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Influence of Credit Principles on Debt Recovery among Microfinance Institutions in Eldoret Town, Kenya

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Abstract

Credit policy management is a requirement for micro-finance stability and it improves profitability; however deteriorating credit policy management is always the cause of poor profitability and financial performance. Serious loss of profitability and financial problems to microfinance industry has been caused by delays on debt recovery from debtors as they fall due, because it increases bad debts and affects customer relations. The main purpose of the study was to determine the influence of credit principles for credit supply on debt recovery among microfinance institutions in Eldoret Town, Kenya. The study was guided by; Resource Based Theory. This study employed descriptive survey research design. The study targeted 12 microfinance institutions with a total of 132 respondents (credit officers and accountant. The sample size of the study was 99 respondents. This study use stratified random sampling technique to collect data from the respondents; 45 credit officers and 54 accountants. Data collection instrument for the study was questionnaires. The questionnaire was administered using a drop and pick later method. The data collected was analyzed using descriptive and inferential statistics. Analyzed data was presented using chats, figures and tables. The results showed that credit principles had a positive and statistical significant influence on debt recovery among microfinance institutions (β=0.161, $p<0.05$). Credit principles determines efficiency of debt recovery since flexible polices attract more people who can abide by. In conclusion MFIs in Eldoret have well-articulated policies to facilitate effective debt recovery process in microfinance institutions. The study recommends to the microfinance institutions that have not put into serious consideration comprehensive credit check measures to adopt it fully because it's a good credit score to determine risks involved when lending money. It can help microfinance institutions effectively recover and control debts.

Key words: *Credit Principles, Debt Recovery and Microfinance Institutions*

1.0 Introduction

1.1 Background of the Study

In the world across, absolute debt recovery by microfinance institutions is viewed to be the greatest achievement (Hoque, Chishty & Halloway, 2011). Microfinance institutions belong to a wider group of financial institutions regarded as semi-formal financial institutions. These are institutions which are registered as non-government organizations performing financial functions of lending and taking deposits (Onyeagocha, Chidebelu, Okorji, Ukoha, Osuji & Korie, 2012). Microfinance institution use credit policy as a marketing tool for expanding loan disbursement, maintain the market share, retain old customers and create new customers by weaning them away from highly competitive situation or recessionary economic conditions.

Microfinance comprises essentially of giving budgetary administrations including, investment funds, and miniaturized scale credit, smaller scale protection, smaller scale renting and moves in moderately little exchanges intended to be available to smaller scale undertakings and to low-salary family units. Research shows that since the most recent 20 years, the microfinance business has extended particularly during the 1980's and 1990's, especially in Asia, Africa, and Latin America, a great many microfinance NGOs (Non-Government Organizations) were set up to give microloans, utilizing individual and gathering loaning approachs. In the 1990's, while huge numbers of the NGOs neglected to reach scaleor money related supportability, others drove the path in exhibiting that needy individuals, especially poor ladies, are amazing borrowers, when furnished with proficient, responsive credit administrations at business rates.

Credit principles are a lot of targets, norms and parameter to control microfinance establishment officials who excellent credit and deal with the advance portfolio (Ogolla, 2012). In this manner, there are methods, rules and guidelines planned in limiting expense related with credit while augmenting the advantage from it. The principle goal of credit approach is to have an ideal interest in indebted individuals that limit costs while amplifying benefits subsequently guaranteeing gainfulness and manageability of microfinance organizations as business establishments. A credit strategy is the blue print utilized by a business in settling on its choices' to stretch out credit to a client. In this way, the fundamental objective of a credit approach is to abstain from stretching out credit to clients who might be not able compensation their records (Nyawera, 2013).

