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DEPARTMENT OF ACCOUNTANCY

AN ANALYSIS OF CREDIT MANAGEMENT ON LOAN PERFORMANCE: A CASE STUDY OF MICROHUB FINANCIAL SERVICES (PERIOD 2019-2021)

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DEDICATION

To my lovely parents, who have been my constant source of motivation and inspiration. Without their unwavering support and encouragement, I would have never been able to achieve my academic goals.

And finally, to my mentors, who have challenged me to expand my horizons and pushed me to reach for the stars. Your guidance and expertise have led me to this point, and I am deeply grateful for your contributions to my education.

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ABSTRACT

Regardless of the type of the business, credit management is one of the most crucial tasks that must be completed by any organization that uses credit. A financial institution's stability and ongoing profitability depend on good credit management, and bad financial performance and condition are typically caused by declining credit quality. The largest danger in microfinance, as with every financial organization, is lending money and not getting it back. The goal of the study was to ascertain how credit management affected Microhub Financial Services (Pvt) Ltd.'s loan performance. The research used a descriptive survey methodology. 50 respondents who are employees of the company made up the study's sample. . The investigation was conducted using data from a census. Using questionnaires that answered every question on the list, primary data were gathered. To analyze the data, descriptive statistics were employed. Additionally, descriptions were created using the data from the tables. The study discovered that the loan performance of Microhub Financial Services (Pvt) Ltd. was impacted by client evaluation, credit risk control, and collection policy. The study found a significant correlation between client evaluation, credit risk management, and collection policy and loan performance. The study found that the company's loan performance is highly influenced by client evaluation, credit risk management, and collection policy. Delinquency management was shown to be a useful instrument in managing credit risk and credit controls were found to have a greater impact on loan performance. The report suggests that Microhub Financial Services (Pvt) Ltd can prosper by adopting and implementing credit management methods and good loan management.

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LISTS OF ACRONYMS AND ABBREVIATIONS

ANOVA Analysis of Variance

CA Client Appraisal

CAMPARI Character ,Ability, Margin, Purpose ,Amount ,Repayment and Insurance

CAPM Capital Asset Pricing Model

CR Credit Risk

CRC Credit Risk Control

CRM Credit Risk Management

FCB Financial Clearing Bureau

ICE Information ,Collection Exchange

LP Loan Performance

MFI Micro Finance Institutions

MFI Microfinance Institution

NPL Non Performing Loans

PAR Portfolio at Risk

RBZ Reserve Bank of Zimbabwe

ROA Return on Assets

SPSS Statistical Package for the Social Science

CHAPTER 1

INTRODUCTION

1.0 Introduction

The first chapter of this study aims to provide an introduction to the research topic, which is focused on examining the impact of credit management on loan performance in Microfinance Institutions in Zimbabwe. The study will specifically analyze the case of Microhub Financial Services (Private) Limited. This chapter will cover several key aspects of the research, including the background and setting, problem statement, objectives, research questions, scope and significance of the investigation, assumptions, study limitations, definitions of key terminology and concepts, and a summary of the subsequent chapters.

1.1 Background of Study

One of the variables that can be used by companies to influence demand of a product or service is credit. It is believed that a company can only benefit from credit if the profitability generated from increased sales exceeds the added costs of receivables. Credit, according to Markov (2022), is a legal arrangement between a lender and a borrower. Additionally, Ahmed et al. (2015) describe credit in the financial services industry as the issuance of a loan to a person or entity under predetermined terms with the intention of later repaying the loan. Despite the fact that the concept of credit has been widely used over time, its effective management continues to be of the utmost importance. Many at times, most companies seems to be overlooking on credit management process. Most microfinance institutions sometimes continue to lose streams of revenue and face a problem of non-performing loan (NPL) portfolios at the watch of credit management frameworks and policies.

Microhub Financial Services private Limited is a small, dynamic and fast-growing indigenous microfinance institution. It is a licensed institution that offers small business loans and salary-based loans as part of its range of services. Government salaried employees, proprietors of small businesses, and members of accredited organizations make up its clientele base. Since its founding in 2019, the business has expanded throughout Zimbabwe.

Recent loan performance by Microhub Financial Services has been questioned, and its loan portfolios are suffering from loan defaults. As a result of clients defaulting on payments, many of the loans issued failed to be profitable, resulting in significant losses on revenue streams.

The success of a credit-granting institution will ultimately depend on how well it handles its loan portfolio; otherwise, it will not be able to determine the future of any money lender. **Table 1.1 s**hows the defaulting rate of the issued loans since 2019-2021

Table 1.1: Loan defaults 2019 to 2021

Year (year end reports)	**Issued loans**	**PAR (portfolio@ risk)**	**Defaulting %**
2019	**1,070,000**	**22.2%**	**20%**
2020	**2,337,630**	**27.8%**	**35%**
2021	**2,897,700**	**34.6%**	**41%**

Source :Loan reconciliation reports: Credit control department ,Microhub Financial Services Pvt Ltd 2019-2021

Table 1.1 shows that although the value of issued loans increased , the amount of portfolio at risk is on the increase since 2019 .Default rates is a major area of concern for microfinance hence, henceforth due care has to be taken on factors that increased with trends presented above.

As a credit control strategy, Microhub Financial Services has an Operations department whose main objective is to seek further information of an applicant and see if the applicant is eligible for a loan .They also use FCB(Financial Clearance Beareu) which also searches the borrowing history of a customer .Before the approval of some loans , the operations department also conduct a HOCC which consist of members who makes approval of a proposed loan application . Despite all the efforts of various methods of screening borrowers, the level of defaulting loans kept on increasing. The company adopted a numerous method of collection policy strategies which are implemented under normal or usual circumstances whereby clients are expected to pay in cash to keep their repayment dates as per agreement made. If the loan account becomes overdue and no collection has been made from such an account, efforts becomes more personal as there is use of legal actions. During one of the staff address meeting held, the Operations Manager highlighted that despite having a magnificent increase on loan book , however the company is also challenged by a high level of non-performing loans NPL as well as an undesirable PAR pegged at 34.6% instead of 5% which is desired.

1.2 Statement of Problem

Financial institutions around the world face significant challenges with credit management, as is widely acknowledged by (Krestlow, 2013). Due to the significant need for microloans and the country of Zimbabwe's economic difficulties, Microhub Financial Services tried to put various credit management strategies into practice. As the company's clientele base grew, it became more difficult to manage its credit lines, which resulted in unrecoverable debts. Payment failures resulted in reduced cash flows, decreased liquidity, and financial distress. Due to this pattern, it is necessary to investigate the connection between credit management and loan performance. There is evidence that credit management issues have a wider impact than just how well loans perform. This is because other potential borrowers might not be able to access credit because some of the funds may have already been extended as loans by other microfinances and are still locked up because of clients' failure to make payments. The entire economy of a nation is impacted by ineffective credit management, which is why financial institutions implement any controls they can to reduce the risk of default by using credit reference bureaus

1.3. Research Objectives

1. To evaluate the organization's credit management tactics used by Microhub Financial services
2. To establish the effect of client appraisal on the loan performance of Microhub Financial Services.
3. To determine how credit risk controls affect Microhub's loan performance.
4. To determine how credit collection practices used by Microhub affect the organization's loan performance.

1.4.Main Research Question

What is the effect of credit management on loan performance among Microfinance Institutions in Zimbabwe? .A case study of Microhub Financial Services (Pvt) Ltd .

1.5. Research Questions

i. What credit management techniques does Microhub Financial Services employ?

ii. What impact does client appraisal have on the entity's loan performance?

iii. What impact does credit risk management have on the entity's loan performance?

iv. What impact do the collection practices adopted by Microhub Financial services have on the entity's loan performance?

1.6. HYPOTHESIS TESTING

H_0: Credit management has no impact on loan performance

H_1: Credit management has an impact on loan performance.

1.7.Significance of the study

1.7.1.To the researcher

The research will assist the author in developing practical research techniques and in meeting a portion of the requirements for the award of an honors degree in accounting from Bindura University of Science Education (BUSE).

1.7.2. To the University

The study is crucial to all other researchers because they can use it as a resource. Additionally, the study will add to the body of work on credit managers from around the globe, enhancing the university's reputation.

1.7.3. To the organization

Understanding the current credit management framework in microfinances, particularly Microhub Financial Services, and how it affects their loan performance will be helped by the study.

The study will be helpful in identifying and assessing the various risks that Microfinances face in their credit-taking operations as well as the various safeguards put in place to reduce those risks.

The study will evaluate how well microfinances manage profitable loan portfolios in relation to various institutional framework regulations of the government.

The study will also aid in examining the difficulties Microfinances have in competing in the credit market and outlining solutions.

1.8 Assumptions of the study

1. The researcher assumed that the organization adopted credit management, that it was being used, and that its members were familiar with it.
2. The study period was characterized by constant loan performance.
3. The sample size produced on the population for the study was fairly and accurately represented.
4. Respondents were honest and willing to cooperate, and fieldwork data is regarded impartial.

