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The Influence Electronic Loan Management System on Loan Performance Amongst Microfinance Institutions in Kenya

Catherine Mwangi*
School of Business and Economics, Mount Kenya University
P. O Box 342-01000, Thika, Kenya

Sangoro Oscar
School of Business and Economics, Mount Kenya University
P. O box 553-50100, Kakamega, Kenya

Abstract
This study sought to determine the influence of electronic loan management system on performance of loans in microfinance institutions in Kenya with specificity of Nairobi County where the survey was conducted on microfinance institutions in Nairobi. The study was based on three main variables which included credit scoring system, loan monitoring and credit recovery processes. The study was based on Transactions Cost Innovative Theory. Descriptive research design was employed in the study. Census used because the population was manageable. Regression coefficient from revealed that a unit increase in electronic loan management system would results to a significant increase in Loan performance amongst microfinance institutions in Kenya.
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1.0 Introduction

Electronic banking, often known as E-banking, is the provision of financial services to customers by means of the Internet and other electronic and telecommunication networks. This service may make use of a variety of financial technology, including but not limited to tablets, ATMs, debit cards, POS terminals, and mobile phones (Waterfield, 2014). It's widely recognized that electronic banking has significantly impacted the financial sector, including but not limited to banks and microfinance institutions, by enabling customers to access banking services in novel ways. E-banking has provided financial organizations with the ability to organize laborious operations, which may lead to improved efficiency and effectiveness, as well as improved use of time and increased control. Because of this, the organizations have been able to better manage their overhead and operational expenses, and as a result, they have a better chance of being profitable in the future (Sumra et al., 2011).

Globally, in European banking system, the sector continues to suffer from large amount of non-performing loans. In March 2017, European Central Bank published its NPL which has put considerable pressure on high NPL financial institutions under single supervisory mechanism to produce robust and detailed strategies and show ability to deliver operationally on those plans. The regulators intend to increase the cost of holding NPLs on the balance sheet (KPMG, 2017). As a result of interconnectedness of the economy US experienced rise in non-performing loans in 2006 in almost all key sectors and thereafter sub-prime mortgage market downsized in August. Lending rate and inflation had influence on NPLs on US financial sector (Financial Stability, Financial Services and Capital Market Union, 2018). Notably, Global financial crisis caused USA to experience NPL in 2010 with no exception for Mexico where Non Performing Loans rose in 2012. The high levels of non-performing loans are causing a lot of problems for the financial institutions in Europe. As a result of this event, which is being referred to as a worldwide crisis, companies and families in a great number of nations are now in debt. At the end of 2014, nonperforming loans made up 9% of GDP, which is more than twice the amount from 2009.

Based on Financial and monetary stability committee statements, Kenya and Rwanda are leading in terms of having the highest number of risky borrowers (National Bank of Rwanda, 2017). Uganda's NPLs reduced by 6.2% in June 2017, the Bank of Uganda has also cut its lending rates to encourage flow of credit (Bank of Uganda, 2017). Trade and commercial loans that were largely affected by low consumer demand and shorter maturity periods are to blame, default rate rose to 17% in 2017 from 9.6% in 2016.While in Tanzania the level of Non-performing loans rose by 10.8% in 2017 from 8.2% in 2016, and this is an alarm because the benchmark for NPLs in Tanzania is 5%. Regional financial institutions are experiencing costly loans and tighter regulatory requirements (Were & Wambua, 2014). As a result, Tanzania reduced the minimum reserve ratio that commercial lenders were obliged to maintain from 10% to 8% in order to bring down the cost of borrowing money. The surge in Rwanda's nonperforming loans may be attributed to many factors, including inadequate project design, inadequate credit analysis and monitoring, and bad execution.

2.0 Literature Review

In this section the researcher has started with theoretical review and then empirical review on study literature review has been done on influence electronic loan management system on loan performance amongst microfinance institutions in Kenya.

