Table 20: Analysis of constraints in loans recovery strategy

S/N	Constraints Identified	No. of Respondents	Frequency	Degree of Constraints	%
1.	Locating of loanees in informal sector and unwillingness of loanees to repay (no policy on this)	44	5	Major	11.36
2.	Motivation of loans recovery personnel	44	2	Major	4.45
3.	Lack of trained manpower for recovery of loans outstanding	44	5	Major	11.36
4.	Enforcement of laws on defaulters	44	5	Major	11.36
5.	Awareness of loans recovery policies by members of the public	44	5	Major	11.36
6.	Lack of transport for loan recovery personnel	44	1	Minor	2.27
7.	Lack of support from loanees and employers	44	1	Minor	2.27
8.	Effective strategic and planning (policies) are lacking	44	5	Major	4.45
9.	Information support system is lacking	44	2	Major	4.45
10.	Lack of follow up of the identified loanees (no policy on this)	44	2	Major	4.45
11.	Implementation of recovery efforts takes a long time (no targets)	44	2	Major	4.45
12.	Lack of employment for past loanees (policy to address this is lacking)	44	2	Major	4.45
13.	Method used to net loanees and relying on them and their employer for recovery is inadequate	44	1	Minor	2.27
14.	Over concentration of past loanees in the city of Nairobi	44	1	Minor	2.27

Source: Research data



Key: Ranking criteria

Frequency of occurrence

- (1) Above 1 – major constraints
- (2) 1 and below – minor constraints

#### 4.2.2 Major Constraints Identified

1. Locating loanees
2. Training of staff
3. Lack of Act enforcement
4. Public Awareness of HELB
5. Lack of effective policies (strategies)
6. Unemployment amongst loanees
7. Lack of follow up of loanees once located
8. Motivation of loans recovery staff
9. Lack of information support system
10. Implementation of recovery efforts takes a long-time

#### Minor Constraints

1. Inadequate transport for recovery systems
2. Lack of support from loanees and employers
3. Methods used to net loanees is inadequate
4. Loanees concentration in Nairobi

#### 4.2.3. Problems analysis in loans recovery strategy

This was categorized into minor and major. The problems were seen in light of the recovery efforts in total. Table 21 came up with fairly similar weaknesses (constraints) identified in the previous section. The following were identified as major problems:-

1. Locating loanees after graduation was the most frequent problem mentioned by nearly 96% of the respondents.
2. Co-operation from employers of loanees was the second major problem mentioned by 75% of the respondents.
3. Failure by HELB to enforce the Act was mentioned by nearly 32% of the respondents
4. Lack of loan recovery policies was mentioned by about 40% of the respondents.

The researcher used the following criteria for analysis:-

- (i) Frequency of occurrence above 30% - major problem
- (ii) Frequency below 30% - minor problem

The 30% rating was seen to be more representative enough to separate between minor and major problems.

The following were seen as minor problems since they recorded a level of frequency of occurrence below 30% (see Table 21)

- (1) Lack of specialized skills
- (2) Lack of adequate transport
- (3) Lack of motivation of staff
- (4) Inadequate organization structure
- (5) Loan defaulters
- (6) Lack of public awareness
- (7) Unemployment/economic hardships for the graduates

Table 21: Problems Analysis in Loan Recovery Strategy

S/N	Problems	No. of Respondents	Frequency	%	Degree
1.	Locating of loanees after graduation	44	42	95.5	Major
2.	Co-operation from employers and loanees	44	33	75	Major
3.	Failure by HELB to enforce the Act	44	14	31.8	Major
4.	Lack of loan recovery policies	44	14	38.8	Major
5.	Lack of specialized skills	44	7	15.9	Minor
6.	Lack of adequate transport	44	7	15.9	Minor
7.	Lack of motivation of staff	44	5	11.36	Minor
8.	Inadequate HELB organization structure	44	2	4.55	Minor
9.	Loan defaulters	44	4	9.09	Minor
10.	Unemployment/economic hardships	44	13	29.55	Minor
11.	Lack of public awareness	44	4	9.09	Minor