In the United Kingdom, debt recovery by microfinance on previous economic growth literature shows that there is a link between the micro-financial institutions and economic growth. Disagreement still seems to remain on the directionality. That is, whether financial markets develop as a consequence of economic growth or whether finance leads growth. However studies show that it is fair to assume that the two are interlinked. At the macro level, the financial system may exhibit differing effects due to policies and different institutional build-up (Munguti, 2013).
In Africa, there is a large demand for microfinance by the poor and low income people. This high demand necessitated the inclusion of microfinance into the formal financial system (Quaye, 2011). Microfinance has existed in a few structures for a considerable length of time. The historical backdrop of microfinance in Africa can be followed to Nigeria, thinking back to the fifteenth century. It was conveyed from that point to the Caribbean by slaves. Susu, a

well-known term for microfinance West Africa, is a Yoruba word. Undoubtedly, the idea of microfinance isn't new in Ghana. For example, accessible proof recommends that the main credit in Africa was built up in northern Ghana in 1955 by Canadian catholic preachers. Microfinance has been broadly credited with diminishing destitution and enabling ladies. As per the 2010 Bank of Ghana Report, the quantity of enlisted Non-Bank Financial Institutions in the nation was 46 with all out resources of GH¢1,131.52 million speaking to an expansion of 20.6% over the complete resources of the earlier year. Microfinance presently serves up to 15% of the populace while the formal financial division serves about 10% (Pollio & Obuobie, 2010).

In Uganda, Alex (2011) expressed that obligation recuperation rates empower the estimating of performing and non-performing resource proportions (capacity to gauge the reuse of budgetary asset levels) henceforth empowering the organization to appreciate open certainty. Effective and brisk advance recuperation limits default chance; transport cost for finding the defaulters just as working cost subsequently agreeable credit recuperation is any loaning organization's need. Blue microfinance organization use acknowledge approach as a promoting device for extending advance payment, keep up the piece of the pie, hold old clients and make new clients by weaning them away from exceptionally focused circumstance or recessionary financial conditions.

In Kenya, as an industry, microfinance is a relatively new phenomenon, with a few agencies starting about two or more decades ago but the sector gaining the status of a microfinance industry only in the last10 years. The Government of Kenya (GoK) has indirectly provided a boost to the micro-finance sector. During 1992-1994, the GoK has been implementing a Structural Adjustment Program which has resulted in the liberalization of the economy. To counter the possible initial negative social impacts of the liberalization process, the Government of Kenya identified areas and project needing external donor support, including small-scale and micro enterprises. Lack of access to credit was considered a major bottleneck for entrepreneurial development (Bholat *et al.*, 2018).

A conservative estimate is that the micro-finance industry has received a total of USD 80 million. Kenya Rural Enterprise Programme (K-REP) can be considered the pioneer of NGO microfinance in Kenya. The experimental and financing activities of K-REP have had far-reaching consequences, influencing the outreach modalities and outreach of quite some other NGO-MFAs including those of SMEP-DTM on micro-finance programmes in Kenya. We currently have over forty MFIs in Kenya with seventeen funders. Kenyan microfinance has indicated flexibility in spite of neighborhood dry spells and high expansion rates that distressed the country in 2008 and 2009. With the Kenyan government and the Central Bank of Kenya underscoring money related access as a vital aspect for modernizing the economy, the division has been fortified by dynamic strategies and creative ways to deal with conveying budgetary administrations (Bholat *et al.*, 2018).

1.2 Statement of the Problem

Deteriorating credit policy management is always the cause of poor profitability and financial performance (Gatuhu, 2013). Therefore microfinance ought to guarantee that the administration of receivables is proficient and successful. Genuine loss of productivity and money related issues to microfinance industry has been brought about by postponements on obligation recuperation from account holders as they fall due, on the grounds that it expands terrible obligations and influences client relations.

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In the event that installment is made late, at that point gainfulness is dissolved and in the event that installment isn't made in any way, at that point an absolute misfortune is acquired. Along these lines, banks ought to organize credit arrangement the executives by overseeing it deliberately. Omari (2012) did an examination on the impact of Credit Management on Performance of Microfinance organizations in Rwanda; the investigation prescribes that Equity bank should upgrade their accumulation approach by adjusting a progressively stringent arrangement to an indulgent strategy for compelling effective debt recovery. According to Marende, (2017) on his study carried out on empirical investigation into the quantitative effect of credit risk on the performance of microfinance in Nigeria over the period of 11 years 2006-2016; the findings discovered a gap needed to be filled on enhancing the capacity in credit analysis and loan administration while the regulatory authority should pay more attention to banks' compliance to relevant provisions of the Bank and other Financial Institutions Act (1999) and prudential guidelines on credit recovery. Finally Abubakar and Aduda (2017) carried out a study to build up the impacts of Credit standards on the money related execution of Micro fund organizations. From the examination, it is found that store taking microfinance associations ought not focus such a great amount on the credit approach yet additionally invest in ways of implementing credit recovery performance. The study therefore intent to fill the gap by answering the question what are the effect of Credit Principles on Debt Recovery among microfinance industry in Kenya?

