

**FACTORS INFLUENCING THE LOAN RECOVERY PERFORMANCE FROM
BENEFICIARIES: A CASE STUDY OF HIGHER EDUCATION LOANS BOARD**

BY

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**A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF CONTINUING
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DECLARATION

This project is my original work and has not been presented for a degree in any other University

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Signature

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This project has been submitted for examination with our approval as University Supervisor

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Dr. Kisimbii Johnbosco

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Date

DEDICATION

This research project is especially dedicated to my entire family members for their love, encouragement and support throughout my studies.

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I most sincerely thank the almighty God for giving me good health to carry out this research. I salute my supervisors Dr. Kisimbi Johnbosco who devotedly guided and encouraged me through the project. I am convinced that without his support, this study would not have been a success.

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ABSTRACT

This main purpose of the study is to investigate the factors affecting loan recovery at the Higher Education Loans Board in Kenya. Students benefit from the loans from HELB and their clear understanding that these loans should be repaid so that other needy students can benefit. Repayment rate is only 60%. There is a need to know why there is such a low repayment rate so that the situation can be amended and this is what this study intends to do. There the study will determine whether graduate employment status, follow up, government policy and loan characteristics affects loan recovery. Higher Education Loans Board will benefit from the findings of the study because the study will focus on loan defaults and the causes. The study adopted both qualitative and quantitative method research design. The population is HELB staff, numbering 120. The researcher used a sample size on 65 employees HELB. Pretesting was done which enabled the researcher to receive important feedback on how questions were to be recorded or restructured. The drop and pick method was used to collect data. The structured questions was used to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions will be used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. The collected data was analyzed using descriptive statistics and inferential statistics; correlations and multiple regressions technique. After completing the study, the researcher compiled the data and performs data analysis. Thereafter, interpretation of findings in line with the study objectives and conceptual framework was done, followed by summary, conclusion and recommendations.

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ABBREVIATIONS

HELF- Higher Education Loans Fund

USLS- University Students Loans Scheme

HELB- Higher Education Loans Board

RBV – Resource based View

LPM –Loan Portfolio Management

WB – World Bank

OECD - Organization for Economic Cooperation and Development

HIV - Human Immunodeficiency Virus

AIDS - Acquired Immune Deficiency Syndrome

SPSS - Statistical Package for Social Sciences

C & I - Commercial and Industrial

HCI –Human Capital Investment

EFT – Electronic Fund Transfer

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

GS SLS have been in existence in several 70 countries & regions round the world. SLS, especially perturbed in tertiary education, specifically interest governments since they are capable in imparting solutions in a scope of policy pressing problems faced by governments. In a comprehensive outlook, socioeconomics enlargements are progressively moved by knowledge betterment & implementation. Generally, Education & higher education in specific, are underlying to knowledge building of an economy & community of all nations (World Bank 2009). The prospective of higher education systems, in developing countries to realize tasks is frequently frustrated by well-established finance problems, governance, equity, quality & efficiency. These old disputes have been extended by new disputes connected to increasing role of knowledge in socioeconomic enlargement, brisk changes in telecommunications technology & the globalization of labor markets & commerce (Salmi 2001).

Education is vital in socio-economic enlargement of a country. Education advantages are to both individual personal enlargement & the national economy. Student loans ease tension on national budgets through expediting higher cost sharing even amongst raising of other university fees & tuition. This enabled students avoid prior payment burden in high fees of tuition, in addition enable suspension of repayment of loan up unless in salaries receipt. According to Barr, Nicholas (1998), liberated resources are utilized in sectors of higher preference in community, both within & outside sector of education & especially basic education. Larger repayment of costs can issue additional funds for university system expansion, to concord rise in tertiary education social demand. Aimed at less privileged, subsidized loans schemes could cause higher accessibility to education of university to less privileged & minor categories, hence part of loans offered & social equity at commendable terms in research for specific categories, leading in loose skpoorlyed manpower bottlenecks that hinder industrial & socioeconomic enlargement.

Developing countries experience a great extent of financial constraints which trickles down to under-funding of the public Universities both at local and global levels due to the constrained

government budgets (Ahmed, Razia 1983). According to Asarnow & Edwards (1995), the reasons for this situation is broken into a number of reasons mainly, one is the challenge of sustaining enrolment levels and education quality as this are linked to escalating costs which government doesn't undertake an additional funding. Second, due to the above challenge of funds, the government has been calling upon the Education Sector particularly Public universities to look for alternative ways of financing their operations. Thirdly, devolvement of funding of the Education Sector evidenced by the government reallocation of funds to other levels ranging from primary and secondary schools, to tertiary institutions like the polytechnics and technical institutions. Such kind of policies though they support and lead to higher social rates of returns they do not favor Universities as they are left under-financed.

In the 21st Century, the importance of acquiring knowledge cannot be underestimated as countries move towards economic developments. According to Porter, (2000), Knowledge has the required capability to boost productivity which increasingly comprises part of a nations competitive advantage foundations. In the OECD Countries this change is observable as this nations have invested much in the intangible resources which build up the country's knowledge base. Such investments range from Higher Education, computer Software's and patent rights to focus on Research and Development. Investing in intangible investments has led to a greater competition with tangible investments such as equipment's even exceeding this investments (OECD 2001).

Loans Schemes across the countries have been believed to exhibit numerous differences (Daumont, Legall & Leroux 2004). Such differences do not only arise from the kind of objectives in pursuit by the scheme but also such key parameters like the student coverage, organizational culture and structure, processes of allocating loans, initial funds sources and the loans collection and recovery designs.

According to Weidman, (2005), higher education historically was offered freely in most African countries as was the case in Kenya where the government could fund public studies relating to the living and tuition expenses. The justification for having free higher education was due to the desire by the countries to develop a highly trained manpower which could replace the leaving colonialists who held administrative positions. As a payback, the graduates were to work in the public sector for a duration of three years minimum. Escalating oil prices in 1973, economic hitches and upsetting increase in the human population resulted to the change in trend to a situation where the government reduced the recurrent budget

initially allocated to higher education and finally the establishment of user fees (Cutter, 2001).

1.2 Statement of Problem

Notwithstanding the fact that students advantage from the loans from HELB & their clear understanding that these loans should be repaid so that other needy students can advantage. Repayment rate is only 60%. There is a need to know why there is such a low repayment rate so that the situation can be amended & this is what this study intends to do.

Repayment collection has become a necessity to provide sufficient financial resources to lend to students because current rise in students number joining higher education each year. The government budget focus on a wider scope of social obligations like housing, security, health care and other public facilities for the general public eliminates the burdening of the government to maintain this resource (Chapman, 2006).

Ziderman & Shem (2009) report stipulates that over forty percent of loans schemes reviewed were able to recover less than forty percent of the total loans disbursed. The unrecovered portion of the loans can be assumed as forced or even indirect subsidies offered to the students. Though, unlike other appropriations, subsidies inherent in the student's loan are likely to be invisible referred as implicit subsidies. The implicit subsidy level is correlated to the repayment design of the loan: real estate of interests compared to the borrowing costs by the government, grace period and repayment parameters.

Rogers (2009) in his research shows that "Many have suggested that loans for education are impossible to collect in developing countries. T was suggested that if the right Programme is instituted with sufficient incentives & sanctions, repayment poorly not be politically or socially impracticable". The concern therefore is on how the repayment planners in the countries which are developing countries like Kenya identify "the right Programme" & "sufficient incentives & sanctions"? What advice and guidelines are accessible to increase the repayment collection for the student's loan system in Kenya? The researcher intended to consider the ICL Model previously used widely researched on to ensure the improvement in the repayment collections for student loans in the Higher education. Numerous studies have

been conducted in different countries loans schemes examining loans disbursement and loans repayment. These studies have been taking two structures namely the individual country studies and on the other hand comparative studies. W&iga (1997), conducted a study on the Kenyan loans scheme and Chung & Hung (2003) examined and present a report on the student loans scheme in Hong Kong. However, as a result of these individuals using different designologies, it culminates to difficulties in drawing conclusions which are comparative to other researches of divergent outcomes across the countries.

1.3 Purpose of The Study

The aim of study was to determine the relation amongst independent variables (graduate employment status, government policy, follow up and loan characteristics) and the dependent variable (Loans Repayment) on how they relate enumerationly whether a positive or negative relationship.

1.4 Objectives of The Study

The research addressed the objectives below:

- i. Determining graduate employment status influence on educational LR at HELB.
- ii. To assess influence of follow up on educational LR at HELB.
- iii. To examine influence of how government policy affects educational LR at HELB.
- iv. To determine influence of loan characteristics (i.e. collateral/security, maturity, repayment schedule & interest) on educational LR at HELB.

1.5 Research Enquiries

Research enquiries below helped in determining the solution to the problem.

- i. How does graduate employment status influence educational LR at HELB?
- ii. How does follow up influence educational LR at HELB?
- iii. What is influence of Government Policy on educational LR at HELB?
- iv. What is influence of loan characteristic on educational LR at HELB?

1.6 Research Hypothesis

The research was in line with the following hypothesis at 95% level of significance.

- i. **H₁1:** There is significance relationship between graduate employment status on educational LR at HELB.
- ii. **H₁2:** There is significance relationship between follow up on educational LR at HELB.
- iii. **H₁3:** There is significance relationship between government policy affects educational LR at HELB.
- iv. **H₁4:** There is significance relationship between loan characteristics (i.e. collateral/security, maturity, repayment schedule & interest) on educational LR at HELB.

1.7 Significance of the Study

The managers of HELB advantaged from the findings of the study since the study focutilized on loan defaults & the causes. Since the role of repayments is to issue credit to viable customers who are able to pay up, the considerations of the factors determining repayment was an invaluable insight.