Source : Research data

Key: Rating

Frequency

- (1) Occurrence > 30% = major problem  
 (2) Occurrence < 30% = minor problem

To come up with a more objective and focussed problems, both constraints and problems were synchronized and based on common occurrence on both sides of the divide, the researcher merged them and listed the first 3 major and critical problems facing HELB in strategy implementation:-

- (1) Locating loanees after graduation
- (2) Failure to enforce HELB Act to recover the outstanding loans
- (3) Lack of policies in loans recovery.

In this final classification, the problems, which had earlier been considered as major but not common to both sides of the divide were now grouped as minor, the minor problems earlier recorded were not seen as problems but as challenges in the process of loans recovery efforts.

#### Minor Problems

- (1) Co-operation from employers of loanees
- (2) Inadequate training of staff on loans recovery techniques
- (3) Lack of public awareness of HELB
- (4) Unemployment amongst loanees to repay back their loans, due to poor economic hardships in Kenya
- (5) Lack of follow up of loanees once identified
- (6) Lack of targets in loan recovery efforts.

It has been observed by the researcher that though the respondents did not mention unemployment and economic hardships as frequently as part of the problem encountered during the loan recovery efforts, see Table 20, item 12, 4.45% and Table 21, item 10, 29.55% the researcher avers that unemployment and economic hardship still remains one of the major obstacle in loan recovery efforts, since a bigger percentage of past loanees are unemployed. The impression given by the rating of the researcher that unemployment and economic hardships is a minor problem, is erroneous and this perhaps is the limitation of the rating system used. The respondents were possibly not best suited to authoritatively state the effect of unemployment and the economic hardship in Kenya and thus the negative and low response rate on this variable, however, if a census was carried out as opposed to the sample of 44 interviewees, the frequency of 30% would have improved, thus placing unemployment and economic hardship on a more acceptable level.

The researcher realized in the final data analysis that problems currently facing HELB whether major or minor are as a result of lack of policies in key areas of loans recovery process and this will be adequately discussed in Chapter 5.

## CHAPTER 5

### CONCLUSION

#### 5.1. SUMMARY, DISCUSSIONS AND CONCLUSIONS

In retrospect this study examines the implementation of Higher Education loan recovery policy in Kenya by HELB and the problems of implementation from July 1995 to December 2000.

The paramount question which needs to be answered is whether the objective of the study has been met in the implementation of loan recovery policy by HELB and the associated problems encountered.

By and large the researcher shall discuss comprehensively the outcome and findings of the data analysis, limitations of the research and finally give recommendations as to the way forward on the underlying results, further recommendations for future research shall also be advanced with a concluding paragraph given at the end.

A linear model was used to explain the strategy implementation (see appendix 3) process as it was found to be statistically significant in a considerable number of cases; the use of a model to provide an explanation of strategy implementation is a common occurrence in empirical research not only for simplicity and relevance in presenting data but also for ensuring uniformity and correlation in the implementation process, this is well covered in the literature review.

As a matter of procedure, the researcher examined the implementation of the loan recovery policy and how it has been implemented over the years.

The empirical results show that such policies are non-existent and the recovery of the outstanding loans is not governed by any written or inferred policy framework in loan recovery. There are no specific guidelines, methods, procedures, rules, forms and administrative practices established to support and encourage work towards the recovery efforts. As observed earlier in the literature review, policies set boundaries, constraints, and limit on the kinds of administrative action taken to reward and sanction behaviour, they are instruments of strategy implementation, policies let both employees and managers know what is expected of them, thereby increasing the successful implementation of strategies.