1.3 General Objective

The objective of the study was to determine the influence of credit principles on debt recovery among microfinance institutions in Eldoret Town, Kenya.

1.4 Research Hypothesis

H_{01}: There is no statistical significant influence between credit principles and debt recovery among microfinance institutions in Eldoret Town, Kenya.

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Credit Market Theory

Credit Market Theory was developed by Karl Brunner in 1966. The hypothesis proposes that on the off chance that guarantee and other appropriate confinements stay given; at that point it is just the loaning rate that decides the measure of credit that is administered by the financial division. In this way with an expanding interest for credit and attached supply of the equivalent, financing costs had risen. Any extra hazard to an undertaking being subsidized by the bank ought to be reflected through a hazard premium that is added to loaning rate to coordinate the expanding danger of default. The hypothesis accepts that there exist a positive connection between the default likelihood of a borrower and the loan cost charged on the development (Meltzer, 2016).
It is in this manner accepted that the higher the disappointment dangers of the borrower, the higher the intrigue premium. In spite of the fact that this hypothesis does not expressly talk about how security would impact on the hazard premium, it makes the feeling that insurance has no impact on loaning rate, and if unsafe borrower would wish to confront a similar

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loaning rate as a borrower with a lower chance, at that point all that is required is to vow progressively guarantee to bring down his hazard profile and along these lines appreciate a lower chance premium. This realizes the 'ethical peril' and 'antagonistic determination' wonders, right off the bat in light of data asymmetry existing between the bank and borrowers (Mason, 2018).

This hypothesis is fit for the investigation since it relates borrower and the bank. It expresses that the borrower has an increasingly exact evaluation of the hazard profile of this venture isn't known by the loan specialist and along these lines may perform mystery activities to expand the danger of his speculation without the acknowledgment of the moneylender. The antagonistic determination issue shows up as loan specialists raise their financing costs to shield themselves from default and then again draw in just high hazard borrowers and kill generally safe borrowers.

2.2 Empirical review

2.2.1 Credit principles

Mugisa and Governance (2016) covered a study on Credit principles, Access to Finance and Financial Performance of SMES in Kampala. The study was based on a correlation survey design. Primary data was collected using self-administered questionnaires issued to respondents who were owners/managers of the business. A sample size of 384 respondents was selected from a population of 714 SMEs using simple random sampling method. Data was analyzed using SPSS version 17. Correlation and regression analysis was carried out to establish the association among the variables. The results indicated a significant positive association among the variables of credit principles, access to credit and financial performance of SMEs. Credit principles contribute 33.1% of the variance in financial performance in SMEs. Regression analysis revealed that access to credit contributed54.3% of the variance in financial performance of SMEs.

Owino (2013) did an examination on the Effect of the Lending Policies on the Levels of Non-Performing Loans (NPLS) Of Microfinance organizations in Kenya. The examination researched loaning strategies and their effect on the degrees of non-performing advances among microfinance foundations in Kenya. An elucidating study was utilized in this investigation with the number of inhabitants in enthusiasm of being the forty three (43) microfinance establishments in Kenya. A survey was utilized to accumulate the essential data. The surveys were self-controlled and drop-and-pick later strategy was embraced. Elucidating measurements was utilized to outline the information and discoveries introduced utilizing tables and other graphical introductions as fitting for simplicity of comprehension and examination. The examination found that loaning arrangements and non-performing advances are to be sure related. Loaning arrangements enables the banks to loan judiciously and brings down the hazard level to the banks, and exacting adherence to loaning approaches in this manner has prompted diminished non-performing credits.

Nasieku and Ngugi (2016) examined on the Effect of Credit Management on the money related execution of Microfinance Institutions in Kenya. The investigation received an unmistakable study structure. The number of inhabitants in study comprised of 59 MFIs in Kenya that are individuals from AMFI. The investigation found that customer examination; credit hazard control and accumulation arrangement had impact on money related execution of MFIs in Kenya. The investigation built up that there was solid connection between money related execution of MFIs and customer evaluation, credit hazard control and gathering

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arrangement. The examination set up that customer evaluation, credit hazard control and accumulation approach fundamentally impact money related execution of MFIs in Kenya. Gathering arrangement was found to higherly affect money related execution and that a stringent strategy is more viable under water recuperation than an indulgent approach. The examination suggests that MFIs should improve their gathering arrangement by adjusting a progressively stringent approach to a tolerant strategy for powerful obligation recuperation (Rosemary, 2013).