1.9. Delimitations of the study

- The research will be done within the confinements of Microhub Financial Services, Kaguvi Branch, Harare
- The research covers the period 2019-2022

1.10 Limitations of the study

1.10.1.Privacy and confidentiality

Some data were not made available to the researcher due to organization confidentiality and privacy policies. To gather the data required for the study, the researcher had to employ a variety of techniques, including questionnaires and interviews. Similar to banks, microfinances have a fundamental rule that prohibits them from freely disclosing information about their clients, business practices, and other sensitive topics. This restriction could stifle efforts to collect some crucial data for the study. To address this, the researcher emphasized that the information was private and was only to be used for academic purposes.

1.10.2 Pandemic Era

During the years under study, this was also the pandemic era (covid 19)where there where travelling passes that were required ,the researcher had problem in accessing such permits and also the travelling for data collection was made way harder than the normal ones .

Also under these years business performance was not as usual in Zimbabwe due to certain restrictions ,at some point in time, firms were forced to shut down so as to abide by covid 19 regulations. However the researcher managed to collect a travelling authority from the ministry of Health so as to travel for data collection. Also appointment where made by the researcher to the firm so as to have a programmed meeting schedule.

1.11.Defination of Terms

Credit- refers to the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future.

Credit management -refers to methods used by management to monitor its credit lines .These are tactics used by management to keeps its credit within the desired limits.

Loan performance -Refers to whether the borrower is making timely payments or is in default, as well as to their compliance with any other duties specified in the Loan Contract, such as making principle and interest payments on time (agreement).

Credit risk -Credit risk is the possibility that the return on an investment or risky asset extended will be different from what was anticipated

1.12. Chapter Summary

In this chapter, the research's key question and the background of the credit management issue were investigated. Moreover, it explored the study's objectives as well as the fundamental and supporting research questions. Along with the significance and scope of the study being mentioned, the research's limitations that might affects its quality have also been highlighted. The next chapter will be of literature review.

CHAPTER 2

LITERATURE REVIEW

2.0.Introduction

This chapter reviews various works by authors from around the world that discuss the tactics used by microfinance institutions and the impact of credit management on loan performance. This chapter also unfold of the theories that applied to this study as well as the body of knowledge about the effect. It will provide a thorough summary of earlier works that have dealt with studies into the effectiveness of microfinance strategies. It also includes research on related subjects and how it relates to credit management and loan performance.

Melville and Goddard (2015:18) described literature review as the practice of carefully reading prior work from various sources. As a result, a survey is an in-depth analysis of the information sources that have previously been identified and may contain information that is useful for carrying out the research project's subsequent stage.

2.1 Microfinances and Credit

According to research by Murali (2012), organizations have become dependent on credit in the 21st century in order to boost demand for their goods and services. According to Brealy (2013), credit is the provision of goods and services to an individual or organization without the need for up-front payment and instead using a contractual arrangement to determine how much will be due. According to Balkenhol (2018), credit is a privilege of deferred payment granted to a buyer or borrower based on the seller's or lender's faith that the amount given will be reimbursed. The idea of credit dates back centuries, and it was later used to provide poor and less economically advanced people with microcredit or microloans and financial services at a micro scale. This was primarily done informally (Scheufler 2012). Thus, the activity became known as "microfinance." According to Balkenhol (2014), microfinance is the provision of financial services—typically at a micro level—to the less advantaged, most frequently in the form of loans, savings accounts, and other services.

2.2 Zimbabwean economy and Microfinances

Africa has embraced the idea of microfinance, and there are many microenterprises that use it. Since then, the microfinance industry has experienced significant growth, particularly in Zimbabwe. Since implementing a multicurrency system, Zimbabwe has become better at playing a transitional role in closing the financial gap. In Zimbabwe, a variety of players participate in microfinance to target niche markets that banks have historically shunned. Matambanadzo and others (2013) and The Reserve Bank of Zimbabwe (2016) .

Since the Zimbabwean Central Bank, the nation's reserve bank, gave the first operational license for microfinance, the number of such operators has been slowly rising. At year's end in 2016, there were approximately 172 registered microfinance institutions operating in Zimbabwe. in 2016 (The Reserve Bank of Zimbabwe). Over time, these institutions have given out more loans, and there are now a lot more MFIs in the country. The following table lists the total number of branches, licensed institutions, and loan amounts issued by Zimbabwean microfinance institutions in 2019.

2.3 Credit Management

Regardless of the nature of its business, any economic enterprise that engages in credit must recognize that credit management is the lifeblood of any organization. The sale of goods and services is the beginning of the credit management process, which continues until the last payment is made and received. Financial institutions' credit management practices are a major factor in their business success. (Mago 2020). According to Nelson (2016), credit management is the process by which a business grants and oversees its credit sales. A financial institution's ability to manage credit effectively can be seen as a requirement for its stability and ongoing profitability, but a declining standard of credit quality can be seen as the quickest path to subpar performance and condition. Apanga and co. (2016).According to Myers and Brealy (2013), credit management includes credit classification, reporting, analysis, and rating. It is a part of financial management.

Nzotta (2014) emphasizes the significance of credit management and contends that careful credit management is the only way for an organization to succeed. Credit management should begin as soon as credit is granted and continue until a customer has made all payments due. To ensure their survival and success, financial institutions must therefore effectively monitor credit lines.

2.3.1 Credit Management Theories

Some theories lend support to sound credit management theories. These credit management theories were put forth. The information asymmetry theory, the value at risk theory (VAR), the transaction costs theory, the Moral hazard theory and the portfolio theory, and the capital asset pricing theory (CAPM) the CAMPARI theory and the ICE model will all be specifically examined in this section .

2.3.1.1.Information Asymmetry Theory

According to Basel (2014), information asymmetry occurs when only one party to a business relationship is aware of the opportunities and dangers that could arise from and be related to the business relationship. According to Eppy (2015), information asymmetry occurs when one party to a transaction does not understand or have access to information that is crucial or pertinent to that particular transaction. The distinction between bad and good borrowers is, according to Derban, Binner, and Mullineux (2005), a herculean task. When the lender, who is the financial institution, knows little about the borrower and the borrower is well informed about the return prospects and dangers associated with the intended use of the debt, there is information asymmetry in the debt market.

The main issues brought on by lenders' lack of knowledge about borrowers include adverse selection and moral hazard. Godquin (2012). (2012). As a result of bad lending decisions, financial institutions are in trouble, but they also have the necessary data at their disposal to evaluate borrower behavior. Symmetric information theory suggests that acquiring trustworthy and reliable information from would be borrowers is vital in order to carry out an efficient screening (Catherine, 2020). Money lenders face a significant challenge as a result of information asymmetry because it can sometimes be unprofitable to conduct credit analysis for small loans or credit requests even though risk is present in every transaction. Basel (2014).). However, reliable and timely information are needed for the appraisal and assessment of borrowers by microfinance institutions prior to the issuance of loans. Additionally, clients can be evaluated using qualitative or quantitative methods (Oehmen, Olechowski, Kenley and Ben-Daya, 2019).

2.3.1.2. Transaction costs theory

Schwart developed the theory of transaction costs. According to the theory, suppliers are in a better position to encourage credit repayment because they are inherently more qualified to judge a potential credit customer's credibility. Therefore, costs associated with the exchange of goods or services through technologically definable boundaries can be referred to as transaction costs.

Reddy (2012) identified the key sources of cost advantage as information acquisition, control over a buyer, and the efficient use of existing assets. The routine business of a supplier appears to provide pertinent information about customers for free. So, by examining how frequently a customer transacts with a business, sellers can gain insight into a customer's financial situation. It's not always possible to get that information quickly when lending money. Getting the necessary data on borrowers remains difficult for money lenders. Similar to how frequency, uncertainty, and specificity were said to be appropriate terms to describe a transaction. Schwartz (2014).

2.3.1.3.Value at a Risk (VAR) Theory

This strategy uses statistical analysis of historical price trends and volatilities to determine the likelihood of portfolio losses. Banks, security corporations, and businesses that sell energy and other commodities regularly use value at risk. When businesses decide whether to engage in trading or hedging, VAR is a crucial consideration to take into account because it can measure risk as it occurs (Kwan & Eisenbeis, 2012). Value at risk (VAR), sometimes abbreviated as VAR, has been dubbed the "new science of risk management," but using VAR doesn't require you to be a scientist.

Financial institutions define risk as the possibility of losing money on loans, and VAR is based on this well-known reality. The answer to the question "What is my worst case scenario?" is provided by VAR, which makes the assumption that financial institutions are worried about the possibility of suffering a really significant loss on loans. Jorion (2013) stipulate that VAR can be used to measure the worst expected loss over a specified horizon under typical market conditions at a specified level of confidence .

2.3.1.4. Moral hazard Theory

A borrower is likely to default his/ her payment if there are no consequences for his subsequent credit requests, thus according to the moral hazard problem. When one party in a transaction has the option to assume additional risks that are harmful to the other party, according to Knight (2013) claims that a moral hazard has occurred. This is due to the difficulty for lenders in determining how much wealth borrowers will have accumulated by the repayment due date rather than at the time of application. If lenders are unable to determine the borrower's level of wealth, borrowers may be tempted to default on loans .To stop this, lenders will have to accrue interest rates , ultimately leading to the market's collapse. Alary, Goller, and Knight (2013) developed a model that claims that the performance of the loan depends on the borrower's effort and quality.