2.1 Theoretical Review

This study was based on Transactions Cost Innovative Theory which was originally proposed by Coase (1937) and then vigorously promoted by Williamson (1985), Transaction Cost Theory (TCT) postulates that costs of transactions are associated with what Coase termed the "price mechanism" and what Williamson called "market governance." Within an organization, there are still transaction costs associated with transferring information between different divisions. Directors' or managers' constrained rationality and opportunism, respectively, provide a lens through which each choice may be understood.

The idea has relevance because it allows businesses to save money on transaction expenses (including those associated with negotiating and contracting for transactions) by coordinating seemingly unrelated operations under the umbrella of a single organization. Contractual economies of scale, for instance, would occur when the expenses recorded in a single contract were spread out over many transactions. According to Coase (1937), if aid were to come via direct pricing mechanisms, contracts between the institution and the factors facilitating cooperation would be required. These bundles of deals are called "substituted ones."

When new financial technologies are used in conjunction with other platforms to carry out their intended function, the resulting increase in transaction costs is inevitable. Establishing branchless centers that function as agents for the main bank is necessary for electronic card banking; otherwise, the transaction cost of banking would not be incurred. New activities should be planned around the firm's borders at a certain point in time, as suggested by the theory, and institutions may reap benefits by pooling resources among firms operating inside the same boundary. The concept is based on the idea that enterprises may gain a competitive advantage by investing in cost-effective innovations that expand their market share. Whenever a company increases its market strength and begins arranging its additional operations more effectively than the present market or its competitors, the company is a candidate for diversification from the standpoint of transaction costs (Aguilera & Jackson, 2010).

Several academics have voiced a wide range of criticisms of the TCE method. Moran and Goshal (1996) called TCE's heavy-handed assumption out for what it is, arguing that the theory's applicability may be constrained by the inclusion of non-realistic data. One may argue that the opportunism theory takes an overly negative stance on what motivates people. According to Moran and Goshal (1996), the reverse of the desired result occurs when managers try to prevent expediency by keeping a tight eye on their personnel and exerting a lot of control over them.

The idea is pertinent to the present investigation because it emphasizes the need of management carefully weighing the transaction costs of investing in financial innovations and the ways in which doing so would improve loan performance. Due to the increasing prevalence of electronic banking, financial institutions have had to rapidly embrace models that might potentially lower transaction costs while conducting transactions and maintaining a balance between the expense of investing in this innovation and the return on that investment.

2.2 Empirical literature Review

Kariuki (2019) aimed to determine the impact that the use of technology has on the overall performance of Deposit Taking Saccos by using K-Unity Sacco as a case study. The descriptive study design was chosen, and both quantitative and qualitative methods of data collecting, analysis, and report writing were used. The research was conducted via census sampling, and it was based on a census of 95 workers working at K-Unity Sacco as of January 31, 2019. The main data were collected via the use of a standardized questionnaire that was sent to each member of the workforce. In addition, secondary data spanning a period of three years on the performance of Deposit-Taking SACCOs was obtained. This performance data included returns on equity and returns on assets. The findings suggested that there was a positive connection between the loan management system and financial success, despite the fact that the strength of the link was somewhat low yet statistically significant. In contrast, the significance level of the regression coefficient for implementing a debt management system was over the threshold. The research used both primary and secondary sources of information; however, it was not clear which data had been gathered via the use of a questionnaire and which had been gathered through the use of a secondary data collecting plan.

Wainaina (2017) sought to examine the effect of mobile-based debt management practices on the general financial health of Kenya's commercial banks. These findings are the result of a descriptive research strategy. This study focused on a specific subset of commercial banks in Kenya because of their relevance to the study's overarching question. A total of 52 credit risk and finance managers from Kenyan commercial banks participated in the survey. The study population included 86 persons, and the sample was selected at random from that group. Utilizing questionnaires with predetermined templates allowed for the collection of the main data. Based on the

results of the investigation, the research found that mobile-based loan management techniques do impact the financial performance of commercial banks. The study also found that default patterns and risk profiles significantly impacted commercial banks' overall financial performance in a negative way. Based on their results, the authors of this study concluded that credit scoring was the most important element affecting commercial banks' economic success. Then, we looked at things like how often borrowers went into default, how long it took to pay back loans, and their overall risk profile. In the present research, loan performance was utilized as a dependent variable, and loan default was employed as the measurement tool. On the other hand, in the study that was done by Wainaina (2017), loan default was used as an independent variable.

