



EFFECT OF CREDIT MANAGEMENT PRACTICES ON LOAN PERFORMANCE IN DEPOSIT TAKING MICROFINANCE BANKS IN KENYA

Elizabeth Muturi

(Corresponding author)

Jomo Kenyatta University of Agriculture and Technology
olivemuturi@yahoo.com

Dr. Gladys Rotich

Jomo Kenyatta University of Agriculture and Technology

Credit management function facilitates efficient management and administration of Abstract the loan portfolio in order to ensure equitable distribution of funds and to encourage practices on loan repayment. The study adopted descriptive research design. This study is set to determine the effect of credit management sampled. The employees were classified into the following sectors which include top research study targeted employees of the deposit taking Microfinance Institutions Taking MFIs. Primary data was collected by use a structured questionnaire. The target population consisted of 10 Deposit Central Bank of Kenya (CBK) reports and library was reviewed for completeness and Secondary data was obtained from financial reports of micro finance institutions, statistical measures of mean and standard deviation. Further inferential statistics was done to establish the relationship between variables. The primary data was analyzed using relative effect of credit risk management practices on loan repayment. From the multiple linear regression models were used. The models were used to determine the findings, the study established that credit standards, credit policy, credit terms and credit management is one of the most important activities in any company and cannot collection policy affect the organizational performance. The study concluded that business nature Sound credit management is a prerequisite for a financial institution be overlooked by any economic enterprise engaged in credit irrespective of its microfinance institutions should ensure to a very great extent on the adoption of credit stability and continuing profitability. From the finding and conclusions deposit taking standards, credit policy, credit terms and collection polices.

Key Words: Credit Risk Management, credit standards, credit policy, credit terms and collection policy, Loan Performance