Njenga and Jagongo (2018) did a review on the impact of Credit Management Practices on Financial execution of Savings and Credit Cooperative social orders in the Hospitality Industry in Nairobi. Elucidating examination configuration was utilized with an objective populace of 67 dynamic SACCOs in the neighborliness business situated in Nairobi. An example size of 10 SACCOs was chosen utilizing methodical arbitrary inspecting strategy. The poll was figured with both open finished and close finished inquiries dependent on the goals of the examination. Both the survey and the information gathering sheer were managed to the SACCO individuals through drop and pick strategy. The section and examination of information was finished utilizing SPSS (Statistical Package for Social Science adaptation) program. The information has been exhibited in type of arrangements, diagrams, charts and rates. The discoveries of the examination demonstrate that SACCOs have intensely depended on specific credit hazard strategies which are not sufficient to relieve against advance misfortunes in a dynamic and aggressive loaning condition. Besides satisfactory credit hazard checking and control instruments are deficient in dominant part of SACCOs which results in late recognition and assurance of non-performing and defaulted advances. Thirdly, administration structures that would guarantee that the set down credit chance approaches are carefully clung to deficient in dominant part of SACCOs (Njenga & Jagongo, 2018).

Credit principles
- Capacity
- Conditions
- Character
- Collateral

Independent Variable

→

Debt Recovery
- Number of loan defaults
- Performance
- Satisfaction
- Market share

Figure 1: Conceptual Framework

3.1 Research Methodology

The study employed descriptive survey research design because according to Maçada, Beltrame, Dolci and Becker (2012), it helps in gathering information about the characteristics, actions and opinions of a large group of a target population. The study targeted 12 microfinance institutions with a total of 132 respondents (credit officers and accountants) in Eldoret based on Uasin Gishu County. Further, the sample size of the study was drawn using a formula as shown below:

$\mathbf{n = N / (1+Ne^{\wedge 2})}$

Where

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n represents corrected sample size,

N represents population size, and

e represents Margin of error (MoE)(0.05) based on the research condition.

$n = 132/(1+132*0.05^2)$
$n=132/1.33$
$n=99$
The sample size of the study was therefore 99 respondents who comprised of the credit officers and the accountants.

4.0 Research Findings and Discussions

4.1 Credit principles and Debt Recovery among Microfinance Institutions

The study sought to determine the influence of Credit principles on debt recovery among microfinance institutions in Eldoret Town, Kenya. The study focused on the capacity, conditions, character and collateral. The study was interested with the opinions of the respondents on the extent to which such constructs influences debt recovery among microfinance institutions in Eldoret town. The descriptive results for Credit principles were presented in Table 1.

Table 1: Credit principles and Debt Recovery among Microfinance Institutions

		SD	D	N	A	SA	Total	Mean	Std. Dev
The microfinance institution has specific formula to determine borrower's loan capacity that can be given.		3	1	0	47	32	83	4.25	.839
	%	3.6	1.2	0.0	56.6	38.6	100		
The microfinance institution review conditions such as the strength or weakness of the overall economy and the purpose of the loan before issuing the loan.	F	3	1	0	47	32	83	4.25	.839
	%	3.6	1.2	0.0	56.6	38.6	100		
The microfinance institution has its own approach for determining a borrower's character, honesty, and reliability, but this assessment typically includes both qualitative and quantitative methods.	F	3	3	0	50	27	83	4.14	.885
	%	3.6	3.6	0.0	60.2	32.5	100		
The microfinance institution measure collateral quantitatively by its value and qualitatively by its perceived ease of liquidation.	F	4	3	0	46	30	83	4.14	.964
	%	4.8	3.6	0.0	55.4	36.1	100		

The study research asked respondents to give their opinion on the statement that the microfinance institution has specific formula to determine borrower's loan capacity. Table 1 presents the findings and the results showed that majority of the respondents 95.2% agreed that microfinance institution has specific formula to determine borrower's loan capacity. The respondents that disagreed were 1.2%. Respondents accepted at (mean=4.25 and Std. Deviation= .839) that the microfinance institution has specific formula to determine borrower's loan capacity. The findings are in line with Nyawera, (2013) who found that there is a positive significant relationship (r=0.199) implying that credit principles affects the financial performance of deposit taking micro finance organization with a minimal effect since there other more factors that affect financial performance with a greater effect. The study findings also recommended that deposit taking micro finance organizations should not concentrate so much on the credit policy but also other factors since even though Credit principles affect financial performance.