Murunga (2018) was interested in determining the effect that a mobile-based lending method would have on the total quantity of defaulted loans held by commercial banks in the city of Nakuru. In this particular study, a descriptive survey served as the instrument for the investigation. The marketing effort in Kenya zeroed focused on credit officers working for commercial banks as its major demographic target in order to maximize its effectiveness. At the time that the study was conducted in Nakuru town, there were 37 commercial bank branches, each of which employed 172 credit officers. The accessible population was comprised of those credit officers and their respective branches. Using a method called stratified random sampling, the researchers were able to choose 64 credit officers who were typical of the wider population we were investigating. The goal of collecting data from the randomly selected respondents was achieved via the use of a structured questionnaire. According to the findings of the research, the loan evaluation procedure is the most essential component of mobile-based loans in terms of non-performing loans (NPLs).

Siabei (2019) conducted research to investigate how the distribution of loans, the loan assessment process, the loan payback conditions, and the convenience associated with mobile-based lending affect the financial performance of microfinance institutions. The descriptive research strategy was used for this study so that it could more successfully accomplish its goals. Employees who were working in the finance department of one of Kenya's thirteen recognized microfinance banks were the focus of the research proposal's intended participants. The research will focus on interviewing a total of 130 different workers. The respondents were selected via the use of a method known as stratified random sampling, with the basis for the stratification being the specific institution at which the respondent is employed. Research questionnaires were designed specifically for the study, and their development was guided by the objectives of the inquiry. The findings of the study led the researchers to the conclusion that there is a statistically significant influence of loan review method through mobile-based lending on financial performance. This result was reached at the 5% statistical significance level.

Research carried out by Orina (2020) with the purpose of assessing the effect that mobile banking has on the operational efficiency of commercial banks. The study was conducted using a descriptive research methodology, and it employed 41 different commercial banks as its primary subjects. In order to carry out the census survey technique, the study employed secondary data gathered from Kenya's central bank as well as the annual financial reports of Kenya's commercial banks. Details on the amount of bank deposits that were put into savings accounts, the number of loans and advances that were distributed by the banks, and the total number of bank accounts that were opened and registered. The study focused on the years 2010 through 2018, including both years. According to the findings of the study, mobile banking loans were the only element that had a significant effect on the operational efficiency of commercial banks in Kenya.

3.0 Research Methodology

This study employed descriptive research design. As at 31st December 2021, there were 13 Microfinance Banks (MFBs) and 18 Credit Only Microfinance Institutions (COMFIs) operating in Nairobi County. Therefore, this paper was restricted to 31 Institutions (MFBs and COMFIs) who participated in providing the data used by the researcher. The deposit taking microfinance institutions were specifically selected because they are large in their operations. The Credit Only Microfinance Institutions were also selected because they are the larger user of online/mobile lending services. Since the number of microfinance institutions in the target population was not be massive, the researcher used the 31 microfinance institutions headquartered in Nairobi County.

This study used census and therefore everyone in the target population was taken. The study used both primary and secondary data. Primary data was collected using structured questionnaires while secondary data was collected using secondary data collection schedule. The selection of these tools were guided by the nature of the data to be collected, the time available as well as by the objectives of the study. Pilot study was done in Nakuru County.

4.0 DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This section looks at data analysis, presentation, interpretation and discussion. The chapter is divided into three sections. The first section deals with demographic information of the respondents. The second section deals with assumption of linear regression and the last section (third) deals with the presentation, interpretation and discussion.

The overall objective of this study was to evaluate the influence of electronic loan management system on loan performance among microfinance institutions in Kenya.

4.2 Data Collection Process and Response Rate

The questionnaire return rate was calculated as follows: of the 124 respondents from 31 microfinance institutions who were given the research questionnaires, 98 were returned representing 79.03% response rate. A higher response rate is preferable because there is no random lack of data. A high rate of reaction (> 80%) from a small allocated sample is better than a low rate from a large sample (Lindemann, 2019).