The findings from the study specifically were useful in implementation of theory & practice in institutions that are faced with disputes in recovery of the loans given to their HELB. Twas helpful to the managers of these lending organizations who had various strategies to employ in the efficient & effective recovery of the loans. This expanded the knowledge on implementation of Resource Based View (RBV) hence unearth the effects of giving an amnesty to defaulters to enable the managers of all lending institutions make decisions with rejoinders on the possible effects of giving an amnesty as a strategy in loans recovery.

The government poorly be able to understand the disputes faced by HELB in LR hence support them by allocating more funds in the country's budget that would enable more students access the loan for their studies.

The beneficiaries who acquired such loans had a better understanding as to why they should have paying such loans in time to also ensure that upcoming students would also access the similar funds to take them through their university education

This study imparted to the broader realm of business & academic research through offering a pool of knowledge for future researches especially on such important decisions in LR & loan collections. It structured a basis for future research work on effects on loans recovery & other matter on LR. The study was of additional value to the broader sector of credit management. It was utilized as a reference for future studies in the related topics. The study suggested future research activities that can be explored. This study also was significant to the management & staff of HELB organization operating within Kenya by providing rejoinders regarding LR.

1.8 Delimitations of the Study

The study focused on HELB within the headquarters. The questionnaires were addressed to 65 employees from the top level to the lower level employees. As can be seen the project aimed at its variables.

1.9 Limitation of the Study

Researcher utilized questionnaires with closed ended enquiries to collect data. The disadvantage from using this type of enquiries was that the respondents were constrained to answering the enquiries as per decision by the researcher. Nevertheless, researcher ensured enquiries were greatly framed and all-inclusive enough to incorporate significant objectives to mitigate limitations.

Responses relating to LR in organization is always treated with sensitivity. This culminated to difficulties in convincing the respondents to give sincere responses, this was evidenced through the reluctance of accepting invitations to participate in the study. To mitigate this dispute, the researcher instructed the respondents in advance the rationale for research study being carried out, that it's meant for academic purpose only and not for other investigations. There was a possibility that Researcher did not fully exhaust everything in this field due to unforeseen & logistical issues leaving room for other researchers to expound on this study in future.

1.10 Assumptions of the Study

The researcher assumed that all loans not paid within the allowed period were payment was in default. However, in the long run some are realized with extended period and others are

written off forming a loss. In addition, the assumption was that the items such as plots, office properties, assignment of accounts receivable among others given as collateral security were mortgaged.

1.11 Exposition of Significant Terms

Loan: Refers to an arrangement where one party (Lender) gives another party monetary or asset (Borrower) and agreement from borrower to return the property or repay the money at a given time and usually with an interest. The period allowed to repay a loan is predetermined and the lender generally bears the risk in case the borrower defaults payment of the loan.

LR: refers to the debt arising from a loan or credit line which is recovered either in part or as a whole after its classification as a bad debt or written off. A bad debt recovered forms is accounted as an income since writing off results to a loss.

Collateral/Security: Refers to property or other forms of assets that a borrower gives to a lender to secure a loan. In the case the borrower defaults in payment, the lender is able to use the collateral to recover the losses. Lien is the lenders claim to a borrower's collateral.

Graduate: Is a Person who has successfully completed a course of training or study particularly an awardee of an undergraduate academic degree.

Government Policy: Refers to a declaratory statement of a governments political plans, intentions and activities which relate to a particular cause. Announced by the Head of Government or Members of Parliament in some countries.

Repayment Schedule: This refers to the comprehensive summary of the borrower's loan agreement with a lender. It stipulates the initial loan amount, amount of payment going to Principal and the other to interest repayment and also when the payment poorly be due. It is issued mostly on monthly or when the loan is originally acquired.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There is coverage of studies done conducted by several scholars on factors influencing LR performance by HELB in LR from loan beneficiaries. This review helped in anchoring the study on the theoretical framework & in identification of gaps in the empirical studies from which the conceptual framework was structureulated.

2.2 LR Performance

A banks safety and soundness lies in having an efficient control LR & credit function. LR performance (LRP) refers to the process by which the debt from a loan or credit line is recouped in either part or whole after being written off categorized as a bad debt. A written off or bad debt forms a loss whilst recovered bad debt constitutes an income to the account. Assessing the LRP encompasses the review of steps taken by the bank management in identifying and controlling the risk in the entire loans process. The evaluation focuses on the processes undertaken to determine challenges prior proceeding into challenges (Milton, 2000).

Recovery forms backbone of every lending institution and consequently the institution success depends much on how the recovery process being controlled. Hence, any credit institutions study, LR need be based on characteristics of client's financially and on financial sector, economic & competitive circumstances in addition the commonly utilized practices of lending within institution regulated by constitution (Madura et al 1992). For long, great LR managers have focused their effort on issuant carefully monitoring loan perstructureance & approving loans (Bornstein & David, 1996).

Efficiently LR perstructureance starts with overlooking of risk in loans of individual. Issuant selection of risk is crucial in controlling commendable quality of loan. Of essential is controlling the quality of individual's loans and the management of the loans perstructureance which has been an historical emphasis. Better management designs have been enhanced by the implementation of better technology and rejoinders systems. Hence,

early indications of increasing risks can be established by the recovery management through having in place comprehensive review of the loan portfolios (Koch, 2000)

2.3 Graduate Employment Status & LR

Loan repayment entirely depends on the individual income hence the no need for students to be wary in respect to the possibility of being incapable to pay the debt. It's impossible to default in repaying the loan since the individual's income status determines the billing and subsequent payment amount and duration. Income relation to repayment forms a critical benefit for the schemes unlike other structures of the schemes since one needs an income to survive. According to De Aghion, Beatriz Armendariz & Jonathan Morduch (2005), borrowing however may reduce where the students are uncertain about the repayment schedule resulting to an ex ante default problem for potential students. In addition, this problem arises due to the students who sought credit ending being poorly paid meaning the human capital investment has borne little outcome. This circumstances results to default in repayment which results to large prospective costs on the not lucky credit borrowers doing poor in the labor market.

According to Dichter, Thomas (1996), a concern among countries lies with the low enrolment of the disadvantaged and poor youths in the non-compulsory segment of the education sector. The need to increase the access to schooling among this segment of the sector therefore forms a vital element in policies relating to social and education. Attractive conditions need be provided therefore for effective increase in access by the poor and disadvantaged in the society. This has brought about the justification for having loans being subsidized in relations to the repayment grace periods, rates below the market ones and ensuring the repayment is not tied to inflation.

As elsewhere in the developing countries, Asia has had a mixed record where several schemes have proved to be largely fruitful with some not. The outcomes of the loans schemes disappointment has been basically on the failure to meet the initially set objectives and also in relation to sustainability finance wise. For the unsuccessful schemes, process weakness like excessive default, poor targeting or administrative deficiencies among others have been a key cause. Also the inbuilt and in specific causes have resulted to excessive better terms and higher subsidies. In Indonesia and Sri-Lanka administrative difficulties among others have led to the schemes being abandoned whereas in other countries the planned schemes were

poorly established (Mongolia, 2000). Numerous government have consequently showed an interest in restructuring the loan schemes in place elsewhere students loans introduction has been in line to political influence and agenda (Note De Carvalho, 2006)

2.4 Follow Up & LR Perstructureance

According to Rogers (2009), a general recognition is on the need to find diverse sources of funds for higher education and promotion of cost-sharing despite the administrative problems and experienced low loans repayment levels in line with the belief that the loans offered to the students have a part in achieving set objectives. There exists a great optimism in the improvement in scheme management through efficiency in the follow up of the disbursed loan programmes. Compulsory payment of graduates income proportion need be a part of the option exploited to ensure among other things that financial tension problems suffered in higher education is sorted by having effectively managed and properly designed loans repayment programmes (Rogers, 2009). However, this don't present a simple as stated solution to the financial constraints facing the African universities and also in other circumstances where scholarship programmes may be endorsed and supported.

Inadequate past records maintenance has been observed in a number of case resulting to many graduates being unaware when loans fall due to repaid or the repayment of loans procedures being unknown. Despite the involvement of employers in the loans repayment plans, this hasn't been a successful venture yet (Otieno, 2004). Like in Kenya and Nigeria, plans are underway to impose legal obligations to the employers to collect and remit the amount of loan repayment. Other countries like Ghana have resolved to reducing the loans repayments from loans beneficiaries national service allowance which has helped reduce loans default with current expectation on collecting the Loans repayment if effective processes are implemented in social security system (Otieno, 2004). Employees whether self or employed by other firms are obligated legally to commit themselves to social security and pension scheme funds. The employees have a strong interest to do this due to the negative incentive of not being able to benefit from these4 schemes if they don't make the contributions. It's expected in the near future for the students who have been defaulters in loan not to be eligible to join the pension schemes till they have fully repaid their loans.

Staff may lack requisite competence in debt repayments follow up characterized by the poorly equipping in the management of disputes experienced in the running of loan programmes. Staff incompetence is attributed to the drawing of personnel from other departments of the ministry instead of the proposal by government to have officers with skills and experience in the management of debt like from the national treasury and state-owned commercial banks or even central bank(Thomas, 1996). Failure to educate the loans beneficiaries on their loans obligations and the benefits tied to the repayment has been part of the challenge in follow up. Upon the establishment of the scheme in 1974, protests and riots by students were made against the schemes introduction and implementation due to the feeling of being forced to incur the loan debts (Thomas, 1996). Changes made in the 1990s of reducing the loan amount resulted to student protest and riots arguing of impoverishment by the scheme something the government had not expected to occur.