Any institution that lends money has access to private information about the borrower's character. For example, after providing a borrower with a loan, the institution may use its knowledge of his creditworthiness to threaten credit withholding and demand rent payments from him (hold up). The borrower's incentive to work ex ante is decreased when he anticipates that the lender will (partially) appropriate the returns of his effort. This ultimately makes his repayment performance worse (Rajan, 1992).

Under the Borrowers' Moral Hazard – Imposing discipline on borrowers is one way a credit bureau can influence lending outcomes. According to Greuning and Bratanovic's (2012) model, lenders' information sharing encourages borrowers to put forth effort because they "perform for a broader audience," i.e., if they breach their contractual obligations, more lenders will be made aware of their misconduct. Sharing information therefore reduces the moral hazard faced by borrowers in this situation. Greuning and Bratanovic (2012) also stress that if lenders combine information on borrowers' characteristics in addition to information on delinquencies, this effect is lessened. In this scenario, a high quality borrower is aware that regardless of how his credit history is, lenders will learn about his high quality.

2.3.1.5. Portfolio theory and the Capital Asset Pricing Model (CAPM)

According to historical accounts, portfolio theory gained popularity in the 1960s, when Sharpe uncovered it in 1964. Since then, it has become more widely used in modern finance. The primary objective of portfolio theory is to combine various assets whose returns are not correlated to reduce the overall risk associated with an asset. The (CAPM) suggests that it is impossible to eliminate all risk, no matter how much investors diversify their holdings. Therefore, investors should expect a rate of return that give them a profitable refund them for taking on risk. The CAPM helps investors estimate investment risk and expected returns. Eugene and Kenneth (2004) argue that while risk is measured by an asset's standard deviation and combines weighted assets to form a portfolio, portfolio theory compares an asset's returns to a subjective variable with a normal distribution, with a portfolio return representing a weighted combined return of different assets. To optimize returns and minimize risk, institutions and investors should use portfolios with unrelated risks.The Capital Asset Pricing Model (CAPM) distinguishes between two types of risk: specific risk and systematic risk. The model is based on the assumption that every investor prefers to hold a certain amount of risk by maintaining a market portfolio. Sharpe (1964) has presented the mathematical foundations of the model, along with evidence supporting and contradicting it, as well as its implications for the average investor.

According to the CAPM (Markowitz, 1959), the return on assets should, on average, be equal to the yield on a risk-free bond held for that period of time plus an additional premium equivalent to the amount of systematic risk the stock carries. According to the theory, there are two different types of risk: systematic risk and unsystematic risk. According to Mirach (2014), unsystematic risk is a threat to an asset's value caused by variables that are specific to a company, like changes in senior management or product lines. For example, top staff members might conduct wisely or foolishly, or the same sort of manufacturing machinery might function differently in two separate places. According to Fama and French (2022), particular risk is the risk pertaining to only one asset, whereas systematic risk is a representation of the risk relating to a number of assets.

For investors to understand that risk in the lending business is imminent, it is crucial to take into account CAPM. Investors should instead focus on generating a return that is just high enough to make up for the risk rather than trying to completely eliminate it. Financial institutions frequently have loan portfolios, but in the lending industry, zero default is impractical and improbable. As a result, CAPM gains significant significance in the lending industry.

2.3.1.6.CAMPARI Theory

CAMPARI model is a credit management theory that was developed by German Credit management expect named Helmut Grundl. CAMPARI is an shortening which stands for Character, Ability, Margin, Purpose ,Amount ,Repayment and Insurance. It is a framework used by lenders and financial institutions to assess the creditworthiness of a borrower and determine the risk involved in lending them money thus according to UK Essays. (2018) .Under this model the character of the borrower is assessed, the ability to be able to be a credit worthful client .Also the purpose for which the loan intend to use is evaluated and the probability that the purpose is able to give returns to repay the loan .

Chijoriga (2011) and Kakuru (2000) emphasized the additional factors when using the CAMPARI model. They emphasized that the model evaluate factors such as the borrowers credit history, income ,employment status, the purpose of the loan ,the amount of collateral available in case of defaulting. The model works by using the probability of insolvency to credit risk management .The CAMPARI model assesses the probability of default of a borrower and also takes into account the severity of loss if default occurs . By analyzing these factors ,lenders can make informed decisions about whether to approve a loan ,the interest rate to charge and the terms of repayment. The CAMPARI model is widely used in banks and lending institutions for credit risk management so as to know the risk associated before lending a certain applicant.(Kakuru 2000).

2.3.1.7.The ICE Model

The Information Collection and Exchange (ICE) model is a credit management tool that works by collecting data on borrowers and analyzing their creditworthiness to determine the likelihood of timely loan repayment. The model uses a combination of numerical and qualitative information to assess risk, such as the borrower's credit history, income, and employment status.

According to Baesens and Van Getsel (2015), the ICE model is a credit management tool that facilitates the collection and exchange of credit information between different stakeholders in the credit market. The model is designed to help lenders make informed credit decisions by providing them with access to reliable credit information. The ICE model is used in many countries around the world, and it has been found to be an effective tool for reducing credit risk and improving credit access.

The ICE model works by establishing a central repository of credit information, which can be accessed by participating lenders. The repository contains information on borrowers' credit histories, including their repayment histories, outstanding debts, and credit scores. Lenders can use this information to assess the creditworthiness of borrowers and make informed lending decisions. The ICE model also facilitates the exchange of credit information between lenders, which helps to reduce information asymmetry and improve credit access. Baiden (2013)

2.3.2.Credit Management Variables

According to Mirach (2014), credit management is a process that entails the application and maintenance of predetermined credit policy frameworks and strategies to make sure that borrowed funds do not become encumbered by debtors and lower the risk of default .As a result, there are steps in this process that begin with the initial issuance of credit and end with the successful collection of payment from clients. The process consequently entails a number of steps, including client evaluation, credit risk management, credit terms, and collection policy, among others. Only the four aforementioned credit management factors will be examined in this study.

2.3.2.1. Client Appraisal

According to Abdus (2014), determining the likelihood that a client will default payment on the loan approved through an evaluation of the client's financial stability, credit history, and assets is one of the ways to manage credit effectively. As a result, the process is seen as being subjective. Client evaluation involves assessing a client as a means of determining whether or not the client is qualified to obtain credit or a loan. (2012) Moti et al. Credit may therefore be granted following the completion of such an assessment. Edward, one of the theorists, developed the five Cs as a method of gauging customer satisfaction. Edward's five criteria for granting credit have been instrumental in serving as client evaluation tools. In light of this, client appraisal can be completed by evaluating the client's character, capacity, collateral, capital, and conditions.

Character refers to a borrower’s willingness to fulfill a financial commitment based on the client's dependability and integrity. Chijoriga (2011) and Kakuru (2000) emphasized the additional factors to take into account when evaluating an applicant's character. Credit history is checked when assessing a client's credit. This can be accomplished by looking at the client's history of fulfilling prior financial obligations. A person's character can be judged, primarily on the basis of the presumption that history can repeat itself. Since people, not numbers, are responsible for repaying loans, effective character assessment of a client is essential for good credit management, according to Baiden (2013).

The term **"capacity"** describes a client's ability to repay a loan. In order to determine whether an individual's or company's income will be sufficient to cover loan repayments, capacity is a technique that tries to estimate the borrower's level of income and ability to generate income. As a result, capacity at the individual level considers one's level of regular income and additional sources of income. The majority of lenders and credit-granting organizations, according to Baiden (2013), are enamored with a borrower's cash flow and view it as a sign of capacity, even though a borrower can actually meet their true capacity after taking care of their basic needs (for consumer lending).The borrower must, in any case, be competent, if not an expert, in their line of work or calling. (Kakuru 2000).

Assets that the borrower pledges as security for a loan and is prepared to release in the event of default are referred to as collateral. If there is a payment default, the lender pursues the

collateral. As a result, collateral serves as a promise to pay back a loan that otherwise would have fallen behind. Additionally, if one is not eligible for a loan based on their credit worthiness, they may still be able to secure one by offering collateral. Ruth (2014) contends, however, that banks and other lenders often become so dependent on using collateral that they stop using the other Cs of credit altogether. She asserted that the use of collateral shouldn't overshadow lenders' concerns and that they should consider it a secondary rather than a primary source of loan repayment.

Conditions cover the fundamentals of the borrower's business, industry, and macroeconomic environment. Gregory (2012) contends that a lender should evaluate the current external specifically economic conditions at a specific time, the conditions in the borrower's industry, and any particular challenges the borrower is currently facing because how responsive the borrower is to these conditions affects the credit quality. The lender must adhere to regulatory frameworks, be aware of operational risks, and be knowledgeable about fundamentals like liquidity risk, credit risk, and interest rate conditions.