The respondents were asked also by the research study to respond on the statement that the microfinance establishment audit conditions, for example, the quality or shortcoming of the general economy and the motivation behind the credit before issuing the advance. The discoveries demonstrated that greater part of the respondents 95.2% concurred that the microfinance organization audit conditions, for example, the quality or shortcoming of the general economy and the motivation behind the credit before issuing the advance. The respondents that differ were 1.2%. Respondents acknowledged at (mean=4.25 and Std. Deviation= .839) that the microfinance foundation audit conditions, for example, the quality or shortcoming of the general economy and the motivation behind the advance before issuing the credit. The investigation discoveries are in line Njenga and Jagongo (2018) who discovered that SACCOs have vigorously enunciated using loan chance procedures which are not satisfactory to alleviate against credit misfortunes in a dynamic and aggressive loaning condition. Besides satisfactory credit chance explanation, observing and control components are deficient in dominant part of SACCOs which results in late discovery and assurance of non-performing and defaulted advances. Thirdly, administration structures that would guarantee that the set down credit hazard approaches are carefully clung to, is deficient in larger part of SACCOs.

The study respondents' view on access of Credit principles revealed that 92.7% of the respondents agreed that the microfinance organization has its very own methodology for deciding a borrower's character, trustworthiness, and unwavering quality, however this appraisal normally incorporates both subjective and quantitative strategies. The respondents that couldn't help contradicting the announcement were 3.6%. Respondents acknowledged at (mean=4.14 and Std. Deviation= .885) that the microfinance establishment has its very own methodology for deciding a borrower's character, genuineness, and dependability, yet this evaluation regularly incorporates both subjective and quantitative strategies. The examination discoveries are in accordance with Nyangoma (2012) who found that there is a huge positive relationship among the factors of Credit standards, access to credit and monetary execution of SMEs. Credit standards contribute 33.1% of the fluctuation in monetary execution in SMEs. Relapse investigation uncovered that entrance to credit contributed 54.3% of the fluctuation in money related execution of SMEs. So as to improve access to credit by SMEs, microfinance organizations and other loaning establishments need to modify Credit standards in accordance with what borrowers can manage.

The study respondents' opinion on the collateral terms revealed that majority of the respondents 91.5% agreed that the microfinance institution measure collateral quantitatively by its value and qualitatively by its perceived ease of liquidation. The respondents that

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disagreed with the statement were 3.6%. Respondents accepted at (mean=4.14 and Std. Deviation= .885) that the microfinance institution measure collateral quantitatively by its value and qualitatively by its perceived ease of liquidation. The investigation discoveries are with Ochung, (2013) who found that there is a huge connection between firm/bunch factors and the advance reimbursement among clients of microfinance organizations in Kenya. The investigation further reasons that there is a noteworthy connection between advance elements and the advance reimbursement among clients of microfinance foundations in Kenya.

4.2 Debt Recovery among Microfinance Institutions

The study also determined debt recovery among microfinance institutions in Eldoret Town, Kenya. The study focused on the number of loan defaults, performance, satisfaction and market share. The study was interested with the opinions of the respondents on the extent to which such constructs influences debt recovery among microfinance institutions in Eldoret town. The descriptive results for Credit principles were presented in Table 2.