2.5 Government Policy & LR Perstructureance

According to Marcus & Harper (2003), different governments have supported the establishment of loans schemes through statutes in parliaments or sponsoring the schemes financially. The formation of the schemes in the respective countries is tied to a number of foreseen benefits to the nation and its citizen. In Asia these schemes have been implemented in China, Hong Kong, India among others with recent establishment in Thailand. The difference in how schemes are operated differs from country to country due to the difference in the objectives laid down in the regulations and constitutions of the schemes. A sharp division in objectives lies on where the Scheme is aimed at a cost recovery as is in the case of Singapore or focus of the scheme is on ensuring increased participation in higher education and aces among the people who lie in the less well-off category.

Government or the public policy influences loans schemes in relation to the covering or supporting lending charges partly or wholly, the establishment of collection means and from legal and administrative framework. On the other side, the policy can be in shielding the borrowers or the loans beneficiaries from extortion by the lenders hence an harmony between the two parties is established (Goetz & Gupta, (1995). This inquiry there is slightly interested in the private transactions between the lenders and borrowers arising from borrowing and lending in the higher education. This borrowing and lending is in lie with academic or education empowerment of the people where as such the certainty of repayment forms the biggest concerns.

Repayment certainty depends on several reasons like the borrower's credit-worthiness or reputation or on the collateral security offered that is the recoverable assets availed which are equivalent to the loans value the lender can claim with the law support where the borrowers has defaulted the repayment of loans as they fall due (Kaboski, Joseph & Robert Townsend, 2005). Where there is an uncertainty in the loans repayment either by the lenders failure to have in place better recovery means or poor structure of the claims payment or having higher interest burden on the borrower then the premiums for those who repay will be higher to cover losses which are deemed inevitable in the case of defaulters (Kaboski, Joseph & Robert Townsend, 2005).

2.6 Loan Characteristic & LR Perstructureance

The size of loan forms a major characteristic influencing the rate of repayment. According to Dermine, Neto de Carvalho (2006), states that for instance, the size of loan has a negative correlation to the actual rate of repayment cumulatively for 12 to 48 months after the loan default. The argument is that there is a likelihood of the banks to suspend foreclosure of possibility of loan repayment default on large loans to avoid affecting adversely other clients who conduct business transactions with the borrower (Helms, Brigit, & Xavier, 2004). However, larger debts need to have higher recoveries as large borrowers tend to have higher bargaining power in bankruptcy according to Acharya et al. (2007). Different studies have brought up different outcomes. Study on the Citibank's commercial and Industrial loans from 1970 to 1993 (Asrnow and Edwards 1995) finds no correlation between the loss tied to defaulting and the size of loans. According to Thornburn (2000), the study in Swedish small business bankruptcies, no significant relation could be formed between the loan size and the repayments. A study on more than 700 defaulted assurances for period 1978 to 1995 shows that no enumeration correlation exists between assurance issue size and the rate of repayment (ksihore, 2006).

Agency problems effect on the secured loans yield relative to the unsecured loans has not been addressed. Most prior works both the theoretical and empirical have emphasized on the correlation between the use of collateral and riskiness of the loans with little attention paid to the discrepancies between secured and unsecured debt yields after controlling credit rating. In specific, these papers do not examine the associated characteristics of loans to the nature of collateral posted and the effect on the yields. More so, these papers haven't offered a guide on the importance of the crucial characteristics which need be explored in the first place

2.7 Theoretical Review

Research study was guided by two theories, Resource Based View of the dominant premise that firms need to address of underlying question for firms being different and ways by which firms can achieve and sustain a competitive edge over their by deploying their scarce resources in an optimal manner while the agency theory where the argument is that incentives to take benefit of other parties are so strong that organization will often resolve to integrating vertically even at the cost of efficiency to avoid the unrecommendable consequences of depending on contractual dealings (Klein, 1978).

2.7.1 Resource Based View

There is strong evidence that supports the Resource Based View (Crook et al., 2008) which stipulates that firms compete in an ever changing & dynamic business environment. Organizations can attain or achieve a sustainable competitive edge through their human capital according to Barney (1991). This advantage can be realized in the case a firm and an un-imitable or non-substitutable human resource pool by its competitors or rivals this forms a core competency. As a base for having competitive advantage, the RBV calls for the implementation of the valuable and scarce resources at the disposal of an organization in an optimum level. Hence, the organization poorly have to identify the vital potential resources which should meet the criteria of being rare, valuable, and non-substitutable and un-imitable by the firm's competitors and industry they operate in (Galbreath, 2005).

Firm's resource must have the characteristic of being scarce or rare, valuable, not imitable and un-substitutable in order to be basis of an unrelenting competitive gain (Barney, 1991). Peteraf in her 1993's paper, gives four circumstances underlying continuous competitive edge namely superior resources which are heterogeneous within an industry, ex-post boundary to competition, imperfect resource mobility and ex ante limits to competition. Additionally, resource-based theory call for dynamic competences and real options study may develop into a paradigmatic approach to strategic management, an important contribution to the evolving science of organization. A need for vigorous research to establish the impact and nature of dynamic capabilities on achieving a competitive edge which is sustainable is clearly required. This is because these Competences can prove particularly valuable in dynamic business environments where strategic and operational flexibilities are required.

2.7.2 Agency Theory

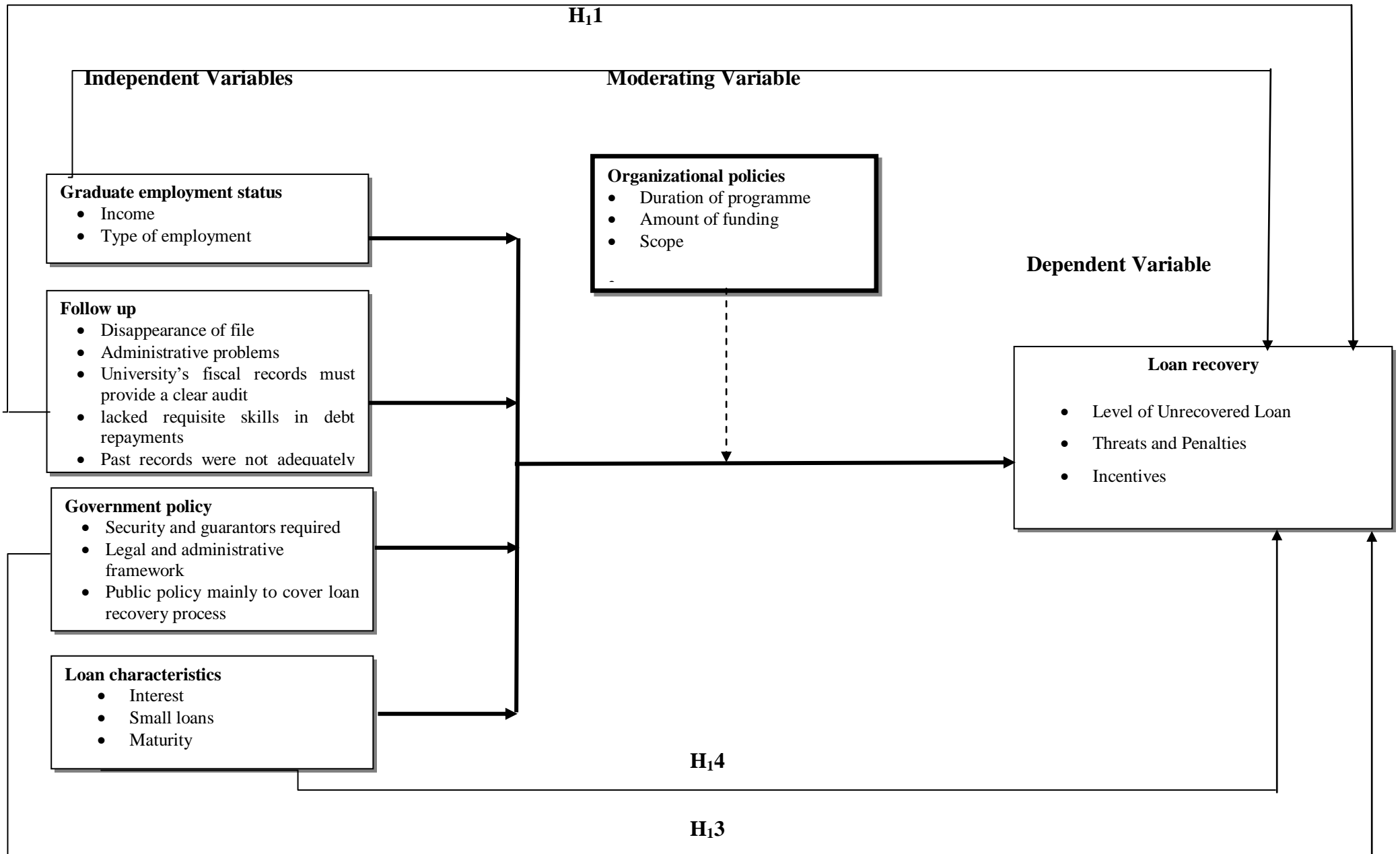
According to Klein, (1978), firms often tend to integrate vertically to pursue the incentives of taking advantages of other parties even at the expense of efficiency in avoiding the uncommendable results of depending on contractual associations. This theory proposes the necessity for strategy makers and tax administrators to being cautious of any hypothesis that suppliers and un-compelled agents poorly will represent the state and accumulate the repayment. However, this isn't an assurance that firms poorly never be in compliance with this request in imparting the community. Actually, a significant indication of firm's corporate social responsibility (Tucker, 1992).