Table 1: Questionnaire Response Rate

Number of Questionnaires issued	No. Returned	% of Questionnaires returned
124	98	79.03

Source: Field Data (2023)

4.2.1 Reliability Test

The study tested the questionnaire for reliability and validity to ascertain that it would collect data accurately. Reliability was conducted to measure the degree to which research instruments would have yield consistent results (Mohajan, 2017). The data was tested for reliability to establish issues such as data sources, methods of data collection, presence of any biasness and the level of accuracy. The test for reliability was able to establish the extent to which results was consistent over time. When testing for reliability, the study used the internal consistency technique, to obtain Cronbach's Alpha (α). The recommended value of 0.7 was used as the threshold, such that when the Cronbach's Alpha is greater than or equal to 0.7 the tool is consistent otherwise the tool is reviewed accordingly. The results obtained on reliability tested are captured in Table 2.

Table 2: Reliability of Research Instruments

Variable	No of Items	Items deleted	Cronbach Alpha	Reliable
Technology acceptance	8	0	0.952	Yes
Electronic banking accessibility	8	0	0.938	Yes
Electronic loan management system	8	0	0.964	Yes
Electronic Banking Risk Management	8	0	0.912	Yes
Loan Performance	8	0	0.885	Yes
Total	**40**	**Average**	**0.856**	**Yes**

Source: Field Data (2023)

From Table 2, the Cronbach alpha ranged from 0.885 for loan performance to 0.964 for electronic loan management system. Since the questionnaire consistency was way above 0.7, the questionnaire had high consistency between the items, where the internal consistency between the items of the tool was very high. Therefore, the tool was retained without any further editing.

4.3 Descriptive and inferential statistics

The objective of the study was to examine the influence electronic loan management system on loan performance amongst microfinance institutions in Kenya. This was achieved by examining descriptive statistics which summarized the observable variables that was used to measure electronic loan management system as well as inferential analysis specifically simple linear regression and Pearson Correlation that was used to establish direct influence of electronic loan management system on loan performance.

4.3.1 Descriptive Statistics of Electronic loan management system on Loan performance

Descriptive results entailed frequency, percentage, mean and standard deviation of eight observable variables that ultimately measured electronic loan management system.

Table 3: Descriptive Statistics of Electronic loan management system on Loan performance

Statements	5	4	3	2	1	Mean	S.D
1. Repayment0report for principal and0interest0is automatically generated to0guide0the borrower with repayment0schedule	14.3% (14)	41.8% (41)	25.5% (25)	15.3% (15)	3.1% (3)	3.49	1.02
2. Bank0has0a system of monitoring0adequacy of provisions for0loan0performance on monthly basis	20.4% (20)	38.8% (38)	25.5% (25)	12.2% (12)	3.1% (3)	3.61	1.04
3. There is0real0time0automatic evaluation of the0borrower.	23.5% (23)	38.8% (38)	22.4% (22)	12.2% (12)	3.1% (3)	3.67	1.06
4. The0bank0is able to create multiple0approval processes for different0financial products.	31.6% (31)	36.7% (36)	19.4% (19)	9.2% (9)	3.1% (3)	3.85	1.07
5. The0loan0management system has0reduced the cost of0loan administration	25.5% (25)	45.9% (45)	16.3% (16)	9.2% (9)	3.1% (3)	3.82	1.02
6. Customers0are0able to receive frequent0alerts0on individual credit0scores	29.6% (29)	38.8% (38)	22.4% (22)	6.1% (6)	3.1% (3)	3.86	1.02
7. The loan0management system has reduced0the0time taken in processing0loans	14.3% (14)	40.8% (40)	22.4% (22)	17.3% (17)	5.1% (5)	3.42	1.09
8. Factual credit0history0of0loan applicants through0electronic banking platform is established0in0loan appraisal process	20.4% (20)	38.8% (38)	24.5% (24)	12.2% (12)	4.1% (4)	3.59	1.07