Table 2: Debt Recovery among Microfinance Institutions

		SD	D	N	A	SA	Total	Mean	Std. Dev
The numbers of loan defaults have increased over the last four years.	F	15	13	3	18	34	83	3.52	1.580
	%	18.1	15.7	3.6	21.7	41.0	100.0		
Performance of microfinance institution has improved over the last four years.	F	15	4	2	28	34	83	3.75	1.489
	%	18.1	4.8	2.4	33.7	41.0	100.0		
Customers are more satisfied on the terms and conditions offered by microfinance institution.	F	10	2	2	31	38	83	4.02	1.297
	%	12.0	2.4	2.4	37.3	45.8	100.0		
Microfinance institution has grown and covered a larger market share compared to the last four years.	F	15	1	4	19	44	83	3.92	1.508
	%	18.1	1.2	4.8	22.9	53.0	100.0		

The research study asked respondents to respond on the statement that the numbers of loan defaults have increased over the last four years. The study findings as shown in Table 2 revealed that majority of the respondents 62.7 agreed that the numbers of loan defaults have increased over the last four years. Respondents who disagreed were 15.7%. The study respondents accepted at (mean=3.52 and Std. Deviation= 1.580) that the numbers of loan defaults have increased over the last four years.
The study respondents were asked to give their views on the statement that performance of microfinance institution has improved over the last four years. The study findings as Table 2 revealed that majority of the respondents 74.7% agreed that performance of microfinance institution has improved over the last four years. Respondents who disagreed with the statement were 4.8%. The study respondents accepted at (mean=3.75 and Std. Deviation= 1.489) that performance of microfinance institution has improved over the last four years. Respondents also reacted to the statement that customers are more satisfied on the terms and

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conditions offered by microfinance institution. The study findings revealed that majority of the respondents 83.1% agreed that customers were satisfied with terms and conditions of service. Respondents who disagreed were 2.4%. The study respondents accepted at (mean=4.02 and Std. Deviation= 1.297) that customers are more satisfied on the terms and conditions offered by microfinance institution.
In addition respondents gave their views on the statement that microfinance institution has grown and covered a larger market share compared to the last four years. The study findings as revealed in Table 2 showed that majority of the respondents 75.3% agreed with the statement microfinance institution has grown and covered a larger market share compared to the last four years. Respondents who disagreed were 1.2%. The study respondents accepted at (mean=3.92 and Std. Deviation= 1.508) that microfinance institution has grown and covered a larger market share compared to the last four years. The discoveries are in accordance with Knowles (2013) who found that extending activity prompts obligation rate increment in most microfinance foundations. Particularly terrible obligations rate climbed quickly. Awful obligations turned into a major issue for the Vietnamese economy. At the point when the measure of terrible obligations increments to a specific point, it will obstruct the advancement just as the activities of the banks. Because of this issue, controlling the awful obligation rate is diligent work for all microfinance foundations. There is no model of answer for all banks

4.3 Inferential Analysis

Inferential analysis was conducted in order to determine the existence of relationships between the study variables. The study indicated inferential analysis using Pearson's product moment correlation coefficient and regression analysis. Correlation is a statistical technique that shows how strongly pairs of variables are related. The correlation coefficient ranges from -1.000 to +1.000. The correlation coefficient value of -1.000 indicates a perfect negative correlation, correlation coefficient value of +1.000 indicates a perfect positive correlation and a correlation coefficient value of 0.000 implies that there is no correlation between the study variables (Orodho, 2013). The correlation results were shown in Table 3.

4.3.1 Correlation Analysis Results

Table 3: Overall Correlation Analysis Results

		Credit principles	Debt recovery
Credit principles	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	83	
Debt recovery	Pearson Correlation	.401**	1
	Sig. (2-tailed)	0	
	N	83	83

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

The influence of credit principles on debt recovery on microfinance institutions was analyzed and the findings as shown in Table 3 indicates that the credit principles have a positive and statistically significant influence on debt recovery among microfinance institutions with (r=0.401, p<0.05). This implies that credit principles influence debt collection of the borrowers among microfinance institutions. A unit change in credit principles leads to 40.1% change in debt recovery.

4.3.2 Multiple Regression Analysis

The study used multiple linear regression analysis to determine the combined linear relationship between the dependent variable and the independent variables. Table 4 show results of model summary.

Model Summary Results
Table 4 presents the model summary

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.664[a]	.441	.412	.64505	1.849

The model summary of the study shows coefficient results from correlation coefficient (R) and determination (R^2), which is the degree of association between credit principles and debt recovery. The results in Table 4 on model summary indicated that R=0.664, R^2=0.441 and adjusted R=0.412. R-value gives an indication that there is a linear relationship between credit principles and debt recovery among microfinance institutions. The R^2 value indicates that explanatory power of the independent variables is 0.441. This means that the study variables (credit principles and debt recovery) accounts for 44.1% for the debt recovery among microfinance institutions whereas 55.9% of debt recovery among microfinance institutions is accounted by other factors that are not included in the study.