A common scenario exists where officer's behavior imparts the good of an association or organization entirely on voluntary basis. Though only moderately rewarded for their deeds, religious organizations they impart positively Kilonzo, (2012). In agency models government pre-commits to an audit strategy in order to motivate maximum compliance by taxpayers. For instance, Reinnganum & Wild (1985) model the tax payer as a risk-neutral agent of the government who has private knowledge of his own income. The government, whose role is to maximize tax revenues net of audit costs, cannot observe actual income without costly investigation (Kilonzo, 2012).

Reinnganum & wild use this setting to compare a random audit strategy of the type implied in early models with a cut-off audit strategy in which an agent trigger an audit by reporting below a certain level of income. They show that the use of a cut off strategy weekly dominates a random audit strategy since it poorly induce truthful reporting at the least cost. In addition to the desirable effect of compliance, they argue that such a strategy would enhance horizontal equity expose over random auditing since those with equal incomes poorly be audited with equal certainty (Reinnganum, 1985).

Figure 1: Conceptual Framework

H₁₂



2.8 Conceptual Framework Description

Graduate employment status is very crucial in the LR. This is due to the fact that with the amount of income that a beneficiary acquires, poorly fully determine the amount that they are able to remit to HELB as repayment of the loan they advantaged. Type of employment is also crucial since it determines on whether the beneficiary poorly be remitting individually or use other modes of payments which include, direct deposit to the bank, cheque, standing orders, Electronic Fund Transfer (EFT), or through an employer. Job restructuring also plays a key role since an individual might not be in a position to repay the loan due to lack of finances & hence should venture in Human Capital Investment (HCI) as an alternative.

Follow up has a direct impact on the LR. This is since it ensures continuity in the recoveries. The administration should have expertise & promote training to the officers hence fully equipped with the knowledge & requisite competence required for the debt recovery processes. The universities should also have fiscal records that issue clear audit about their students, registration numbers, and courses undertaken & for those that advantaged from HELB loan. Records should also be well maintained in order to counter loss of rejoinders that would be needed in the present & the future.

Government policy is very crucial in the LR. It issues the administrative & legal framework that is important in the LR processes. It also clearly stipulates that there has to be the security & guarantors involved in order to counter the default in the repayment of the loan.

Loan characteristics is crucial in the LR. This is since it stipulates the amount awarded as the loan, the interest & fixed rates, maturity of the loan & the repayment schedule. Interest rates are the interest incurred in acquiring the loan based on the principal loan. The maturity is when the loan is supposed to be repaid after award. The repayment schedule is the duration in which the loan poorly be repaid up to completion.

2.9 Knowledge Gap

Researcher observed the gaps identified within the review of relevant literature as shown in the table below;

Table 2.1: Knowledge Gap

Variable	Author & Year	Findings	Knowledge gap
Graduate employment status	De Aghion, Beatriz Armendariz & Jonathan Morduch, 2005	Graduate employment status can cause reluctance to borrow due to the uncertainty of repayment constitutes what might be labeled an ex ante default problem for prospective students.	The literature emphasis was on the individual employed & the ones without employment nor source of income incur penalties.
Follow up	Dynarski, M., (1994)	Follow up is very crucial though there are many beneficiaries whom do not repay regardless of being instructed.	The existing literature did not show the solution in relation to the records that had been lost in relation to the loan beneficiaries.
Government policy	Goetz & Gupta, (1995)	Loans that depend in several way on the public and or government policy mainly to cover, or support, part of the lending charges, but to also establish student loans collection & origination , administrative & legal framework, or otherwise to intercede in bringing (student) borrowers together with lenders, or savers.	There was inadequate literature on Loans Repayment limitations of Actions Act which renders unrecoverable any debt which is not claimed within six years from the time its due, hence a dispute in recovery of past loans which were rendered to be more of a grant.
Loan characteristics	Dermine & Neto de Carvalho (2006)	Loan characteristics on loan size has a negative association with actual repayments rates accumulated 12 to 48 months after default.	The literature reviewed was not clear on how the loan size affects the recovery, hence comparability.

2.10 Summary of Chapter

Due to the larger unemployment at around 40%, most beneficiaries have opted to self-employment sector making it difficult to be traced by the Loans Recovery department. In Kenya, the non- formal sector forms the biggest and to note fast developing sector of Kenya's Economy. Where economic growth has been 4 to 5% Gross domestic Profit growth in the last three years although there have been several times it was negative.

Inadequate staff resources evidenced by having 16 loan inspectors falls short to required number to be able to visit all employers in order to verify employee's status. When loan's board was established in the country notably it was characterized hit by numerous hostility form students, parents and community at large. Reason being many loan beneficiaries regarded the loans as a free donation or grant from the government, an approach that has barred the LR process. Due to the poor economic performance, high death rates due to HIV and Cancer pandemics downsizing in both public and private sectors among other factors contribute to the reality that recoveries are not expected to increase remarkably (Ahmed, Razia, 1983). Hence, repayment process calls for an ingenuity in overcoming the identified hurdles.

Despite the effort put in place to ensure improved record keeping by the board, disputes from scanty records from earlier periods were poorly faced. For instance, borrowers' records for the period between 1983 and 1986 have been acknowledged to be permanently misplaced and hence cannot be traced (Bogonko, 1992). Those days a full university undergraduate cycle constituted of three years. Therefore, it appears likely that either by collusion or connivance, numerous bodies which benefited throughout the initial periods intentionally deleted the records to evade the obligation of repayment. A possibility which can't be assumed since some employees in the disbanded disbursement repayments Units could have been beneficiaries and could have for personal gain have used their office power and presence to secure the future by tempering with the records (Lochner, & Monge-Narango, 2000).

CHAPTER THREE

RESEARCH DESIGNOLOGY

3.1 Introduction

The section presents research design utilized to execute this inquest. It embodies research design, sampling & population, collection of data designs/tools, validity & reliability, collection of data processes, data evaluation techniques, ethical issues & operational exposition of variables.

3.2 Research Design

Research designs employed in this study were both qualitative & quantitative design. This design was endorsed since it allowed for prudent comparison of findings of research. Descriptive interview sought to determine the advantages brought about by an effective student record management system both at the student & at the at the states level, in bringing enlargements, especially in developing countries. This required primary collection of data on quantitative data for comparison. It had been utilized in similar studies. HELB had been chosen for the case given that it met the criterion that was relevant to the theory underlying the proposed research. The aim was to obtain a profound understanding of how HELB had managed its LR.

3.3 Target Population

The study population composed of mangers & general staff at HELB. The total staff population stood at 120 as indicated in the table below. These were the officers better positioned for required rejoinders provision.

Table 3.1: Target Population

Category	Frequency	Percentages
Managers	10	8%
LR department	30	25%
Human resource department	14	12%
Finance & accounting department	30	25%
Risk management department	24	20%
Administration department	12	10%
Total	120	100%

3.4 Sample Size & Sampling Procedure

Sampling was an intentional decision of number of officers to issue the data from which conclusions would be drawn on several larger category, of those officers represented. SRS was utilized to distribute the population into subcategories on the factor in dispute. Those records were stored separate in the sampling frame & from that the sub samples were to be chosen at random. The sum of each of the sub samples gave the total sample size Jankowicz, (2002). Jankowicz (2002) further added that stratified random sampling was the most powerful means of generalizing findings based on samples to populations.

The decision of that technique was governed by the advantages that accrued to Researcher in terms of increased in sample's enumeration efficiency, provision of adequate data for analyzing the various sub-populations & that it enabled different research designs & processes to be utilized in different strata Cooper & Schindler, (2000). Researcher also adopted the stratified sampling technique. Each sampling unit or population member belonged to exactly one stratum. There was no sampling units that belonged to none of the strata & no sampling units belonged to more than one stratum. The stratified sampling technique was deemed to produce estimates of overall population parameters with higher precision than estimates obtained from other sampling techniques. From each stratum Researcher utilized simple random sampling to select respondents. The assumption was that the selected members of respondent living in the sugarcane production

Stratified sampling technique was utilized to select the sample. The technique produced estimates of overall population parameters with higher precision. The study categorized the population into four strata i.e. managers & general staff. From each stratum the study utilized simple random sampling to select 65 respondents.

Table 3.2: Sampling Frame

Category	Target Population	Sample Size
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Managers	10	10
LR department	30	15
Human resource department	14	7
Finance & accounting department	30	15
Risk management department	24	12
Administration department	12	6
Total	120	65

Cooper & Schindler (2000) stated that the sample size was the selected element or subset of the population that was to be studied. To ensure that the sample accurately represented the population, Cooper & Schindler (2000) further recommended that Researcher had to clearly define the characteristic of the population, determined the required sample size & chose the best design for selecting members of the sample from the larger population. Using that as a guide, a sample size of 65 as shown by the table above was utilized drawn.

3.5 Collection of data Designs

Rejoinders was collected on the disputes experienced & how they have been managed, factors that affected LR at HELB in Kenya. Primary data was collected using semi structured questionnaire. The questionnaires were prepared to assist in the collection of the qualitative data. The drop off & pick up design was utilized to collect data. The structured enquiries were utilized to facilitate simpler evaluation as they were in immediate utile structure; whilst the unstructured enquiries was utilized so as to motivate the respondent to give a profound rejoinder without feeling withheld in divulging of any rejoinders.

With unstructured enquiries, a respondent's rejoinder may have given an insight to his feelings, background, hidden motivation, interests & decisions & gave as much rejoinders as possible without holding back. At the similar time, with the use of structured enquiries, if Researcher was after rejoinders that he found simpler for administration purposes, he would use this design since the questionnaires & interviews are followed by alternative answers.