A company's **capital** is the amount of money held back or set aside to cover unforeseen business events like losses. Gregory (2012) defines capital as a company's net worth or equity. Strong net worth is thought to make a borrower more resilient to business setbacks. Additionally, a company with few reserves is viewed as riskier for credit advancement due to the possibility of default. Therefore, equity must be compared to the total capital employed by a company in order to be a useful tool in evaluating a borrower. Financial institutions are typically wary of companies whose capital is heavily reliant on borrowed money. Compared to companies with a smaller amount of debt in their capital structure, they present a higher default risk.

As a result, because they are fundamental principles in the client evaluation process, it is crucial for money lenders to take into account all 5 C's of granting credit. It's also critical to understand that capacity, capital, and collateral all have quantitative and objective characteristics. They should therefore receive special attention because the other two, character and conditions, are purely subjective. According to Baiden (2013), because credit safety and soundness differ, credit-granting companies should exercise caution. Safe credits are those with a higher likelihood of repayment, like secured credits, and sound credits are those issued with great care.

2.3.3. Credit Risk Control

Credit risk is the possibility that the return on an investment or risky asset extended will be different from what was anticipated. Credit risk, according to Coyle (2000), is defined as debts resulting from borrowers' refusal or inability to repay loans in full and on time. Credit risk, according to Baesens and Van Getsel (2015), is the chance that the borrower won't fulfill the principal and interest (loan rendered) obligations of the loan issued , resulting in failure to pay the amount due or missing deadlines for repayment.

Credit risk management is to reduce the consequences of different risks connected to a specified area to a level that is acceptable by an entity. The primary motivator in money lending organizations has moved from the requirement to earn profits at the lowest possible risk, though, because it is now essentially impossible to engage in money lending without being exposed to credit risk.Credit risk is unquestionably manageable even though it is an unavoidable consequence of the money lending industry. Credit risk control (CRC) is now an important issue to consider in the management of credit. Consequently, credit management is essential for reducing credit risk.

2.3.3.0 Credit Risk Measurement

Credit risk measurement (CRM) refers to efforts made by credit risk managers to determine and evaluate the severity of the credit risk posed by an impending borrower to an organization. According to Altman and Saunders (2012), the factors driving the need for credit risk measurement include an increase in bankruptcies, disintermediation by borrowers, fierce loan competition, and a decline in the value of credit quality. Credit-granting organizations were urged to respond to this through acknowledgement of the use of credit scoring techniques and early warning techniques.

2.3.3.1.Credit Scoring

The majority of financial institutions, according to Mays and Lynas (2013), have abandoned the use of traditional and legacy credit analysis methods, such as the 5C's, which are subjective measurements, in favor of the use of univariate and multivariate accounting-based credit-rating systems. The use of more objective techniques was praised as being preferable to older, more pessimistic methods that heavily relied on subjective judgments. In credit scoring, the financial stability of a potential borrower is evaluated by assigning the potential borrower a credit rating that is compared to industry or group averages using accounting ratios.

Thus, what determines the approval of a loan application is whether the borrower's rating is within or outside of predetermined ranges . According to Finlay (2012 it has been believed that the discriminant analysis model is the one that applies to credit scoring the most frequently and is used the most. The widely used ZETA discriminant model of credit rating was first published by Altman et al. in(1979.)The Altman's ZETA model (commonly known as z-score), analyzes a borrower's marketing and accounting variables and gives the borrower a credit rating based on industry standards. The main aim of the z-score is to differentiate between a potential loan defaulter and one who can service their debt.

2.3.4.Contemporary credit measurement techniques

Although traditional multivariate accounting-based credit scoring techniques like the Altman's ZETA model have been hailed as useful over time and in numerous nations, to claim that they are flawless would be untrue. According to Finlay (2012), the multivariate techniques' usefulness can be questioned because of their excessive reliance on accounting book values, which may leave them unable to adapt to changing borrower conditions like those of the capital market. Additionally, he contends that using a linear relationship between accounting and marketing variables as the foundation for credit rating is essentially impossible.

2.4.Credit risk monitoring and management

Due to the aforementioned factors, credit risk management should continue past risk identification and measurement to include monitoring the risk as well as its management. Only when risk is effectively managed can it be reduced.

2.4.1.Credit Review

According to Mirach (2014), despite the fact that the two processes may be sequential, there should be a distinct distinction made between credit analysis and loan review. Finlay (2012) claims that a credit review is a thorough evaluation that credit issuers carry out to determine a borrower's creditworthiness, their past financial behavior, and their capacity for debt. In contrast to analysis, credit review focuses on reducing the impact of credit risk through close monitoring of current loans as well as problematic loans and recovering problematic loans through the sale of collateral security. Credit committees were mentioned by Bagchi (2016) as a credit review method that financial institutions could use.

2.4.2.Loan rescheduling

It is common for borrowers to be willing but unable to pay due to macroeconomic difficulties. As a result, it is occasionally necessary to reschedule a select few loans by lengthening the loan term and lowering the installment amount. Caster and Churchill (2011). According to Garca, Marqués, and Sánchez (2015), loan rescheduling is the process of extending or adding extra time to an existing loan tenure. This revision to your monthly instalment amount allows you to pay a smaller amount each month.

However, Oleksiw (2011) notes that the main issue facing financial institutions is that loan rescheduling increases credit risk and loan delinquency. Lending institutions frequently disregard the need to exercise caution when rescheduling loans because it can be riskier and only be used as a last resort in the most dire of situations. Although loan rescheduling restricts a financial institution's ability to generate cash through longer repayment periods and smaller installments, it tends to reduce arrears.

2.4.3. Delinquency management

These loans are past due according to their repayment schedules. Dhakal (2013) (2013) Loans that are past due because the due date has passed are therefore considered delinquent. Delinquent loans have a significant impact on the turnover of a financial institution's loan portfolio and, as a result, on expenses, cash flows, and profitability. Loans that are past due and cash flows and profitability are inversely related. The profitability and cashflows decrease as the amount of past-due loans increases.

2.4.4.Loan product design

The development of loan products that do not accommodate the desired customers is one of the main reasons why microfinance institutions are exposed to a high degree of default risk. These loan products are typically not custom-made loans. Important aspects of a loan product include collateral, repayment schedules, interest rates, and loan sizes or amounts. Therefore, these features should satisfy the desired customers and offer repayment assurance. Thus, there aren't many delinquent loans as a result.

2.5.Collection policy

Procedures used by microfinance institutions to collect past-due accounts are referred to as collection policies. Atieno (2001) defines collection methods as the steps an organization takes to manage or collect on its past-due loans. Credit collection policy, according to Ahmed and

Malik (2015), is a money lender's legal, systematic effort to recoup past-due loan amounts. Collection policy, according to Stiglitz and Weiss (1981), is a guide that guarantees prompt payment and consistent collections. According to Latifee (2012), an organization should place equal emphasis on the legality of the collection method as it does on creating and enforcing a collection policy. A collection procedure is a necessity because some pay slowly or never. Sometimes, costs associated with the collection process can include both product costs and lost goodwill, so (Ayyagari et al., 2003; Nkundabanyanga, 2014). Boldizzoni (2014) points out that a poorly managed collection procedure is the simplest way to guarantee loan delinquency and defaults.

In an effort to recover the loan issued amount, collection measures include attaching required savings, requiring guarantors to pay, attaching collateral assets, and bringing legal action. Financial institutions may also use letters, demand letters, phone calls, in-person visits from company representatives to remind customers to pay, and legal action.

2.5.1.Forcing Guarantors to Pay

Whenever a loan is issued , a guarantors who is regarded as a core debtor has to be in full aware of the terms and conditions under which the loan issued .Ifeanyi et al. (2014) defines a Guarantors as a core debtor (physical or corporate) who incase the principal debtor defaults is willing to pay the principal and the interest of the loan issued the remaining amount the borrower has failed to pay. If the principal debtor misses a payment date or is showing up that he might lead to default payment, the core debtor will be informed. Upon disbursement, the guarantor signs a surety which states that he is willing to pay incase the core debtor defaults. After missing of payment on the seventh day, a first notice is sent to the core debtor .On the 14th day of payment missing , the guarantor receive a second notice. A final notice or handover notice is sent to the core debtor and then the case is sent for legal proceedings .

2.5.2.Legal Action

In light of this collection's pricey processing, Ifeanyi et al (2014). According to Kariuki (2012), it is the most rigorous step in the collection process because it involves taking legal action against the debtor as a direct and expensive alternative to using a collection agency. The action should only be taken on larger unpaid balances due to the costs associated with the legal process. Therefore, it is necessary to perform a cost-benefit analysis to compare the costs of pursuing the collection through legal means versus the costs of writing it off as a bad debt.

However, caution should be exercised when pursuing legal action, especially with regard to permanent clients. Anderson (2002).

2.5.3.Telephone calls

According to David (2015), calls are made to the client if the repayment date is missed. These calls provide an estimate of how long it will take to settle the missed payment. Phone calls are also used to encourage prompt payment or early settlement. Early settlement payments are intended to increase turn over while maintaining low and bad debts under control (Malimba and Ganesan, 2009). Ifeanyi et al. (2014) support the idea and claim that early maturity (prompt payments) attempts to boost turn over while maintaining declining bad debts. According to the defense, not all clients keep a culture of paying unless prodded or driven.