The problems encountered in the loans recovery are basically lack of policy on the same. The result shows that there are other two major problems associated with the loans recovery which need to be tackled, these are locating loanees after graduation and security of loans awarded and the inability of HELB to enforce the Act and prosecute defaulters. There were also other problems which were rated as minor, such as lack of co-operation from employers, inadequate training of staff on loans recovery techniques, lack of public awareness of HELB, unemployment amongst loanees to repay back their loans, lack of follow up of identified loanees, lack of targets in the loan recovery efforts, and building a viable revolving fund.

It is widely believed by the researcher that lack of policies in the major areas of loans recovery at HELB has contributed to the dismal performance of loans recovery of the outstanding loans, this has also been witnessed in the past defunct loan schemes.

The researcher is aware that HELB has created an impact in the recovery efforts in the recent years as compared to other past loan schemes, but without proper policies in place, the dream of emerging as the premier leader in Africa in Financing Higher Education is still far fetched.

The other major problems which need to be addressed is locating loanees after graduation and securing loans awarded. This is a big problem which has actually crippled the recovery efforts. The researcher realized that HELB has been trying to use other avenues in identifying the whereabouts of the past loanees by obtaining data from the National Social Security Fund, and the National Hospital Insurance Fund which captures names of most of the Kenya's employees including graduates.

Some names have been positively identified but this only applies to those on formal employment who apparently are not many, in this respect therefore, a policy framework is required to put on course the location of loanees after graduation. Coupled with this anomaly is the issue of security of such loans, an economic venture without proper gain and return cannot acquire confidence in the eyes of investors and stakeholders alike, it is increasingly becoming a daunting task of how to treat the loans awarded to students, since lack of collaterals and saleable securities defeats the purpose of any viable investment. A policy framework is required to address this issue expeditiously.

The other problem which seems to be putting HELB into focus is its inability to prosecute defaulters, since its inception five years ago, nobody has been reigned in the court of law for defaulting HELB loans, as correctly put, there are over 60,000 defaulters, some are known while others are not, but even with the knowledge of their whereabouts, little initiative has been taken to recover the outstanding loans, HELB needs to

exercise its mandate more proactively and bring on board the outstanding loans. Again a policy framework is required to define who is to be prosecuted, the Act only states that the defaulters shall be prosecuted in case of default but does not aid the recovery efforts. Having gained the consensus on the strategy implementation in the loans recovery and focused on the major problems, the researcher wish to divert the attention of the readers to the minor problems facing HELB in the recovery efforts.

With the degree of efforts put to recover loans, HELB is also faced with lack of co-operation from some employers who have blatantly ignored the demand notices sent to them to disclose the past graduates employed by them knowing that it is an offence to do so. Employers who fail to comply with this requirement still go scot free since they know that no action will be taken against them. Again a policy framework is required to address this issue in total.

Inadequate training of staff on loans recovery techniques also featured prominently as one of the minor problems in the data findings, HELB should tackle this problem and specifically come up with proper training policies and guidelines to train its staff on the loans recovery efforts. The researcher realized that HELB lacks the required level of manpower to meet the sophistication in the loans recovery process. A well trained manpower endowed with relevant skills and competence is required to recover the outstanding loans more effectively.

The lack of public awareness of HELB in certain quarters also featured as a minor problem. Some of the individuals and corporations alike still do not understand the operations of HELB as a Higher Education loaning body.



The message has not been passed to all stakeholders, there is still some degree of acrimony amongst the past loanees that the loans awarded is a grant given by the government and not a loan as such. This has spelt doom in the recovery efforts. The HELB should come up with clear public relations policy on loans recovery in order to reach the wider public and gain confidence amongst the stakeholders.

Another minor problem that was cited was lack of unemployment amongst the past loanees, given the poor economic growth in Kenya today, many graduates still remain unemployed, this therefore puts the loans awarded at risk, especially where no security exist on the loans, HELB therefore need to formulate policies on who is to be awarded loans especially in the more volatile economy where the degree of risk is too high.