3.6 Validity & Reliability of Research Tools

3.6.1 Pilot Testing

According to Harper (2002) questionnaire issued useful results, the enquiries were both valid & reliable. Validity refers to whether the instrument was actually able to test what it's supposed to test.

Pre-testing enabled Researcher to receive important feedback on how enquiries were to be recorded or restructured. The questionnaire needed to be pre-tested under field conditions before it was ready for the field, Lewin (2005). It was very important for Researcher to pretest research tools to enhance clarity of the tools to be utilized. The purpose of enhancing clarity was to ensure collection of accurate rejoinders & to correct any deficiencies revealed during pre-testing exercise (Mugenda & Mugenda, 2003). Researcher pretested the questionnaire on a selected state owned corporation, which was not be part of the actual study since subjects in the actual sample should not be utilized for pre-testing. Finally, the rejoinders to be received from the questionnaires were attuned accordingly & any sector needing adjustments was done.

3.6.2 Validity of Research Tools

Validity is the degree to which a test measures what it purports to measure (Borg & Gall, 2005). To enhance validity Researcher exposed the tools to experts in research for judgement. Researcher conducted a pilot interview whereby inappropriate questionnaire items were discarded, rephrased & or merged. The piloting was conducted in HELB, to respondents from the study sector that was not to be among those sampled & were selected randomly.

3.6.3 Reliability of the Instrument

Reliability is a measure of the degree to which a research instrument yields consistent result or data after repeated trials, (Mugenda, & Mugenda, 2003). Reliability in research is influenced by random error of which it's high, reliability is low. Test-retest technique was utilized to test reliability. Research tools were presented to the respondents selected for the pilot study the result was recorded for the similar instrument which was presented to the similar category after two weeks & the results of both tests were correlated. The scores from the two testing periods were

correlated & a reliability index was found of which a reliability index above 0.8 generally indicated good consistency (Borg, & Gall, 1983)

3.7 Collection of data Processes

A permit to conduct research was obtained from the CEO, HELB (HELB) before the collection of data process commenced. After consent was given to collect data, Researcher inducted on the questionnaire & thereafter proceeded to distribute the similar to the respondents who could read in English. For those who could not, the organization supported Researcher by providing officers who had been trained on customer experience in addition sign language for the dis-abled. The purpose of the interview was explained to each of the respondents & their consent obtained before collection of data.

3.8 Data Evaluation Design

This study utilized the quantitative design of data evaluation. Data was coded & thereafter evaluated using Enumeration Package for Social Sciences (SPSS) program & presented using tables gave a clear picture of research findings at a glance. The rejoinders poorly be displayed by use of in prose-structure. That was done by tallying up rejoinders, computing percentages of variations in rejoinder in addition describing & interpreting the data in line with the study objectives. Content evaluation was utilized to test data that is qualitative nature or aspect of the data collected from the open ended enquiries. According to Denscombe (2007) descriptive statistics involves a process of transstructureing a mass of raw data into tables, frequency distribution & percentages which are a vital part of making sense of the data.

3.9 Ethical Issues

Researcher first obtained a research permit from CEO, HELB at the Ministry of Education so that they were legally authorized to execute research & collect data. Researcher then instructed the respondents that research is purely for academic purposes & assuring them of confidentiality of their identities. Researcher did not record the names of the respondents in the questionnaire. Instructured consent was obtained from the respondents before collection of data was done, & only those that agreed to participate were engaged in the interview.

3.10 Operationalization of Variables

Objectives	Type of Variable	Indicators	Scale of measurement	Designs of collection of data	Collection of data tools	Data evaluation technique
To determine influence of graduate employment status on educational LR at HELB.	Graduate employment status (independent variable)	<ul style="list-style-type: none"> Income Type of employment 	Ordinal	Administering questionnaire	Questionnaire	Spearman Rank Correlation
To assess influence of follow up on educational LR at HELB.	Follow up (independent variable)	<ul style="list-style-type: none"> Disappearance of file Administrative problems University's fiscal records must issue a clear audit lacked requisite competence in debt repayments Past records were not adequately maintained 	Ordinal	Administering questionnaire	Questionnaire	Spearman Rank Correlation
To examine influence of how government policy affects educational LR at HELB.	Government policy (Independent variable)	<ul style="list-style-type: none"> Security & guarantors required Administrative & legal framework 	Ordinal	Administering questionnaire	Questionnaire	Spearman Rank Correlation

		<ul style="list-style-type: none"> • Public policy mainly to cover 				
To determine influence of loan characteristics (i.e. collateral/security, maturity, repayment schedule & interest) on educational LR at HELB.	Loan characteristics (Independent variable)	<ul style="list-style-type: none"> • Interest • Small loans • Maturity • Security required 	Ordinal	Administering questionnaire	Questionnaire	Spearman Rank Correlation
	LR (Dependent variable)	<ul style="list-style-type: none"> • Penalties • Incentives • Interest rates 	Ordinal	Administering questionnaire	Questionnaire	Spearman Rank Correlation

CHAPTER FOUR

DATA EVALUATION PRESENTATION & INTERPRETATION

4.1 Introduction

This chapter issues an evaluation of data collected from the field. The results are presented in tables to highlight the major findings. They are also presented sequentially according to research enquiries of the study. Mean scores & SDs ANOVA & regression evaluation was utilized to analyze the data collected. The raw data was coded, evaluated & tabulated to depict clearly the results of factors affecting LR at HELB in Kenya.

4.2 Rejoinder Rate

Research was conducted on a sample of 65 respondents from the selected departments to which questionnaires were administered. The study aimed at on Chief Officers, LR department, Human resource department, Finance & accounting department, Risk management department & Administration department.

Table 4.1 Rejoinder Rate

Category	Questionnaires Administered	Questionnaires poorlyed & Returned	Percentage rejoinder
Managers	10	10	100%
LR department	15	14	93%
Human resource department	7	6	86%
Finance & accounting department	15	14	93%
Risk management department	12	11	92%
Administration department	6	5	83%
Total	65	60	92%

However, only 60 questionnaires were returned duly fpoorlyed in making a rejoinder rate of 92%, which is an adequate rejoinder rate for enumeration reporting. Mugenda & Mugenda (1999) stated that a rejoinder rate of 50% & above is a good rejoinder rate. This commendable rejoinder rate was made possible after Researcher personally administered the questionnaires & made further visits to remind the respondents to fpoorly-in the questionnaires. This study made use of frequencies (absolute & relative) on single rejoinder enquiries. On multiple rejoinder enquiries, the study utilized Likert scale in collecting & analyzing the data whereby a scale of 5 points were utilized in computing the means & SDs. These were then presented in tables, graphs & charts as appropriate with explanations being given in prose.

4.3 Demographic Characteristics

The study sought to establish the rejoinders on the respondents employed in the study with regards to the gender, age, duration of service, & the level of education. These bio data points at the respondents' appropriateness in answering the enquiries & also looks at the employment demographics in HELB.

4.3.1 Gender

The respondents were asked to show their gender, this was expected to guide Researcher on the conclusions regarding the degree of congruence of rejoinders with the gender characteristics on factors affecting LR at HELB in Kenya.

Table 4.2 Gender

Gender	Frequency	Percentage
Male	34	56%
Female	26	44%
Total	60	100%

Table 4.2 above presented the findings that majority of the respondent were male at 56% whilst female was 44% insinuating that most of the workers for HELB were male.

4.3.2 Distribution of Age Category

Researcher sought to determine the age under which the respondents fall & the findings are shown in table 4.3.

Table 4.3: Age of Respondent

Age	Frequency	Percentage
60 Yrs>	1	2%
50-59	1	2%
40-49	12	20%
30-39	25	41%
29 & Below	21	35%
Total	60	100%

The results presented in Table 4.3 show that a large proportion of 41% the respondents were aged from the ages of 30 to 39 years; this was followed by a significant percentage 35% that had also attained ages from 29 years & below, whilst 2%, 2% & 20% are for above 60 years, 50-59 years & 25-29 years respectively. The age composition shows that most of the respondents were of the 30 to 39 years & least respondents were above 50 years.

4.3.2 Level of Education

The respondents were asked of their educational levels. The rejoinders were put in percentage structure & presented in the table & chart below.

Table 4.4: Level of Education

Qualification	Frequency	Percentage
Certificate	3	5%
Diploma	15	25%
Undergraduate Degree	33	55%
Postgraduate	9	15%
Total	60	100

From the table, 55% of the respondents indicated undergraduate degree. 15% had postgraduate degree, 25% said that they had they were diploma holders whilst 5% said that they were certificate holders. These findings indicate that majority of the staff in the firm, have undergraduate degree.

4.3.3 Departments Worked

The respondents were asked on which department they operated. The rejoinders were put in percentage structure & presented in the table 4.5 below.

Table 4.5: Departments Worked

Category	Frequency	Percentage
Managers	10	17%
LR department	14	23%
Human resource department	5	8%
Finance & accounting department	14	23%
Risk management department	11	19%
Administration department	6	10%
Total	60	100%

Table 4.5 shows that the most respondents were in LR department & Finance & accounting with 14 respondents each, whilst the least department was human resource with 5 respondents. Risk management & Administration departments had 11 & 6 respondents respectively.

4.3.4 Length of Service in the Current Job

The respondents were asked the length of service in the current job. The rejoinders were put in percentage structure & presented in the table 4.6 below.

Table 4.6: Length of Service in the Current Job

Length of Service	Frequency	Percentage
3yrs & below	12	20%
3 to 5 years	36	60%
5 to 7 years	9	15%
Over 7 years	3	5%
Total	60	100%

Table 4.6 presents the findings on the duration of respondents work in the present capacity. 60% stipulated respondents having worked in the similar position for a duration 3-5 years. 5% stipulated a duration of over 7 years. 15% stipulated a duration of 5-7 years whilst 20% stipulated a duration of less than 3 years. Findings stipulated majority HELB staff, had worked at their current company for a period of 3-5 years.