2.6 Loan Performance

Refers to whether the borrower is making timely payments or is in default, as well as to their compliance with any other duties specified in the Loan Contract, such as making principle and interest payments on time (agreement).

Loan Performance measures

2.6.1.Loan Delinquency

Dhakal (2013) defined delinquency loan as loans that have passed their due dates. Therefore, delinquent loans are loans with past-due payments. The goal of any lending institution is to speed up and maximize repayment in order to reduce delinquencies. This is due to the fact that delinquent loans have a significant impact on a lending institution's loan portfolio turnover and, as a result, expenditure, cash flows, and profitability. Dhakal, (2013).

2.6.2.Repayment rate

The ratio of loan amounts actually repaid to loan amounts outstanding is known as the payback rate. It provides as a reflection of recovery and loan performance by showing the loan recovery rate. The repayment rate can be calculated using the following ratios:

$$\text{On time payment rate} = \frac{\textit{Amount Recieved on time}}{\textit{Total amount due}}$$

$$\text{Repayment rate} = \frac{\textit{Amount Recieved (due and past due)}}{\textit{Total amount due plus amount past due}}$$

Delinquency = $\frac{\underline{\textbf{\textit{Amount past due}}}}{\textbf{\textit{Amount outstanding}}}$

It should be known that the above stated formulas only consider actual past-due payments and do not consider the possibility of defaulting all payments. According to Shaibu (2013), some repayment measures, such as the arrears rate, can be subjective in their application because, by definition, they represent small rates because they consider only past-due payments and ignore subsequent payments. As a result, a portfolio at risk (PAR) may be a more accurate indicator of loan performance.

2.6.3. Portfolio at risk (PAR)

Monetary institutions have a high risk of default if many loan payments are missed or go past due. By assisting in assessing the risk of the overall loan portfolio, PAR, in contrast to other repayment measures, produces a more accurate estimate of loan performance. The PAR compares the value of loans with one or more past-due payments to the value of loans that a lending institution has not yet been able to collect. So, the factor that affects risk the most is how long a payment has been past due. To determine PAR, use the formula below:

Portfolio at risk = $\frac{\underline{\textbf{Value of loans with one or more past due payments}}}{\textbf{\textit{Current Portfolio Outstanding}}}$

Dhakal (2013) asserts that the (PAR) provides a more comprehensive measure of loan performance when considering the total loan size of a portfolio. Other measures may not accurately reflect portfolio risk and may appear subjective. Baesens and Van Getsel (2015) recommend that financial institutions should take into account changes in loan terms that may affect the credibility of the PAR . Specifically, they point out that changes in the ratio over time should be considered.

2.7.Loan Performance and Microfinance

According to Njanike (2013), the primary function of the financial services sector in any economy is to promote growth through issuing of loans. Non-performing loans (NPL) pose the greatest risk in the lending industry, making it a risky business. Chhimpa (2012). (2012). Non-performing loans, according to Upal (2013), are those that have been past due for more than 90 days or whose interest payments have stopped accruing. Non-performing loans, according to Saba et al. (2012), need to be closely monitored and critically examined because they seriously disrupt the financial markets.

Performing loans are those that have avoided default or have a reasonable or have a strong expectation that the loan will not default or miss payment . Loans that are performing are those that are due for payment or have not been late for more than 90 days. Kisala (2011). As a result, banks and microfinance organizations should treat non-performing loans as a general rule because poor loan performance significantly increases the risk of default and negatively affects asset quality. Hence, loan performance provides as an example of a loan portfolio's return on investment. Generally speaking, loan performance is measured by the number of clients who access credit, the loan amounts they receive, the collateral used to secure the loan, and, most significantly, whether or not repayments are made on time and the rate of bad debt recovery. Ali and Luft (2015). Due to this, loan portfolios are now crucial to microfinance, with portfolio quality being the determining factor in how well a loan performs.

2.8 Loan Performance of Microfinances in Zimbabwe

According to Makunike's (2013) study on the challenges faced by microfinance institutions in Zimbabwe, the high rate of non-performing loans has been a significant limitation for loan performance in the country. The study suggests that this issue exacerbates the lack of adequate capital for these institutions, which endangers their ability to sustain themselves. Similarly, Chikoko et al. (2012) found in their study on non-performing loans in Zimbabwe that the country's financial institutions, especially MFIs, experienced a decline in asset quality even after the economy was dollarized. This decline was primarily driven by a highly unfavorable level of non-performing loans.

Information from the RBZ on the performance of the microfinance industry show that overall loan size has grown over time as a result of increased aggressiveness in the loan portfolios of these financial institutions. According to the RBZ report that Professor John Mangudya released in 2021, there was an increase in loan size from 2019 to 2020 of 10.66%, from 288,561 million to 307,673 million. However, he claimed that COVID 19, which resulted in a 5.66% increase from that of 2020, made the increase from 2020 to 2021 of little significance. The important focus of the RBZ study is to look at the portfolio quality of these loans, regardless of the growth in loan amount.

The RBZ quarterly return for March 2022 revealed that portfolio quality, which is determined by portfolio at risk (PAR) > 30 days, continues to be this industry's biggest concern. By December 2021, PAR in the microfinance industry was measured at 24.28 percent, which is still higher than the 5% benchmark accepted internationally. Evidence from the microfinance industry in Zimbabwe thus indicates that it is having difficulty achieving the desired loan performance requirements. The microfinance industry in Zimbabwe has loan portfolios that exhibit poor credit quality and high portfolio risk, both of which are unacceptable by credit standards.

2.9.Loan performance as a result of credit management.

Thus, credit management is seen as the road map for increasing the value of the company by reducing costs that lead to financial mishaps. According to Pykhitin (2015), the microfinance industry's credit management discipline is essential to the creation of new value, which is to say, maximizing wealth for both customers and business owners. According to Pykhtin (2015), the primary factor influencing how microfinance operates and how much of an impact it has on loan performance is the credit management function. Credit management is seen as the road map for increasing the value of the company by reducing costs that lead to financial mishaps. However, Ali and Luft (2015) concur that this is true regardless of the drive

The way that microfinance institutions manage credit is what makes their business ventures successful. Apanga et al. (2016) argue that competent credit management is essential for the stability and profitability of a financial institution. However, a decline in credit quality can quickly lead to poor performance and condition. They suggest that having solid credit policies and processes in place can improve credit quality, decrease the proportion of non-performing loans, and serve as a competitive advantage for the institution. Similarly, Nzotta (2014) emphasizes the importance of effective credit management for the success of a firm.He made the argument that declining credit portfolio and lending practices are to blame for banks' increased exposure to risky assets and subsequent failure. Credit management should begin as soon as credit is granted and continue until a customer has made all payments due. To ensure their survival and success, financial institutions must therefore effectively monitor credit lines.

2.10 How does credit management affect profitability levels

Given how uncertain the future is, the availability of credit is disproportionately correlated with profits because it is difficult to predict whether these obligations will be paid back by customers. As a result, most organizations use the funds for sustainability rather than making risky investments and expanding their scope of operations (Sharpele, 2000).A company's level of profits will decline if it decides to limit its credit lines (Don, 2009). This is due to the fact that these financial institutions only make money from the premiums that accumulate as a result of loan repayment. These decreased gains could also result from a variety of factors, such as lower levels of investment and improper use of variable inputs (Brigham, 1997). In order to reduce the costs associated with credit agreements while increasing the profits from such ventures, it is essential to have an effective credit management strategy.

Finding a mechanism to evaluate how credit management and the many procedures involved affect performance in terms of not just profitability is necessary to achieve this. But, it's important to consider the quality of the loan portfolio and recovery rates as well as how these factors affect the company's worth as a whole more significantly. They ought to emphasize maximizing shareholder wealth or value as this is what really determines a company's worth and performance. Almekhlafi, Khalil, Kargbo, and Hu (2016) found a substantial and positive association between the two variables in several of the papers they analyzed. It is also essential for resolving the problem of moral hazard (Derban et al., 2005). Regular interaction with borrowers is an essential component of monitoring because it stimulates early payments, which in turn raises profitability levels.

2.11.Empirical review

Financial institutions, regulators, and all other participants in the financial market share a common vocabulary regarding credit risk management. On how to manage credit risk, numerous studies have been conducted both nationally and internationally. Any institution that extends credit should be concerned about credit risk management, not just commercial banks. Due to liquidity exposures, creditors are most impacted by credit risk. Muasya (2013). (2013).

In 2012, Moti et al. conducted a study on the effect of credit management systems used by Kenyan microfinance firms on loan performance. The investigation was driven by high trends in non-performing loans and poor financial sustainability. As the most plausible reason for these trends, Moti et al. (2012) focused their analysis on the credit management techniques employed by these microfinance companies. The three main facets of credit management that were the focus of the study were collection policy, credit analysis, and credit risk control. Credit officers from various MFIs in Meru town, Kenya, made up the study's population. It used a descriptive survey design. The study's findings showed that the collection policies used by MFIs in the study town had the greatest impact on loan repayment. The study came to the conclusion that staff participation from various MFIs affects loan performance. A strict credit policy was also observed to significantly improve MFIs' loan performance. The study came to the conclusion that staff participation from various MFIs affects loan performance. A strict credit policy was also observed to significantly improve MFIs' loan performance.