Source: Field Data (2023)

From the table 3 in regard to repayment0report for principal and0interest0is automatically generated to0guide0the borrower with repayment0schedule, a sample of 14.3% (14) of the respondents strongly agreed and a further 41.8% (41) agreed on the same statement. Moreover, 25.5% (25) of the respondents fairly agreed, while 15.3 % (19) disagreed and a further 3.1%(3) strongly agreed that repayment0report for principal and0interest0is automatically generated to0guide0the borrower with repayment0schedule. With a mean of 3.49 and a standard deviation of 1.02 indicating that the respondents significantly agreed that Repayment0report for principal and0interest0is automatically generated to0guide0the borrower with repayment0schedule.

From the findings in the table above, 20.4% (20) of the responders strongly agreed that Bank0has0a system of monitoring0adequacy of provisions for0loan0performance on monthly basis, while a further 38.8 % (38) disagreed on the same assertion. On the other hand, 25.5% (25) fairly agreed that Bank0has0a system of monitoring0adequacy of provisions for0loan0performance on monthly basis. However, 12.2% (12) of the responders disagreed and another 3.1 % (3) strongly disagreed that Bank0has0a system of monitoring0adequacy of provisions for0loan0performance on monthly basis with a mean of 3.61 and a standard deviation of 1.04. This suggests that the responders significantly agreed on the statement.

However, 23.5% (23) of the participants strongly agreed that there is0real0time0automatic evaluation of the0borrower while 38.8% (38) agreed on the same. Also, 22.4% (22) fairly agreed that there is0real0time0automatic evaluation of the0borrower. Moreover, 12.2% (12) of the participants disagreed and further 3.1% (3) strongly disagreed on the same statement that there is0real0time0automatic evaluation of the0borrower with a mean of 3.67 and a standard deviation of 1.06. This indicates that the participants significantly agreed that there is0real0time0automatic evaluation of the0borrower.

In regard to the0bank0is able to create multiple0approval processes for different0financial products, 31.6% (31) of the respondents strongly agreed and 36.7% (36) agreed on the same. However, 19.4% (19) of the respondents fairly agreed that the0bank0is able to create multiple0approval processes for different0financial products while 9.2%(9) disagreed and a further 3.1% (3) strongly disagreed on the same assertion. With a mean of 3.85 and a standard deviation of 1.07, the respondents significantly agreed the0bank0is able to create multiple0approval processes for different0financial products.

In addition, 25.5% (25) of the participants strongly agreed that the0loan0management system has0reduced the cost of0loan administration and a further 45.9 % (45) agreed on the same affirmation. On the other hand, 16.3% (16) of the participants fairly agreed that t the0loan0management system has0reduced the cost of0loan administration, while 9.2% (9) disagreed and a further 3.1% (3) disagreed on the same assertion. With a mean of 3.82 and a standard deviation of 1.02 the participants significantly agreed that the0loan0management system has0reduced the cost of0loan administration.

According to the study findings from table above, 29.6% (29) of the participants strongly agreed that Customers0are0able to receive frequent0alerts0on individual credit0scores and a further 38.8% (38) agreed on the same statement. Also 22.4% (22) of the participants fairly agreed that the SACCO does online bookings Customers0are0able to receive frequent0alerts0on individual credit0scores. Similarly, 6.1 % (6) of the participants

disagreed while 3.1% (3) strongly disagreed that Customers0are0able to receive frequent0alerts0on individual credit0scores. With a mean of 3.86 and a standard deviation of 1.02 suggesting that the participants significantly agreed that Customers0are0able to receive frequent0alerts0on individual credit0scores.

Additionally, 14.3% (14) of the participants strongly agreed that the loan0management system has reduced0the0time taken in processing0loans and a further 40.8 % (40) agreed on the same affirmation. On the other hand, 22.4% (22) of the participants fairly agreed that the loan0management system has reduced0the0time taken in processing0loans, while 17.3% (17) disagreed and a further 5.1% (5) disagreed on the same assertion. With a mean of 3.42 and a standard deviation of 1.09 the participants significantly agreed that the loan0management system has reduced0the0time taken in processing0loans.