Lack of follow up of identified loanees was also mentioned as a minor problem. This borders largely on the level of human resources, either it is inadequate or it is not well motivated to follow up the outstanding loans, coupled with this aspect is lack of targets for the loans recovery. As a matter of necessity it is only prudent that HELB revisits its level of manpower and through a policy framework spell out the number of personnel required to recover and make a follow up of the outstanding loans based on specific targets of recovery for each loans recovery personnel. It is a high time that HELB should consider subdividing Kenya into zones and segments for adequate loans recovery and assign responsibilities to various managers for successful implementation of loans recovery policy and if need be open branches for effective operation country wide.

Finally, a policy framework is needed to tackle the issue of the Revolving Fund.

As part of the loan recovery strategy, HELB has tried to build a revolving fund, but what has emerged in this research is that at the initial stages, hopes were high towards this effort, however, due to the downturn in the Kenyan economy, building such a fund has proved difficult. It is envisaged that with proper policies in place for the revolving fund, HELB will improve its financial base and contribute immensely in financing higher education in Kenya.

The minor problems as already discussed were seen by the researcher as challenges in the recovery process and did not have much impact on the implementation of loan strategy as compared to the major problems mentioned, though they were equally important and need to be addressed.

The findings of this study are similar to Kipsang and colleagues (1998) a study done in the U.K., Federal Republic of Germany, Denmark and Northern Ireland.

## **5.2 LIMITATIONS OF THE STUDY**

This study covered a period of five years, which is relatively short for investigating the long-term implementation of the successful implementation process which normally takes a period of ten years, this is preferred for a more positive result.

The study also focused much more on policy implementation perse as the only fundamental variable in strategy implementation, it ignored other attributes such as structures, management of change, human, financial and time resources, all of which are instrumental and key to sound strategy implementation, they create synergy in the implementation process and non can operate without the other. They all supplement each other.

### 5.3 RECOMMENDATIONS

In order to fulfil its mission and objectives in the field of financing higher education in Kenya and recover the outstanding loans adequately, it is recommended that HELB should allocate clear responsibility for the successful outcome of its loans recovery strategy by being focussed to the loans recovery policy.

The number of strategies being pursued at any given time should be limited. Resources should be diverted and marshaled towards the generation of funds which includes the loan recovery efforts, the situation at the moment is that of dilemma, keen observes think that HELB is concentrating too much on the disbursement of loans rather than the recovery of the same.

The need to establish a corporate strategy department is long overdue, this department will be charged with the responsibility of monitoring its internal and external environment, develop short term and long term plans, advising the management on policy framework and their implementation procedures, create an enabling environment for sound strategy implementation of loans recovery policies in the long run.

The necessary actions to implement strategic polices should be identified, planned and again responsibility allocated. Milestones or progress measurement points should be established, measures of performance put in place and appropriate monitoring and control mechanism created.

The necessary resources to implement the strategies should be identified, this includes optimum Human, Financial and Time resources.

Owen (1982) argues that all these can be achieved without changing the structural framework of the organisation but rather change the way people operate within it.

In addition, Alexander (1985) contends that the involvement and support of people will be affected by changes in strategy must be considered and that the implementation of new strategies and changes be communicated widely, awareness created and commitment and involvement sought. Incentives and rewards underpin this.

The above recommendations if implemented within a period of two to three years should see a complete change in the recovery efforts and an improvement in the entire loans recovery systems, it is only then that HELB can maintain its premier leadership in Africa and remain on track in this noble cause of financing higher education.

#### **5.4 RECOMMENDATIONS FOR FUTURE RESEARCH**

There is need to further research in the field of financing higher education in Kenya since little attention has been given in this area.

A survey should be done on financial institutions and banks in Kenya in order to determine the possibilities of institutions like Kenya Commercial Bank, Barclays Bank, Standard Chartered, Co-operative Bank of Kenya, National Bank, and many others, taking an active key role in loans recovery efforts.