4.3.5 Career in Industry

The respondents were asked the duration in their Career. The rejoinders were put in percentage structure & presented in the table 4.7 below

Table 4.7: Career in Industry

Length of Service	Frequency	Percentage
1-3 yrs	2	3%
3-5 yrs	8	13%
6 -15yrs	37	62%
Over 15yrs	13	22%
Total	60	100%

Table 4.7 above indicates findings on respondent's duration working with the organization. 62% stipulated respondents having worked with the organization for a duration of 6-15 years. 22% stipulated respondents having worked with the organization for a duration of over 15 years. A percentage of 13% stipulated respondents having worked with the organization for a duration of 3-5 years & 3% stipulated respondents having worked with the organization

for a duration of between 1 & 3 yrs. Findings indicated staff majority at HELB had worked for a duration of 6-15 years.

4.3.6 Type of Loan Advanced

The respondents were asked on type of loan advanced. The rejoinders were put in percentage structure & presented in the table 4.8 below

Table 4.8: Type of Loan Advanced

Length of Service	Frequency	Percentage
Undergraduate	26	44%
Post graduate	8	13%
Both	8	13%
None	18	30%
Total	60	100%

From the findings indicated in table 4.8 majority (26) of respondents took undergraduate loan, whilst those who didn't take any loan were 18 respondents & those who took both postgraduate & undergraduate loans were 8 respondents respectfully.

4.4 Reliability & Validity of Data

Table 4.9: Reliability Statistics

Scale of measurement	Number of Items	Cronbach's Alpha (α)
LR	5	0.731
Graduate Employment Status	5	0.757
Follow Up	5	0.751
Government Policy	5	0.730
Loan Characteristics	5	0.737

Reliability refers to underlying challenge in any scale of measurement. Reliability scale is contemplated as variance estimate related to score of truth construct of latent. Contemplating less number of items utilized in measuring every 5 significance & their significant reliabilities, heterogeneity, prospected 0.5 is rationaleable. It's measured by consistency of

internal reliability that stipulates items homogeneity comprising a scale of measurement. Internal consistency provides extent at which inter-correlation of items in a model are done. Hence, correlations of inter-item are great implies scale of items had effective relationship which are strong construct of latent & probably evaluating similar thing. The internal consistency of a scale of measurement is examined using Cronbach's coefficient alpha. It's recommended, if a scale of measurement consisting of a Cronabach's coefficient exceeding 0.70 is acceptable as an internally consistent scale so that further evaluation is recommended (Develis 2012). Hence measuring LR against Graduate Employment Status, Follow Up, Government Policy & Loan Characteristics was reliable & valid Since value of alpha is exceeds 0.731, study tools capitulated fairly commendable data for this research.

4.5 LR

Respondents were asked if HELB encounter LR problem & all the respondents indicated that HELB encounter LR problem

4.5.1 Level of Unrecovered Loan

Table 4.10: Level of Unrecovered Loan

Level of unrecovered loan	Frequency	Percentage
1 - 100,000	2	5
100,000 – 200,000	3	5
200,000 – 300,000	5	8
300,000 – 400,000	20	33
400,000 – 1,000,000	30	50
Total	60	100

The respondents were asked on unrecovered loan & on to what extent does it affects HELB management. Most of the respondents 50% indicated that there is unrecovered loans of ksh.400,000 – 1,000,000. This implied that most of the defaulters are not repaying their large amounts of loans hence hindering the level of the recovery. Whilst the least unrecovered loans scoped from ksh. 1- 100,000. This implied that the unrecovered loans affects HELB management to a large extent in the way it rendered its service to the country at large.

4.5.2 Awareness & Effectiveness of Threats & Penalties on LR

The respondents were asked on their awareness & effectiveness of the threats & penalties rendered by HELB management to the loan defaulters helped in LR.

Table 4.11: Effectiveness of Threats & Penalties on LR

Effectiveness of Threats & Penalties on LR	Frequency	Percentage (%)
Very effective	20	33%
Effective	25	42%
Neutral	1	2%
Not effective	2	3%
Very ineffective	12	21%
Total	60	100%

On the level of awareness, (69%) of the respondents are aware of the threats (of court action) & penalties HELB imposes on loan defaulters. (20%) of the respondents were not aware of threats of court action or penalties as contained in HELB Act. An interesting result was that (11%) of the respondents were indifferent to these penalties. The respondents were also asked about the effectiveness of these threats & penalties. Table 4.11 above shows the level of effectiveness of threats as a way of dealing with loan defaulters. Among the loanees, (33%) say the threats/penalties are very effective, 42% of the respondents say that threats are effective, 24% say threats are ineffective & 2% are neutral on the effectiveness of threats.

4.5.3 Awareness of HELB Loan Repayment Incentives

The respondents were asked on their awareness of the incentives rendered by HELB to the loan beneficiaries.

Table 4.12: Awareness of HELB Loan Repayment Incentives

HELB loan repayment incentives	Frequency	Percentage (%)
Grace period	17	28

Low interest rate	21	35
Long repayment period	5	8
Flexible installments	5	8
None	12	21
Total	60	100

The level of awareness of incentives offered to loan beneficiaries is given in table 4.12 above. The table shows that, 21 respondents know about the low interest rate, 17 respondents know about the grace period & 12 did not know any of the incentives. However, 21% of the respondents interviewed claim that they are not aware of any incentives offered by HELB to motivate loan repayment.

4.5.4 Penalties Levied by Other Lending Institutions on Loan Default

The respondents were asked on Penalties levied by other lending institutions on loan default

Table 4.13: Penalties Levied by Other Lending Institutions on Loan Default

HELB loan repayment incentives	Frequency	Percentage (%)
Penalty interest	23	38%
Commercial interest rate	17	29%
Capitalization of interest arrears	15	25%
Reduction of loan repayment period	5	8%
Total	60	100%

HELB loan beneficiaries were also asked if they knew the penalties levied by banks on loan defaulters. The table 4.13 shows that 38% of the respondents knew about penalty interest, 29% know about the charging of commercial interest rates, 25% know about the capitalization of interest arrears & 8% know about the reduction of the loan repayment period. Loanees are therefore very aware of the penalties applicable to default of bank loans.

4.6 Graduate Employment Status & LR Perstructureance

Researcher wanted to know & understand how the graduate employment status by various types of employment in addition the income earned influence the LR perstructureance.

Table 4.14: Gross Monthly Income Bracket

Gross Monthly income bracket	Respondents	Percentage (%)
Less than Kshs.15, 000	3	5%
Kshs.15,001 to 30,000	7	11%
Kshs.30,001 to 45,000	20	33%
Kshs.45,001 to 65,000	15	25%
Kshs. 65,001 to 100,000	10	17%
Kshs. 100,001 & above	5	8%
Total	60	100%

Respondent were asked to indicate their gross monthly income bracket which most (33%) of the respondents were from the scale of Kshs.30,001 to 45,000 per month, followed by Kshs.45,001 to 65,000, Kshs. 65,001 to 100,000, Kshs.15,001 to 30,000, Kshs. 100,001 & above & finally Less than Kshs.15, 000 with a percentage rejoinder of 25%, 17%, 11%, 8% & 5% respectfully.

4.6.1 Descriptive Statistics on Graduate Employment Status

In an effort to determine the effects of graduate employment status on educational LR at HELB, respondents in this study were requested to stipulate their agreement level to specific affirmations in the questionnaire that related to graduate employment status on educational LR at HELB. The coding employed in the evaluation was 1 to 5 with 1 representing extremely low extent & 5 representing extremely high extent with affirmations.

Table 4.15: Rate How Graduate Employment Affects LR

Graduate Employment Status	N	Mean	Std. Dvn
Not employed	60	3.7500	.31966
Self employed	60	3.9000	.83972

Civil servant	60	3.9750	.67178
Private sector employment	60	3.3000	.65974

From the findings, SD is a measurement of spread of observations set & the variance square root Greater SD implies more spread out the observations hence Self-employed is not favorite has the highest SD .83972 implying that majority of respondent agreement wasn't to one notion instead spread of ideas whilst least SD implied small Not employed 0.31966. Whilst the other std dev are showed in table 4.15. Mean is the average of the observations: a calculated central value of a set of observations. It's the most widely utilized measure of central tendency in table the means are above value 2.5 which is 50 percent of the scale therefore showing how graduate employment affects LR.

4.7 Follow Up & LR Perstructureance

In an effort to determine the effects of follow up on educational LR at HELB, respondents in this study were requested to stipulate their agreement level to specific statements in the questionnaire that related to follow up on educational LR at HELB. The coding employed in the evaluation was 1 to 5 with 1 representing extremely less extent & 5 representing extremely great extent with statements.

Table 4.16: Follow Up Affecting LR

Description	N	Mean	Std. Dvn
Staff may lacked requisite competence in debt repayments	60	4.1100	.6875
Administrative problems	60	2.7650	.63722
Less number of staff	60	3.2708	.62081
University's fiscal records must issue a clear audit	60	3.1786	.33903
Past records were not adequately maintained	60	3.0667	.88581
Disappearance of file	60	3.9100	.84462

From the descriptive statistics presented in table 4.16 show that the mean are above 2.5 for all the indicators in follow up, (2.7650, 3.0667, 3.1786, 3.2708, 3.9100, 4.1100) from the lowest to highest respectively in this order; Administrative problems, Past records were not adequately maintained, University's fiscal records must issue a clear audit, Less number of

staff, Disappearance of file & finally Staff may lacked requisite competence in debt repayments. Therefore the statistics stipulates that Follow up affecting LR. The SD show the spread of ideas of respondent & as per the table SD scopes prospected 0.88581- 0.33903 stipulating it's a less value hence respondents agreement to similar idea to follow up. Generally from the evaluation follow up affecting LR.