According to the study findings from table above, 20.4% (20) of the participants strongly agreed that Factual credit0history0of0loan applicants through0electronic banking platform is established0in0loan appraisal process and a further 38.8% (38) agreed on the same statement. Also 24.5% (24) of the participants fairly agreed that Factual credit0history0of0loan applicants through0electronic banking platform is established0in0loan appraisal process. Similarly, 12.2 % (12) of the participants disagreed while 4.1% (4) strongly disagreed that Factual credit0history0of0loan applicants through0electronic banking platform is established0in0loan appraisal process. With a mean of 3.59 and a standard deviation of 1.07 suggesting that the participants significantly agreed that the SACCO does online bookings.

4.3.2 Inferential Statistics of Electronic loan management system and Loan performance

Inferential analysis included Pearson Correlation and inferential analysis. The study sought to establish the relationship between electronic loan management system and loan performance amongst microfinance institutions in Kenya. To achieve this, Pearson correlation analysis test was used and the results are presented in Table 4.

Table 4: Correlation Analysis Electronic loan management system

		Electronic loan management system	Loan performance
Electronic loan management system	Pearson Correlation	1	.445**
	Sig. (2-tailed)		.000
	N	98	98
Loan performance	Pearson Correlation	.445**	1
	Sig. (2-tailed)	.000	
	N	98	98

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2023)

From the table 4, it can be seen that r = 0.445, P=0.000 which indicated that there was significant relationship between electronic loan management system and loan performance amongst microfinance institutions in Kenya. This implies that an increase in electronic loan management system would result to increase in loan performance amongst microfinance institutions in Kenya. Having establishing linear relationship between the variables, the study conducted linear regression analysis.

Table 5: Regression Results of Electronic loan management system and Loan performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.445[a]	.198	.190	.73251	.198	23.741	1	96	.000

a. Predictors: (Constant), electronic loan management system (ELMS)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.738	1	12.738	23.741	.000[b]
	Residual	51.510	96	.537		
	Total	64.249	97			

a. Dependent Variable: FP

b. Predictors: (Constant), electronic loan management system

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.358	.300		7.855	.000
	ELMS	.387	.079	.445	4.872	.000

a. Dependent Variable: Loan Performance

Source: Field Data (2023)

Regression coefficient (B), ANOVA and t-test were used to answer the third research question at 0.05 % significance level, with 95% confidence interval. The results demonstrated that there was a statistically significant positive effect of electronic loan management system and loan performance amongst microfinance institutions in Kenya. Electronic loan management system accounted for 19.8% ($R^2 = 0.198$) variations in the loan performance amongst microfinance institutions in Kenya. Therefore, Electronic loan management system is a significant predicator of loan performance amongst microfinance institutions in Kenya.

Regression results were achieved when latent variable of electronic loan management system were regressed with latent variable of loan performance amongst microfinance institutions in Kenya and the results are as shown in Table 5. Results show that electronic loan management system had a positive, linear and significant (p-value is less than 0.05) association with the loan performance amongst microfinance institutions in Kenya {regression coefficient, B=0.387, beta coefficient=0.445, ANOVA, F=23.741 and t-test value, t=4.872}. The results are represented in the following model:

$Y = \beta 0 + \beta_3 X_3 + \varepsilon$

Where Y= loan performance,

β_0= 2.358 (constant)

β_3= 0.387

X_3= Electronic loan management system

Substituting equation above with values, the model becomes: $Y= 2.358+ 0.387X_3+\varepsilon$

From the above model, the constant had coefficient of 2.358, p=0.000, this implies that in the absence of electronic loan management system, loan performance would be positively at 2.358. This performance would be significant (P<0.05). Further, electronic loan management system had beta coefficient of 0.387, P=0.000. This implies when everything is held constant, a unit increase in the electronic loan management system would results to a significant increase in loan performance by 0.387