Fitness of Regression Model
The analysis of variance (ANOVA) was used to determine if the multiple regression model was fit for the data. The results were as shown in table 5.

Table 5: ANOVA for Testing Multiple Regression Model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.582	4	6.395	15.370	.000[b]
	Residual	32.455	79	.416		
	Total	58.037	83			

The results from table 5 indicates that the influence of independent variables on the dependent variable was statistically significant (F=15.370; $p<0.05$). This implies that the multiple regression model was fit for the data and thus credit principles and debt recovery success.

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Regression Coefficients

T-test of statistical significance of each regression coefficient was conducted in order to determine the beta (β) which shows how strongly each independent variable influences the dependent variable. Table 6 shows the regression analysis results.

Table 6: Regression Analysis

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	**Beta**		
1	(Constant)	1.255		.331		3.789
	Credit principles	.161	.075	.205	2.156	.034

The study findings in table 6 shows the regression coefficients results whereby credit principles had a positive and statistical significant influence on debt recovery among microfinance institutions (β=0.161, p<0.05).

The multiple regression equation for Credit principles was as shown below:

Y_i= 1.255 + 0.161X_1

This implied that at constant microfinance institutional operation, Credit principles and debt recovery is at 1.255 units. The coefficient 0.161 indicates that improvement of credit principles by one unit increases debt recovery by 0.161 units.

4.4 Hypotheses Testing

Hypotheses were tested at a predictable significant level of 0.05. The acceptance or rejection criteria were determined whereby p-values were compared with the predictable significance level of 0.05. If the p-value was less than conventional 0.05 the null hypotheses were rejected and when the p-value was above 0.5 the study fails to reject the null hypotheses.
The study objective of the study was to determine the influence of Credit principles for credit supply on debt recovery among microfinance institutions in Eldoret Town, Kenya. The objective hypothesis stated that there is no statistical significant influence between credit principles for credit supply and debt recovery among microfinance institutions in Eldoret Town, Kenya. The results showed that credit principles had a positive and statistical significant influence on debt recovery among microfinance institutions (β=0.161, $p<0.05$). The β factor of 0.161 implies that credit principles influence debt recovery in microfinance institution by 16.1%. The p-value of 0.034 is less that the predictable value of 0.05 thus indicates that credit principles had significant influence on debt recovery of microfinance institutions.
The results rejected the null hypotheses H1 signifying that there is statistical significant influence of credit principles for credit supply on debt recovery among microfinance institutions in Eldoret Town, Kenya. The study findings are supported by Nyangoma (2012) who found that credit principles contribute 33.1% of the variance in financial performance in SMEs. Regression analysis revealed that access to credit contributed 54.3% of the variance in financial performance of SMEs. In order to improve access to credit by SMEs, microfinance institutions and other lending institutions need to adjust credit principles in line with what borrowers can afford.

5.1 Conclusions of the Study

From the findings the study concluded that Credit principles have a positive and statistically significant influence on debt recovery among microfinance institutions. Credit principles determines efficiency of debt recovery since flexible polices attract more people who can abide by. Also MFIs in Eldoret have well-articulated policies to facilitate effective debt recovery process in microfinance institutions.

6.1 Recommendations of the Study

The study recommends to the microfinance institution managers to further emphasize more training to the loan borrowers on proper management and successful investment on profit generating business ideas so as to avoid unnecessary losses be it from the borrower or the MFIs. The study also recommends to the microfinance institutions that have not put into serious consideration comprehensive credit check measures to adopt it fully because it's a good credit score to determine risks involved when lending money. It can help microfinance institutions effectively recover and control debts.

6.2 Suggestions for Further Research

The study has shade light on the influence of Credit Policy on Debt Recovery among Microfinance Institutions in Eldoret Town, Kenya. However, the following studies can be carried out; to critic the role of government in assuming duties to support lower economic class citizens when offsetting their loans at delinquency. The study also recommends an evaluating to be done on the effect of Credit principles on debt recovery in the banking sector.

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