Machiwenyika and Chapfika (2019) conducted a study on credit risk management and loan performance in Zimbabwe's banking industry. The study found that credit management controls have a significant impact on loan performance. Specifically, credit risk management controls such as credit scoring, loan securitization, and credit monitoring are essential in mitigating credit risk and improving loan performance. The study also revealed that these credit management controls can help banks in Zimbabwe to reduce their non-performing loan ratios.

Another study by Muzata and Mutandwa (2018) investigated the impact of credit risk management on loan performance in Zimbabwean commercial banks. The study found that credit risk management strategies such as credit appraisal, credit monitoring, and credit recovery positively impact loan performance. The study revealed that credit management controls can help banks in Zimbabwe to improve their loan performance, reduce their credit risk, and enhance their profitability.

Mudavanhu et al. (2017) conducted a study to examine the relationship between credit management controls and loan performance in Zimbabwe. The study suggests that credit management controls have a significant impact on loan performance in Zimbabwean banks. Specifically, effective credit management controls such as credit appraisal, credit risk monitoring, and debt recovery are crucial in managing loan default rates.

Another study by Mlambo (2019) examined the effect of credit risk management practices on loan performance in Zimbabwean banks. The study found that credit risk management practices, such as credit scoring, credit monitoring, and loan diversification, have a significant impact on loan performance. The study recommended that Zimbabwean banks should adopt effective credit risk management practices to improve loan performance.

Chidoko and Muzawazi (2018) conducted a study on the impact of credit risk management on loan performance in Zimbabwean microfinance institutions. The study suggests that credit risk management practices, such as credit scoring, collateral assessment, and loan monitoring, have a significant effect on loan performance. The study recommends that microfinance institutions in Zimbabwe should adopt effective credit risk management practices to enhance loan performance.

Numerous academics have studied the impact of credit risk on lenders in numerous dimensions since it is seen to be a barrier to the performance of banks and microfinance institutions. Neamie and Hakim (2009). According to a study they conducted between the years of 2000 and 2005 utilizing banks in Egypt and Lebanon, credit risk and loan performance are positively correlated with profitability. Khouri (2011) conducted a further study in this area with the goal of examining the effects of credit management on the entire banking lending sector's impact on loan performance. In the Gulf Cooperation Council, financial information from 43 commercial banks was used over a protracted period of time (2000–2008) of investigation. . The findings showed that, when profitability is assessed by ROAs, credit management has a significant impact on the performance of bank loans.

Furthermore, Orua (2009) examined how credit management techniques affected loan performance in Baringo commercial banks. According to the findings, there is a strong correlation between client evaluations and loan performance since rising client evaluations were followed by rising loan performance, which in turn affected banks' total performance. Furthermore, a study by Kosgei (2012) on the effects of credit management practices by commercial banks reveals that there is a strong correlation between loan monitoring, appraisals, and performance, with an increase in loan appraisals leading to an increase in performance in commercial banks.

Kisala (2018) conducted a study on the impact of credit risk management on loan performance in Kenyan microfinance institutions. The study found a negative and statistically significant correlation between credit risk management and return on equity, suggesting that excessive focus on credit risk management may harm the financial performance of microfinance institutions. In another study, Olalekan and Adeyinka (2016) examined the relationship between capital adequacy, bank profitability, and credit risk management in Nigeria using Fidelity Bank Nigeria PLC as a case study. The study did not find a conclusive link between credit risk management and bank performance in Nigeria. Keeton and Morris (2016) also found in their study that poor credit risk management strategies led to underperforming commercial banks, which decreased profitability..

2.12. Research gap and summary

Conceptually, research on the different impact of credit management on the performance of organizational loans produced uneven and ambiguous results. More significantly, the study discovered that researchers like Kisala (2018) had come to similar conclusions about how credit management influences organizational loan performance among financial institutions. As a result, the study will try to offer a definitive response regarding how credit management affects organizational performance.

According to Parrenas (2005), companies have long believed that the solution to the issue of credit management is the need to control risks such credit, interest rate, foreign exchange, and liquidity risk. Despite the fact that corporations are aware of counterparty and legal concerns, they do not consider them to be urgent. When counterparty risk is substantial, it is often evaluated by the credit department using well-established credit risk standards. The majority of enterprises would likewise believe that their credit decisions or, more likely, the inappropriate use of procedures when entering into financial contracts, are the main sources of legal problems.Additionally, there is a theoretical gap because none of the empirical studies discussed in the previous section attempted to explain how credit management and modern portfolio theory are related. Furthermore, none of these studies focused on Zimbabwe as a whole in-depth; rather, they each focused on a specific financial institution. Additionally, there is a geographic gap due to the fact that each nation has a unique set of financial conditions in which its financial institutions operate.

There is little information about credit management's impact on organizational performance in Zimbabwe, despite the abundance of literature on the subject. According to the literature, the majority of studies were carried out in the United States, Europe, Asia, west and east Africa, and the United Kingdom (Abiola and Olausi, 2014; Erol, Baklaci, Aydoan, and Tunç, 2014; Onaolapo, 2016). Given this situation, it is essential to look into how differently managing credit affects loan performance in Zimbabwe. Zimbabwe is culturally and economically distinct from developed western European nations like the United States, Asia, and Europe. As a result, this study made a significant contribution to the body of knowledge already in existence by using Microhub Financial Services, a microfinance company primarily based in Harare, as a case study.

The chapter includes several defenses of the tactics used by microfinance organizations made by authors from around the world. The researcher decided to investigate the success and failure of the discussed tactics as well as their viability in the context of Zimbabwean microfinance as a result of the literature that the scholar had read. The research techniques utilized to gather data will be the main topic of Chapter 3.

CHAPTER 3

RESEARCH METHODOLOGY

3.0.Introduction

The prior chapter engrossed on reviewing the theoretical and empirical literature related to credit management and loan performance. The aim of this chapter is to provide a recommended approach for data collection and analysis. To achieve the research objectives, a comprehensive approach is required. This chapter will cover the research design to be used, the target population of the study, the research sample and sampling strategies, the sources of research data, and the research tools to be utilized. Additionally, this chapter will discuss the research ethics, data accuracy and reliability, and a detailed plan for data presentation, analysis, and summary.

3.1.Research Strategy

Byrne (2016) suggests that a research strategy serves as the methodological connection between the tools utilized for data collection and analysis and the selected research paradigms. The selection of an appropriate research technique is influenced by several factors, including the nature of the research questions, the researcher's ability to influence behavioral occurrences, and the preference for current events over historical phenomena. In this study, a quantitative research approach was employed to investigate the various effects of credit management on loan performance in Zimbabwean microfinance institutions. (Baruch and Holtom, 2018)

According to Bell, Bryman, and Harley (2018) and Blaikie and Priest (2019), a quantitative research method is useful in describing observed phenomena and explaining likely linkages through surveys. The iterative process of evaluating data as hypotheses were created and tested was employed in this study. As the impact of credit risk management on organizational performance varies among commercial banks, the effectiveness of the selected quantitative research method depends on its ability to define the strength of mutually causal relationships between specific study variables.

The study's objectives were to identify, confirm, or validate any links and create generalizations that could aid in theory development (Bell, Bryman and Harley, 2018). In order to establish facts and identify patterns about the varied impact of credit risk management on organizational performance, the quantitative research technique used quantifiable data. The other benefit of utilizing a quantitative research technique was that it allowed the researcher to make objective, all-encompassing, context-free generalizations while. According to Creswell and Creswell (2017), the objectiveness of statistical investigation was emphasized in the quantitative research strategy. The quantitative research strategy, in contrast to the qualitative research strategy, was linked to the logical approach and involved highly structured processes to obtain information. This made it easier to remove unnecessary dynamics and enabled statistics that could be checked using homogenous evaluations.

3.2. Research Design

Research design, according to Orodho (2013), is a thorough plan that a researcher utilizes in expectation of receiving answers to the study questions. It outlines a strategy for data gathering, analysis, and measurement. Kothari (2012). According to Envi (2015), a research design is a plan for carrying out a study while also assisting the researcher in organizing and carrying out the investigation so that correct and dependable results may be obtained. According to (Bouma and Atkinson, 1995), a research strategy is a viable methodology to meet the study's defined research objectives, questions, and hypotheses.

3.2.1.Descriptive Research Design

According to Gill and Johnson (2014), the key goal of a descriptive survey is to address a specific demographic or topic at a specific moment. To address circumstances where comparison is required, this is done. Burns and Burns (2012) state that the goal of descriptive research is to establish the link between two variables. Its design takes into account information gleaned from both telephone interviews and observations. Moreover, Saunders et al. (2012) consider descriptive research design to be an approach that places a focus on figuring out how frequently occurrences occur. These factors were taken into account when the researcher used the descriptive study approach.