From these results, there was adequate evidence to indicate that electronic loan management system has significant positive effect on loan performance amongst microfinance institutions in Kenya. Wainaina (2017) sought to examine the effect of mobile-based loan management practices on the general financial health of Kenya's commercial banks. Based on the results of the investigation, the research found that mobile-based loan management techniques do impact the financial performance of commercial banks. The study also found that default patterns and risk profiles significantly impacted commercial banks' overall financial performance in a negative way. Research carried out by Orina (2020) with the purpose of assessing the effect that mobile banking has on the operational efficiency of commercial banks and established that mobile based loan management has significant influence on the operational efficiency of commercial banks. However, Kariuki (2019) aimed to determine the impact that the use of technology has on the overall performance of Deposit Taking Saccos by using K-Unity Sacco as a case study. The findings suggested that there was a positive connection between the loan management system and financial success, despite the fact that the strength of the link was somewhat low yet statistically significant. In contrast, the significance level of the regression coefficient for implementing a debt management system was over the threshold.

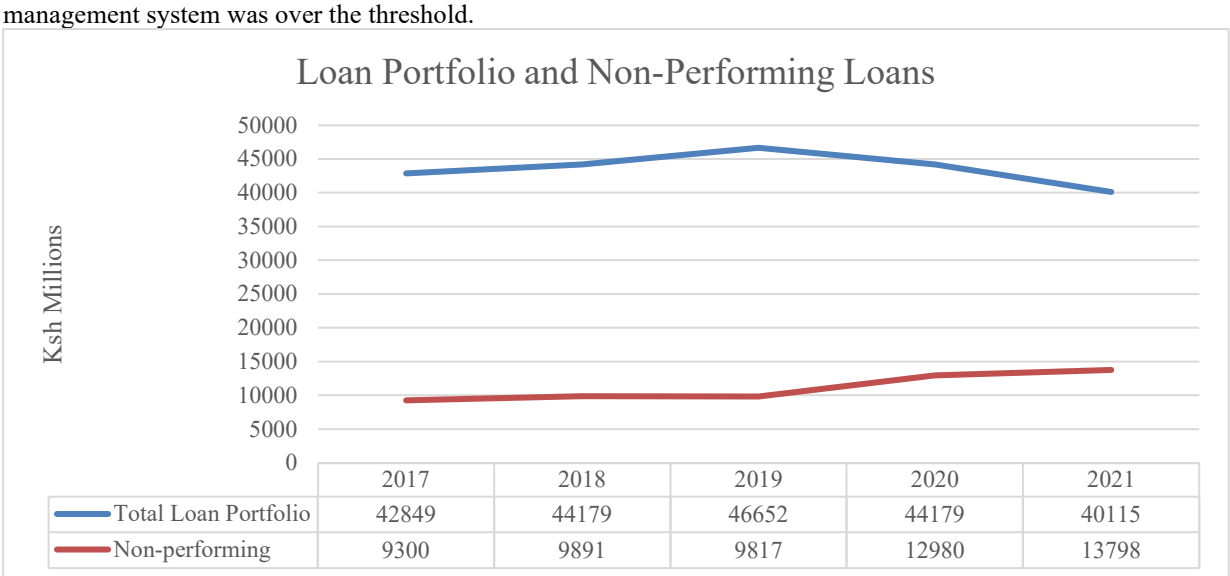

Figure 1: Loan Portfolio and Non-Performing Loans

Source: Field Data (2023)

From Figure 1, total loan portfolio increased from 2017 (Ksh 42,849M) to 2019 (Ksh. 46,652M) and thereafter reduced from 2019 to 2021 (Ksh, 40,115M). Between 2017 and 2021, loan portfolio was found to have

decreased by 6.4%. For non-performing loans, it increased from 2017 (Ksh. 9,300M) to 2018 (Ksh. 9,891M) and thereafter reduced in 2019 (Ksh. 9,817M) and lastly increased from 2019 to 2021 (Ksh. 13,798M). Between 2017 and 2021, nonperforming loans was found to have increased by 48.4%.