4.8 Government Policy & LR Perstructureance

In an effort to determine the effects of government policy on educational LR at HELB, respondents in this study were requested to stipulate their agreement level to specific affirmation in the questionnaire that related to government policy on educational LR at HELB. The coding employed in the evaluation was 1 to 5 with 1 representing extremely low extent & 5 representing extremely high extent with affirmations.

Table 4.17: Government Policy affects LR

Government Policy	N	Mean	Std. Dvn
Administrative & legal framework for the collection & origination of student loans	60	3.4898	.37796
Public policy mainly in covering the LR process	60	3.1905	.99611
Security & guarantors required	60	3.2245	.37796

Descriptive statistics in table 4.17 indicated 60 respondents interviewed as at how government policy affects LR, from the table the means scopes from 3.0357 to 3.4898 meaning that most of the agree that government policies affects LR whilst the SD support since all the indicators have smaller values of .03126 to .99611.

4.9 Loan Characteristic & LR Perstructureance

Table 4.18: Loan characteristics affect LR

Loan Characteristics	N	Mean	Std. Dvn
Fixed rates	60	3.7143	.95119
Small loan	60	2.8571	1.21499
High interest rate	60	2.5714	1.71825
Security required	60	3.5714	1.13389

From the findings, SD is a measurement of spread of observations set & the variance square root. Greater SD implies High interest rate, SD prospected 1.71825 insinuating majority of respondents were not in agreement instead existed a spread of ideas, whilst lowest SD implied small market size 0.95119. Whilst other SD are showed in table 4.18. Mean is the average of the observations: a calculated central value of a set of observations. It's the most widely utilized measure of central tendency in table the means are above value 2.5 which is 50 percent of the scale therefore showing all the indicators of loan characteristics affect LR

4.10 Regression Evaluation

The regression evaluation is perturbed with average distribution significance of random variable in relation to other variables that need not be random are accepted to take different significance. A multivariate version of regression was applied. Model of regression specifically connects various values of x-variables to average values of y. A regression equation isn't in any way a mathematical linking two variables but serves as a pointer to enquiries to be answered. Basically, the regression evaluation is utilized in two distinct ways; (1) as a means of considering data taking into account any other relevant variables by adjustment of the random variable; & (2) to generate mathematical structures to be utilized to predict the random variable from the other (independent) variables.

4.11 Correlation Evaluation

Table 4.19: Pearson Correlation coefficients Matrix

		Graduate Employment Status	Follow Up	Government Policy	Loan Characteristics
Pearson Correlation	LR	.733*	.712*	.654*	1.000
	Graduate Employment Status	1.000	.536*	.752*	.733*
	Follow Up	.536*	1.000	.118*	.712*
	Government Policy	.752*	.118*	1.000	.654*
	Loan Characteristics	.467*	.247*	.247*	.534*

Note: *Correlation significant at the level 0.001 (two-tailed)

Pearson product-moment correlation coefficient (short form, Pearson correlation coefficient) is a strength measure of a linear association amongst two variables & denoted by r . Basically, a Pearson product-moment correlation strives to draw a line of best fit through the data of two variables. Pearson correlation coefficient was conducted to examine the relationship amongst variables, r , stipulates how far away all these data points are to this line of best fit (how well the data points fit this new model/line of best fit). The Pearson correlation coefficient, r , can take a scope of values from +1 to -1. A value of 0 stipulates that there is no association between the two variables. As cited in Wong & Hiew (2005) the correlation coefficient value (r) scope from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium & from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8 to avoid multicollinearity. Since the highest correlation coefficient is (0.752) being indicated between Government Policy & Graduate Employment Status is less than 0.8, there isn't multicollinearity problem in this research. As per the table below, there was a positive association amongst all the predictor variables; the strongest (0.752) being indicated amongst Government Policy & Graduate Employment Status, whilst the weakest (0.118) between Government Policy & Follow Up.

The model of regression:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

$$y = LR$$

$$\beta_0 = \text{Constant Term}$$

$$\beta_1 = \text{Beta coefficients}$$

$$X_1 = \text{Graduate Employment Status}$$

$$X_2 = \text{Follow Up}$$

$$X_3 = \text{Government Policy}$$

$$X_4 = \text{Loan Characteristics}$$

4.11.1 Strength of the model

Evaluation from table 4.3.1 stipulates determination coefficient (variation percentage of variable of dependence explained via changes of variables of independence) R² equates to 0.843, meaning, Loan Characteristics, Follow Up, Government Policy, Graduate Employment Status having left 15.7% unelaborated. P- value at 0.000 (Less than 0.05) insinuates LR significance model at 5% significance

Table 4.20: Model Summary

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	93.144	4	23.286	79.730	.000 ^a
	Residual	53.739	56	.292		
	Total	146.884	60			

a. Predictors: (Constant), Loan Characteristics, Follow Up, Government Policy, Graduate Employment Status

b. Dependent Variable: LR

Findings in ANOVA (P- value of 0.00) from table 4.11 indicate a correlation amongst rejoinder variable (LR) & variables of predictor's (Loan Characteristics, Follow Up, Government Policy, Graduate Employment Status). Calculation of F ratio indicates variance amongst category's, distributed via variance in category's. Greater ratio of F stipulates that more variability amongst category's (cautalized via variable of independence) exists in every category, known as term of error (Pallat, 2005). F test significance stipulates null hypothesis can be rejected stating population means are equal.

Table 4.21: Coefficients of regression equation

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.240	.258		.930	.354
	Graduate Employment Status	.294	.077	.297	3.798	.000
	Follow Up	.230	.070	.188	3.290	.001
	Government Policy	.013	.062	.013	.215	.001
	Loan Characteristics	.421	.077	.406	5.445	.000

a. Dependent Variable: LR

The estimate multiple linear regression equation becomes:

$$Y = 0.240 + 0.294X_1 + 0.230X_2 + 0.013X_3 + 0.421X_4$$

Where

Constant= 0.240, shows that if Loan Characteristics, Follow Up, Government Policy, Graduate Employment Status all zero rated, LR prospected 0.240

X₁= 0.294, reveals a unit change of Graduate Employment Status outcome in 0.294 units rise in LR

X₂= 0.230, reveals a unit change of Follow Up outcome in 0.230 units rise in LR

X₃= 0.013, reveals a unit change of Government Policy outcome in 0.013 units rise in LR

X₄= 0.421, reveals a unit change of Loan Characteristics outcome in 0.421 units rise in LR

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

This section express findings in general discussed in chapter 4 & data evaluation interpretations, recommendations & conclusions on findings based.

5.2 Summary of Findings

Research sample conducted 65 selected respondents from the departments within which administration of questionnaires were conducted. The review aimed at on Chief Officers, LR department, Human resource department, Finance & accounting department, Risk management department & Administration department. The rejoinder rate of was 92%. Respondent majority included male at 56% whilst female was 44% insinuating majority workers for HELB being male

The age composition of the respondent shows that most of them were of the 30 to 39 years & therefore had rich experiences, could also appreciate the importance of the study, whilst those below the age of 30 were not conversant enough with factors affecting LR at HELB in Kenya. 55% respondents indicated undergraduate degree. 15% indicated postgraduate degree, 25% indicated diploma holders whilst 5% indicate certificate holders. Findings indicated majority HELB staff, had worked at their current company in a duration 5-7 years.

5.2.1 Graduate Employment Status & LR Perstructureance

Repayments depend on income of students. Mean of the findings is the average of the observations: a calculated central value of a set of observations. It's the most widely utilized measure of central tendency in tables. The means are above value 2.5 which is 50 percent of the scale therefore showing how graduate employment affects LR. There shouldn't be interests raised by students in respect to prospective incapability of debt repayment. Income of an individual position, is repayment determination whilst parameters of repayment are generous sufficient, there is default impossibility to poor future position. A value of $X_1=$

0.294, reveals a unit change of Graduate Employment Status outcome in 0.294 units rise in LR

5.2.2 Follow Up & LR Perstructureance

Staff may lack requisite competence in debt repayments follow up. The statistics stipulates that Follow up affects LR. The SD show the spread of ideas of respondent, the SD scopes 0.88581-0.33903 stipulating a less value hence respondents in agreement to similar idea in follow up. Generally from the evaluation follow up affecting LR. Twas totally poorly equipped in managing disputes of loan program running, by all accounts. Personnel drawn from other departments of ministry. A value of $X_2 = 0.230$, reveals a unit change of Follow Up outcome in 0.230 units rise in LR

5.2.3 Government Policy & LR Perstructureance

Loans dependent in several way on public policy mainly to cover LR process or government, support, part of lending charges, established student loans collection & origination , administrative & legal framework, or otherwise to intercede in bringing (student) borrowers. means scopes from 3.0357 to 3.4898 meaning that most of the agree that government policies affects LR whilst the SD support since all the indicators have smaller values of .03126 to .99611. A value of $X_3 = 0.013$, reveals a unit change of Government Policy outcome in 0.013 units rise in LR.