The researcher felt that descriptive language was required because she wanted to determine how credit management methods in a particular Zimbabwean microfinance institution affected loan performance.

3.2.1.1.Advantages

Large volumes of trustworthy data can be collected using a descriptive research design. Also, it makes use of a variety of measurement methods and instruments to conduct a thorough examination of the research issue. When employed in a case study, descriptive research employs strategies that improve a thorough and comprehensive analysis of the population under evaluation for more insightful results.

3.2.1.2.Disadvantages

Results from a descriptive research design cannot be used to prove or reject a hypothesis, according to information found at www.libguides.usc.edu (10/02/2023; 10:30am).

3.2.Case Study

Case study research enables the investigation and comprehension of difficult problems. According to Gerring (2013), the case study approach enables the researcher to carefully evaluate data within a particular context. A case study, according to Wegner (2014), focuses on one instance of a certain phenomena in order to give a detailed description of the interactions or experiences that occurred in that instance. Wegner (2014) claims that the purpose is to educate the general population through analysis of the particular.

According to Hamel et al. (2015), case studies allow for the analysis of data to take place in the actual scenario in which the activity is taking place. They also enable the st3.3udy of both quantitative and qualitative data. However, Yin (2012) found that case studies are frequently criticized for lacking rigor and that, in most cases, researchers were careless and allowed closed minded viewpoints to influence the direction of findings. For instance, in this study, the population was focused solely on Microhub Financial Services because the case study only examined one unit.

3.3.Target Population

According to Field (2019), the term "population" denotes to every individual or group of individuals, occasions, or objects that a researcher seeks to generalize the findings of their study to. According to Fox and Bayat (2015), a population is any set of finite or infinite objects that are being studied, from which a representative sample is taken for in-depth examination. Population is defined by Saunders et al. (2012) as the total collection of elements from which the researcher seeks to derive some information. The outreach manager (branch manager aside from the main branch), finance manager, risk manager, operation managers, back-office manager (reception staff), HOCC team, and a few selected loan applicants made up the study's target group. This population was deemed to be sufficiently representative for the purposes of this study.. This is due to the perception that staff from these divisions had more knowledge of credit management and loan performance.

3.4 Sampling Method

According to Bird and Cassell (2013), sampling is the intentional selection of a set of people who will supply information from which conclusions about a wider group that those people represent can be drawn. Burns and Burns (2012) continued by saying that a sample is a collection of a small number of the population being studied's constituents, but not the vast majority, that together paint a picture of the entire population. The complete community of 60 people was included in the study because it involved such a tiny group. The study census consisted of all general managers, financial managers, credit analysts, operation managers, loan officers, and a small number of chosen clients.

3.4.1.Census as a Sampling method

Farooq (2013) claims that the census method refers to the thorough counting of the cosmos. A cosmos is a location, a collection of individuals, or a particular region where data is gathered. Due to the small size of the research community, the study used a census sample method rather than enrolling every member of the population. According to Farooq (2013), the census approach is appropriate for a modest sample size, or when the universe is not too big. According to www.libguides.uac.edu (10/04/2023; 11:00am), data gathered via the census approach allows the researcher the chance to conduct a thorough analysis of a topic.This technique allows the researcher to gather a large amount of data. Furthermore, since everyone in the research community participates, using a census allows for higher levels of accuracy in the data that is gathered (Mugenda & Mugenda, 2003). When the population is small, no other approach is as accurate as the census method, Farooq (2013).

Table 3.1 below show the population sample:

Sample elements	**Target population**	**Interviewed**	**Questionnaire**
Outreach manager	4	1	4
Finance managers	1	1	1
Clerk and bookkeepers	3		5
Operations Manager	5	1	5
Risk Managers	3	1	3

Head office credit committee(HOCC)	4	1	4
Loan officers	20	1	20
Back office managers	4		4
Reception team	6		6

3.5.Sources of Data

Raw facts that serve as evidence of a study's validity can be referred to as data, according to Kihn and Inantola (2015).

3.5.1.Primary Data

Harrison and Reilly (2012) define primary data as originated source of information, implying that it consists of firsthand knowledge. As this study required data specifically collected for this purpose, primary data is critical. There are various methods for obtaining primary data, including experiments, surveys, questionnaires, interviews, and observations, as noted by Rendell and Ryzin (2014). The inherent value of primary data lies in its ability to focus on a specific topic. For example, questionnaires or interviews can be designed to collect only relevant information, according to Blaxter et al. (2013). Therefore, the primary method of collecting data for this study was through the use of questionnaires.

3.5.1.1.Advantages

Consistently, important information pertaining to the research aims and questions is gathered. An great strategy for gathering opinions from respondents is to get in touch with the respondents who are most closely related to the topic and ask them questions.

3.5.1.2.Disadvantages

It should be emphasized, however, that the data collection procedure requires some time commitment because it necessitates the distribution of questionnaires, the conduct of interviews, and the gathering of pertinent responses. To guarantee that the data is relevant to the study and minimize bias, care must be taken throughout data collecting.

3.5.2.Secondary information

Secondary data, as described by Taylor (2015), is information that has already been obtained and is accessible from other sources. It can also be seen as other people's research, specifically collected primary data that is taken into account in various presentation design. Wairimu (2015) added to the description above when he stated that secondary data is information that has been gathered and used for a different purpose in another research problem. The primary sources are supported by secondary sources. Newspapers, corporate publications, as well as information from past financial statements, served as the primary sources of secondary data for this study.

3.5.2.1.Advantages

It is easily accessible, inexpensive to acquire, and amenable to analysis over a fair amount of time. Due to the non-obstructive way that secondary data is acquired, other people's confidentiality is not compromised. Accessing data means passing on Taylor after respondents had already done so (2015).

3.5.2.2.Disadvantages

Wairimu (2015) asserts that in some circumstances, secondary data may not be accurately matched to current scenarios, leading to inaccuracy. Data can age or become out-of-date. Taylor (2015) adds that because researchers' demands vary, using secondary data alone is insufficient for the current research. Since certain secondary data did not apply to the target group, the researcher was left with a little amount of data, mostly from primary sources.

3.6.Research Instruments

According to Godfred (2013), research instruments are resources employed during the data collection process. The research was carried out using a variety of instruments, including conducting interviews, making observations, and distributing questionnaires. Since each research instrument is tailored to a certain field, it is desirable to combine and contrast various research instruments. Before conducting interviews, gather crucial information about the subject by filling out questionnaires to clarify any questions that weren't fully answered or understood.

Using many equipment makes triangulation easier. Triangulation, according to Scheurich (2012), is the process of using multiple instruments in a single study to ensure that the data produced is consistent with the researcher's claims. The employment of various research instruments, in this example interviews, questionnaires, and the examination of secondary data, is justified by the fact that each research instrument has strengths and disadvantages on its own.

3.6.1.Questionnaires

Respondents were surveyed using standardized questionnaires to gather primary data. Since they were simple to analyze and greatly reduced the amount of time needed for data collection, questionnaires were chosen for the study (Nikoli, Muresan, Feng, and Singer, 2016). Respondents were able to express a lot of their ideas about the issue being examined using the questionnaires (Root, Fellows and Hancock, 2015). The open-ended and closed-ended questions on the questionnaires were based on the goals of the research. To encourage simplicity in responding to the questions, the majority of the questions were closed-ended, according to Scheurich (2012). The anonymity of the responders was another benefit of questionnaires. As a result, since some of the information required was sensitive, honest responses were attainable.The ability to complete questionnaires at their own pace provided respondents with another convenience (Babbie and Mouton, 2015).

Lin, and Song (2015), Gehrig and Stenbacka (2016), and Marcucci and Quagliariello were used to assess credit risk evaluation metrics in 2019. Additionally,Musyoki and Kadubo were used to obtain risk identification measures. Krawczyk's questions (2019) and Acemoglu, Ozdaglar, and Tahbaz-Salehi's (2015) research on the impact of know your customer policies on organizational performance were also utilized.

All of the closed-ended questions were graded on a five-point Likert scale. A five-point Likert scale measuring from one = strongly disagree to five = strongly agree was used to score the questionnaire's items. It is common practice to assess people's attitudes, knowledge, values, alterations in behavior, and opinions using a five-point Likert scale (Pernecky, 2016). Also, there is evidence that the scale is superior to alternative formats for assessing attitudes and doing behavioral psychometric analysis of responders (Hashim, 2017). The statements were meant to illustrate several facets of the same mindset using a five-point Likert scale (Robson and McCartan, 2016). The five-point Likert scale improved the generation of extremely accurate results during analysis and when submitted to mathematical analysis computation (Maclntosh and O'Gorman, 2015).

Table 3.2 Likert Scale

Item	Strongly Agree	Agree	Uncertain	Strongly Disagree	Disagree
Rating					

Source : Remenyi 2008

As they are more flexible and can accommodate a wider range of respondents, questionnaires have been chosen for use in this study. As respondents are not under pressure to reply to questions at times that may not be convenient for them, they also lessen bias in responses. Godfred (2013). (2013). Closed-ended questions also made it easier to standardize responses, which made it easier to understand study data. Scheurich (2012) (2012) Nevertheless, questionnaires also restricted the researcher's ability to pose probing questions; however, this drawback was mitigated by using interviews in addition to the surveys. Furthermore, administering them cost money.