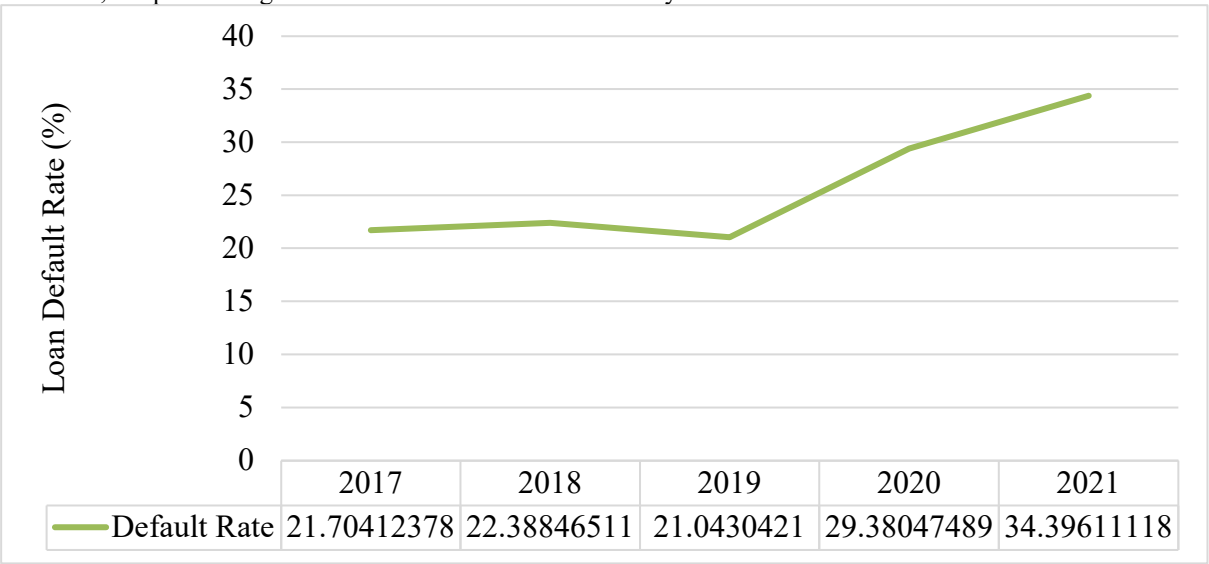

Figure 2: Loan Default rate

Source: Field Data (2023)

From Figure 2, loan default rate increased from 2017 (21.7%) to 2018 (22.4%) and thereafter reduced from 2018 to 2019 (21.0%) and lastly increased from 2019 to 2021 (34.4%). Between 2017 and 2021, loan default rate was found to have increased by 58.5%.

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section presents the summary of major findings of the study, conclusions and recommendations.

5.1 Summary of the Findings

The objective was to establish the influence of electronic loan management system on loan performance amongst microfinance institutions in Kenya. Most of the respondents agreed that the bank is able to create multiple approval processes for different financial products, the loan management system has reduced the cost of loan administration and customers are able to receive frequent alerts on individual credit scores. Results established that there exists a relationship between electronic loan management system and Loan performance amongst microfinance institutions. For linear regression, the coefficient of determination implied that variance in the loan performance was accounted for by electronic loan management system. Regression coefficient from revealed that a unit increase in electronic loan management system would results to a significant increase in Loan performance amongst microfinance institutions in Kenya.

5.2 Conclusions

Based on the above findings of the study, the researcher concluded that there exists a positive and significant relationship between electronic loan management system and loan performance amongst microfinance institutions in Kenya. This implies that increase in electronic loan management system would result to increase in Loan performance amongst microfinance institutions in Kenya. It was found that there is real time automatic evaluation of the borrower and the loan management system has reduced the cost of loan administration.

5.3 Recommendation

The study established that electronic loan management system information has significant influence on loan performance amongst microfinance institutions in Kenya. Therefore, the study recommended that MFI management should enhance monitoring of their loans through electronic platform and upscale real time automatic evaluation of the borrower so that borrowers credit worthiness is established and at the same time reduce the cost of loan administration. This would enhance their loan performance.

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