5.2.4 Loan Characteristic & LR Perstructureance

Enumeration relationship amongst loss in default event & size of the loan find enumeration association between assurance size of issue & repayments rates when investigating defaulted assurances over the period mean is the average of the observations: a calculated central value of a set of observations. It's the most utilized measure of central tendency in table the means are above value 2.5 which is 50 percent of the scale therefore showing all the indictors of loan characteristics affect LR. A value of $X_4 = 0.421$, reveals a unit change of Loan Characteristics outcome in 0.421 units rise in LR.

5.3 Discussion of Findings

The findings showed positive significant correlation between all the four LR perstructureance variables employed by HELB. These findings however did not explain why there was a decrease in the LR at HELB, when all the independent variables were shown to be positively correlated & significant in the LR perstructureance of HELB. The discussion of findings from this study is presented as follows;

5.3.1 Graduate Employment Status & LR Perstructureance

From the findings it shows that most respondents are low income earners, hence having difficulties on loan repayment hence leading to low rate of LR, employees who are pays lip based are more likely to repay their loan more easily as there are structure set for direct deduction of loan from their salaries contrary to the unemployed & self-employed category. This is evident by De Aghian, (2005) who states that repayments depend on the employees' income.

5.3.2 Follow Up & LR Perstructureance

If there are no well skpoorlyed & equipped personnel's who can make well follow up of the Loanees employment status, repayment mode & also past records there are likely of higher effects on LR. This have been evident by Ryan (2002) who says that in several cases, past records were inadequately maintained, hence graduates not aware about their loans repayments, neither loan repayment procedures. Preceding strives to employers involvement in LR haven't been fruitful, but in both Nigeria & Kenya, planned a legal obligation imposition on employers in collection LR through GE. Staff may lack requisite competence in debt repayments follow up. It managed loan running program, by all accounts

5.3.3 Government Policy & LR Perstructureance

Several government policies like the administrative & legal framework for the student loans collection & origination are not well structured & this leads to effects of loans recovery process. Loans dependent on public policy or government, mainly to cover the LR process, either reduce, part of the lending charges, to establish the administrative & legal framework for student loans collection & origination , or intercede in bringing savers or lenders together with (student) borrowers (Goetz & Gupta, (1995).

5.3.4 Loan Characteristic & LR Perstructureance

From the findings, it shows that low interest rates motivate the loaness to repay the loans hence helping in LR. Maturity period communication to HELB beneficiaries increases the LR perstructureance. Acharya et al. (2007) contended greater recoveries should be from larger debts since massive borrowers have elevated power bargaining. They study assurance value & LR, thereafter a relationship that is positive amongst rates of repayments & size of subject.

5.4 Conclusions

Measuring LR against Graduate Employment Status, Follow Up, Government Policy & Loan Characteristics was reliable & valid as value of alpha is above 0.731, the tools of study capitulated fairly reliable data on factors affecting LR at HELB in Kenya where linear multiple regression equation was established

$$Y = 0.240 + 0.294X_1 + 0.230X_2 + 0.013X_3 + 0.421X_4 + e$$

5.4.1 Graduate Employment Status & LR Perstructureance

From the findings the salaried employees are in better position on loan repayment than the self-employed & unemployed. It can therefore be concluded that most loan defaulters who have great effect on LR are the self-employed & the unemployed officerss.

5.4.2 Follow Up & LR Perstructureance

From the findings administrative problems is the least factor that influences LR perstructureance. It can therefore be concluded that lack of requisite competence in debts repayment is what affects the LR perstructureance more followed by disappearance of file, few staff, university fiscal records issued a clear audit & lastly past records were not adequately maintained.

5.4.3 Government Policy & LR Perstructureance

From the findings public policy mainly to cover the LR process is the least factor that influences LR perstructureance. It can therefore be concluded the administrative & legal

framework for the student loans collection & origination is what significantly influences the LR performance in addition to the security & guarantors. This is because when the beneficiaries default on the loan repayment, the guarantors are notified & instructed that they are fully liable in servicing those specific loans.

5.4.4 Loan Characteristic & LR Performance

From the findings, the small loans & high interest rate are the least factors that influence LR performance. It can therefore be concluded that the loans offered by HELB have fixed rates which do not fluctuate regardless of inflation, & the existence of the guarantors makes it possible to recover the loan when the beneficiary defaults, which has a significant impact on LR performance.

5.5 Recommendations

Recommendations are mainly to HELB stakeholders & all those involved in higher education financing. On the basis of the findings from the study, it is recommended that:

5.5.1 Graduate Employment Status & LR Performance

Mandatory payment of income of graduates' proportion exploration should also be done but participants' agreement was there is a major contribution in student loans in financial relief of the tension encountered in higher education, issued programmes of loans are high rate, efficiently controlled & properly designed LR is achieved.

5.5.2 Follow Up & LR Performance

Enhanced resource mobilization by ensuring that HELB has enough direct & indirect funds to meet demand for loans, bursaries & scholarships hence establishing a sustainable revolving fund.

5.5.3 Government Policy & LR Performance

Commendable strategies regarding exculpation from loan repayment & interest should be established. This will help minimize renege & motivate borrowers to repay punctually, or even prior. Ensure effective & efficient compliance to HELB Act by prosecution of defaulters for non-compliance (loanees & employers); blacklisting of defaulters e.g. publication of

defaulters; issuance of demand notices to defaulters; enforcement of penalties to non-compliant employers; execute intensive inspection of loanees & employers to ensure compliance; & lobby for review of HELB Act to make it more effective.

5.5.4 Loan Characteristic & LR Perstructureance

Prolonging the repayment period could help reduce loan default. It's incorrect to believe the shorter repayment period, the simpler the LR. If the repayment period is prolonged, it poorly increase the financial capability to the loan recipients of repaying the loans

To improve on the current LR rate the following activities should be undertaken by the Board: Link & automate all the operating rejoinders systems, Network with data centres; credit reference bureaus, registrar of persons for rejoinders on students & loan guarantors/parents.

5.6 Suggestions for Further Research

Consequently, from the study, Researcher recommends that similar studies be conducted in other organizations in Kenya that deal with LR to correlate these findings.

Conducting a study on factors influencing LR in enlargement of the Organization.

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APPENDIX I

QUESTIONNAIRE

General information

1. What is your gender? (tick one)

Male

Female ()

2. Age(tick one)

21 -30 ()

31- 40 ()

41- 50 ()

51 and above ()

3. What is your academic background

Certificate ()

Diploma ()

Undergraduate ()

Postgraduate ()

4. Department do you work?

Loan Recovery ()

Human resource ()

Finance and accounting ()

Risk management ()

Others.....

5. How long have you been working in your present capacity?

Less than 3 years () 3 to 5 years () 5 to 7 years () Over 7 years()

6. How long have you worked for the Higher Education Loans Board?

1 – 2 years ()

3 – 5 years ()

6 – 15 years ()

Over 15 years ()

7. What type of loan have you been advanced by HELB for your studies? (Tick the one that is applicable)

Undergraduate ()

Postgraduate ()

Both ()

SECTION B

Factors affecting loan recovery at the Higher Education Loans Board

8. Does HELB encounter loan recovery problem?

Yes ()

No ()

9. What is the level is unrecovered matured HELB loans?

Larger extent ()

Moderate extent ()

Neutral ()

Low extent ()

Not at all ()

10. What are the effects/ impacts of unrecovered loan to the Organization?

Positive () Negative ()

11. Are you aware of any threats (penalties) issued by HELB to loan defaulters? (Tick the one that is applicable)

Yes ()

No ()

Don't know ()

12. If your answer to 11 is yes, how effective is the method in reducing the loan default rate? (Tick the one applicable)

Very effective ()

Effective ()

Neutral ()

Not effective ()

Very ineffective ()

13. Which of the following incentives given by HELB are you aware of? (Tick the one(s) that is (are) applicable)

Grace period ()

Low interest rates ()

Both a and b ()

Others (Please specify)

14. What type(s) of penalty levied by institutions advancing loans are you aware of? (Please tick all the ones you are aware of)

Penalty interest ()

Commercial interest rate ()

Capitalization of interest arrears ()

Reduction of loan repayment period ()

Other penalties (Please specify).....

Graduate employment status

15. If employed or self-employed, under what gross monthly income bracket do you fall?
(Tick the one that is applicable)

Less than Kshs.15, 000 ()

Kshs.15,001 to 30,000 ()

Kshs.30,001 to 45,000 ()

Kshs.45,001 to 65,000 ()

Kshs. 65,001 to 100,000 ()

Kshs. 100,001 and above ()

16. Rate how graduate employment status affects loan recovery at the Higher Education Loans Board using the likert scale of 1-5 with Very low =1, Low =2, Moderate = 3, High = 4, Very high=5.

Description	1	2	3	4	5
Not employed					
Self employed					
Civil servant					
Private sector employment					

Follow up

17. Rate loan Follow up affecting loan recovery at the Higher Education Loans Board using; rate them using the likert scale of 1-5 with Very low =1, Low =2, Moderate =3, High= 4, Very high =5.

Description	1	2	3	4	5
Staff lack requisite skills in debt repayments					
Administrative problems					
Few staff					
University's fiscal records must provide a clear audit					
Past records were not adequately maintained					
Disappearance of file					

Government policy

18. How does government policy affects loan recovery at the Higher Education Loans Board; rate them using the racket scale of 1-5 with Very low =1, Low =2, Moderate =3, High =4, Very high =5.

Challenges	1	2	3	4	5
Legal and administrative framework for the origination and collection of student loans					
Government policy mainly to cover					
Guarantors required					

Loan characteristic

19. To identify how loan characteristics affects loan recovery at the Higher Education Loans Board; rate them using the racket scale of 1-5 with Very low =1, Low =2, Moderate =3, High =4, Very high =5.

Challenges	1	2	3	4	5
Fixed interest rates					
Small loan					
Security required					