The study by Kipsang and colleagues (1998) in Europe reveals that the reason behind the successful of higher education loans recovery in those countries is because they are essentially managed by banks. Further research should be done to convert HELB into a learners' bank. What then is special about the recovery of loans by banks and not the quasi government organizations like HELB? This will free HELB from the government controls and give it a new impetus on commercial culture and operations. A further research is therefore strongly recommended in this area. Active participation by banks in the loans recovery in the short run is required before HELB is eventually converted into a bank in the long run.

The strategic thinking is therefore recommended for any future research in this area.

In conclusion, the empirical evidence from this study shows that lack of policies in loans recovery strategy which cuts across various areas is the cause of problems in the loans recovery efforts, and unless HELB takes a bold step in tackling this issue by formulating clear and well documented policies which can act as a source of reference for all its activities, then its role of financing higher education in Kenya will still be hampered with the many problems at stake. It must now identify itself with those strategic choices which will see it award loans to all the needy Kenyans and remain a viable institution with no dependency on the exchequer at all, for this will be the pinnacle of its success in this millennium and beyond.

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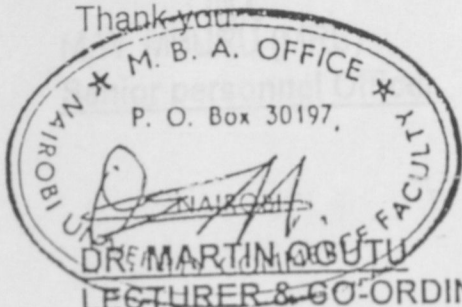
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TO WHOM IT MAY CONCERN

The bearer of this letter: ..... AWUNO Z.B. ....  
Registration No: ..... D61/P1 2960 197 .....  
is a Master of Business & Administration student of the University of Nairobi.

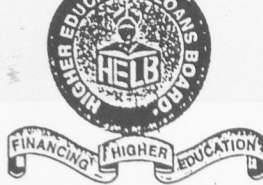
He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

Thank you



LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek



HIGHER EDUCATION LOANS BOARD

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HELB/PERS/O42/113

26<sup>th</sup> October, 2000

Mr. Z. B. Awino  
Administration Depart,  
HEL B


Dear Mr. Awino,

REF: RESEARCH: DATA COLLECTION

Your lecturer's letter dated 11<sup>th</sup> October, 2000 on the above subject please refer.

This is to inform you that your request to carry out research and collect data from the members of staff in the Board has been approved.

Yours Sincerely,

  
M.W. MBURU (MRS)  
Senior personnel Officer

## APPENDIX 2:

### Questionnaire/Interview guide

#### PART A:

1. How does Higher Education Loans Board implement its strategies in the Loan Recovery? (tick)

- a) The CEO plays a major role
- b) Concerted efforts by all employees
- c) Through the assistance of top managers
- d) Others (please specify)

2. Are the policies of Loan Recovery meeting their stated goals and objectives?

If yes, how do you measure this achievement? (tick)

- a) Rise in monthly recovery
- b) Others (please specify)

3. What is HELB's annual budget? (tick)

0-500m  1billion – 5 billion   
500m – 1 billion  5 billion – 10 billion

4. Are there difficulties or problems encountered during the recovery efforts?

YES  NO

If yes, what problems are they? Please list them

.....  
.....  
.....  
.....  
.....  
.....

5. Please state the position of loan recovery by HELB since it was established in 1995.

- Most Inadequate
  - Inadequate
  - Adequate
  - Fair
  - Excellent
- (Please tick where appropriate)

6. Are the strategic policies of loans recovery easily implementable?
- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Please tick where appropriate

7. Are employees aware of the existing policies on loans recovery?

YES [ ] NO [ ]

8. Do employees have specialized skills in loan recovery?

YES [ ] NO [ ]

9. How does HELB identify the whereabouts of past loanees ?

- Through radio announcement
- Advertisement in the media
- Inspection of various companies
- Other sources

10. Is Revolving Fund one of the strategies in loan recovery efforts?

YES [ ] NO [ ]

If yes, how much money is in the kitty? .....

11. What is the average monthly input into this kitty? .....

12. Is the Revolving Fund stated above sufficient to fund Higher Education in Kenya? Please clarify?.....

13. What sector of the economy employs majority of past loanees?

- Government
- Private
- Informal
- Others (specify)

14. What is the average (in percentage terms) of loan defaulters per year?

- a) others
- b) 30-40%
- c) 10-20%
- d) 0-10%

15. How does HELB deal with loan defaulters?

- a) Prosecution
- b) Pardon
- c) Warning
- d) Arrest
- e) Others {Please tick where appropriate}

16. What do you see as major constraints in the loan recovery policy/strategy? {Please list}.....  
 .....

17. Who is responsible for implementing loans recovery policy?

	None	Least Respon- sible	Respon- sible	Neutral	More Respon- sible	Most Responsible
Chief Executive Officer (CEO)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Please tick)

18. Who are the main beneficiaries of HELB Loans?

- a) All students
- b) Students in the universities
- c) Students in the polytechnics
- d) Students in high schools
- e) Any other (please specify)

19. How often are employees trained in loan recovery strategies? (tick)

- |                          |               |                          |              |                          |              |
|--------------------------|---------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | None          | <input type="checkbox"/> | Less trained | <input type="checkbox"/> | More Trained |
| <input type="checkbox"/> | Least Trained | <input type="checkbox"/> | Trained      | <input type="checkbox"/> | Most Trained |

Please tick appropriately

20. How are training needs identified for the loans recovery personnel? (tick)

	None	Least Used	Less Used	Used	More Used	Most used
Immediate supervisor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Human Resource Manager
- Combination of the three

21. Does HELB have access to information for loan recovery purposes?

YES [ ] NO [ ]

If yes, how much data is available in the data bank for the past loanees?

- a) non  
 b) 0-40%  
 c) 40-70%  
 d) 70-100%  
 (tick appropriately)

22. How is information passed to past loanees for recovery purposes?

- Computer network  
 Manually  
 Press  
 Others (please specify)  
 (Tick appropriately)

23. What is the capacity of HELB in terms of information technology for the loan recovery?

- Most Inadequate  Inadequate  Neutral  Adequate  
 Most Adequate  
 (tick appropriately)

**PART B:**

Please answer the following questions by ticking in the box that best describes your level of agreement or disagreement with each statement.

a) Loan defaulters should be prosecuted in the courts of law – for breach of contract

- Strongly disagree  Partially disagree  Disagree   
 Neutral  Partially agree  Agree   
 Strongly Agree

b) All loans awarded should be fully secured

- Strongly Agree  Partially Agree  Neutral   
 Partially disagree  Fully disagree

c) Demand notices given to the employers to recover the matured loans are not adequate

Strongly Agree  Partially Agree  Fully Agree  Neutral   
Strongly disagree  Partially disagree  Fully disagree

d) Higher Education Loans Board should have adequate manpower for loan recovery

Strongly Agree  Partially Agree  Fully Agree  Neutral   
Strongly disagree  Partially disagree  Fully Disagree

e) HELB should have realistic policies on loan recovery

Strongly Agree  Partially Agree  Neutral  Strongly disagree   
Partially disagree  Fully disagree

f) The public and past loanees should be highly sensitized in the loan recovery efforts

Strongly Agree  Partially Agree  Neutral  Strongly disagree   
Partially disagree  Fully disagree

g) Paypoints for loans recovery should be introduced in major banks to make it easier for loans repayments

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree

h) Information system for loans recovery should be upgraded

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree

i) Lack of adequate information on past loanees is the cause of poor loan recovery

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree

j) Loan recovery personnel should be well compensated

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree



k) Targets for loan recovery should be set by HELB for every loan recovery personnel

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree

l) The loans recovery staff should highly be motivated and equipped with relevant tools for recovery including adequate transport.

Strongly Agree  Partially Agree  Neutral   
Partially disagree  Fully disagree

A STRATEGIC-MANAGEMENT MODEL