3.6.2.Interviews

Structured interviews were also used in this study to supplement questionnaires for the gathering of primary data. Since senior managers inside the organization were targeted for the interviews, it was anticipated that they would be better qualified to extract information about the study's focus, which is credit management and loan performance. Scheurich(2012). In order to facilitate data processing, the interview structure was also dictated by the research objectives. Respondent responses were recorded on the interview guidelines. There will be a variable amount of interviews conducted.

3.6.2.1.Face to face interviews

Face-to-face interviews, as defined by Saunders et al. (2012), are conversations between the researcher and respondents who are present during the data collection process. The interviewer can ask more questions during this specific form of interview, which is a benefit. It also enables quick feedback. This type of interview was expensive and time-consuming to conduct, and the questions were kept brief and precise, which limited the depth of the data acquired. However, the interviewer could read silent communication and face gestures, resulting in the collecting of more accurate information.

3.6.2.2.Telefonic Investigations

This is the process of speaking with respondents over the phone to collect research data. The use of telephone interviews has benefits, including being economical. Saunders and other (2014). In addition, a bigger sample of respondents was interviewed in a short period of time, allowing for better data collection time management. Jalil (2013), however, believed that the use of telephones reduced the quantity of data that could be acquired because a respondent can purposefully hang up the phone to avoid answering specific questions. When respondents are subjected to a similar set of objectives, structured interviews were used in the study because they increase the trustworthiness of research findings. Godfred (2013).

3.7.Data Analysis and Presentation Methods

The process of acquiring, modeling, and translating data into useful information, hypotheses, and decision-supporting evidence is known as data analysis (Hair, Babin, Money & Samouel, 2015). The data will be organized before being analyzed and presented, and this required putting the data into a systematic format. The process of data analysis will start once the data have been gathered, edited, coded, and loaded into the computer using SPSS 20 software.

Both descriptive and inferential statistical methods were used for this particular investigation. Mean scores, standard deviations, frequencies, and percentages are examples of descriptive statistics. The association between corporate brand image and consumer happiness was determined using inferential statistics like regression and correlation.The relationship between two or more variables was examined using Pearson's correlation. No link exists if $r = 0$; however, if $r = 1$ or -1, a perfect association with positive and negative effects, respectively, is indicated (Blumberg, Cooper & Schindler, 2014). According to theory, the higher the correlation between two variables, the more closely related they are to one another (Vaziri &Mohsenzadeh, 2012). Another factor to take into account while analyzing the correlations between variables is the direction of relationships among the variables. A positive correlation shows that the relationship is moving in the right direction. As the procedure involves a personal appeal, there will be a negative correlation, and the researcher will be able to facilitate accuracy in the data collecting.

Regression analysis demonstrated the independent variables' predictability (contribution to the dependent variable). The proportion by which the independent factors influenced the dependent variable was examined using the coefficient of determination (R2). It showed the percentage of the dependent variable's variance that was attributable to the independent variable.

According to Creswell and Creswell (2017), the regression model made the following assumptions: that the variables are normally distributed, that the independent and dependent variables have a linear connection, that the variables are measured accurately, and that the variables are homoscedastic. One-way ANOVA was employed in the study along with regression analysis. According to the study's goals, a one-way ANOVA was employed to assess differences in various population averages.

The Cronbach's alpha test was used to evaluate each of the quantitative data sets in order to determine their reliability. The Cronbach alpha value, which ranged from 0 to 1, should ideally be greater than 0.7. (Saunders et al., 2015). Lower than this value denoted unreliability. The Shapiro-Wilk test was performed to determine whether the population-level distribution of the study variables was normal. The results from the study were presented in numerous ways, including figures, graphs, charts, and tables.

3.8.Reliability and Validity

Concepts like validity and reliability are used to assess the caliber of research. They demonstrate how accurately a methodology, method, or test measures something. The researcher was able to produce positive results thanks to the validity and reliability of the scales employed in the investigation. This makes it important to comprehend how the study's measurements of reliability and validity were accurate. The researcher's methods for validating and evaluating reliability are described in this section.

3.8.1. Reliability

Due to the reliability of the current study, it was possible for other researchers studying corporate credit risk management and loan performance to replicate it. Cronbach's alpha was used to assess the study instrument's internal reliability for this purpose. Because the researcher had adapted questionnaire items from other researchers, it was crucial for this study. The Cronbach Alpha method was employed by the researcher to evaluate the consistency of the responses when results were expressed as a number between 0 and 1. For a research instrument to be deemed reliable, the Cronbach alpha value must test above 0.7, according to Saunders, Lewis, and Thornhill (2019).The following characteristics were examined for reliability in this study: organizational performance, risk identification, know your customer policy, and credit management monitoring. Furthermore, because businesses in the same industry are anticipated to behave similarly, the study of a specific firm ensured that the researcher concentrated on the organizational environment. The reliability of the research tool was further evaluated using test-retest reliability.

Using the Cronbach's Alpha Coefficient formula, the reliability was computed as follows:

$$\rho_{KR20} = \frac{k}{k-1}\left(1 - \frac{\sum_{j=1}^{k} p_j q_j}{\sigma^2}\right)$$

Where

k is the number of inquiries

pj is the proportion of sample members who correctly responded to question j.

qj is the number of sample members who incorrectly responded to question j.

The total variance of all test takers' scores is 2 and is equal to VARP(R1), where R1 is an array containing the total scores of all test takers.

Values are between 0 and 1. A high score denotes dependability, but an excessively high value (above.90) denotes a homogeneous test.

3.8.2.Validity

Simple and unambiguous questionnaire questions were utilized to guarantee the research's validity. To further check that the questions on the questionnaire were clear, devoid of bias, and unambiguous between the respondent and the researcher, a pilot study with ten respondents was also undertaken. Ten respondents were chosen at random from the sampling frame to take part in the pilot study—five men and five women. To determine if the responders correctly comprehended the questions, their comments was examined. The pilot study so verified that the respondents' comprehension matched the intended meaning of the research questions. The results of the pilot test were used to modify the questionnaire as needed.

The researcher's decision to conduct the survey was motivated by the desire to obtain accurate responses from the participants. The researcher used the content validity approach, in which the questionnaire items were examined by the supervisor and colleagues for screening and endorsement to ensure content legitimacy, to ascertain the correctness of responses from respondents.

3.9.Ethical Considerations

The appropriateness of behavior in respect to the rights of persons who became the study's subjects or were otherwise impacted by it is referred to as research ethics (Gogtay and Thatte, 2016). The researcher also noted that this study took into account the ethical concerns surrounding the data collecting and study execution as a whole in addition to the researcher's requirements and interests Kothari (2012). As a result, the researcher upheld confidentiality by keeping the respondents' identities a secret. The researcher also took full responsibility for the study's implementation as a whole, and she also tried to get respondents to contribute voluntarily by making it very obvious why the study was necessary Bansal (2014).In order to obtain their informed consent and inform them of the study's findings, the research subjects were also briefed before and after the survey. Also, the researcher made sure that the study's findings were only used for research and to address the business in question's economic issues. The researcher also made sure that he only employed approaches for which he was trained, educated, and experienced. The researcher would always ask the research community for clarification, especially the immediate supervisor and research colleagues.

3.10.Chapter Summary

The approach employed in this investigation has been described in this chapter. Research design, study strategy, population and sampling methodologies, data collection tools, data processing techniques, validity and reliability of the research, and research ethics were all discussed. The study's findings and analysis are presented in

CHAPTER 4

RESEARCH FINDINGS

4.0. Introduction

The previous chapter made clear that data was gathered through a methodical survey. Therefore, this chapter explains how the data was analyzed, presented, and evaluated in order to meet the study's objectives. To clearly demonstrate the impact of credit management on organizational loan performance, data were displayed in charts and tables. In order to better contextualize the results, the statistically analyzed findings from this study were compared to findings from earlier studies. The study model's validity and applicability in understanding the cause-and-effect relationship among credit management and loan performance was the chapter's primary strength. To make judgements, draw conclusions, and compile a summary for the study, raw data were taken from the questionnaires and interviews that were conducted.

4.1.Response Rate

The Microhub Staff received a total of 50 surveys, which was sufficient to reach the majority of the intended audience. The researcher was able to obtain 48 completely completed surveys from the ones given to the staff member The questionnaires that were returned had a 96% response rate. The other 4 percent of respondents who did not return their questionnaires cited hectic schedules and a lack of free time as their excuses. The response rate for the study is shown in Table 4.1 below.

Table 4.1. Response Rate table

Group	Distributed Questionnaires	Authenticated Response Frequency	Authenticated Response Rate
Staff Members	**50**	**48**	**96%**
Total	**50**	**48**	**96%**

Source :Survey Fieldwork (2023)

With particular reference to Microhub Financial Services, the survey study, as seen in table 4.1 above, had a high response rate of 96%, which was adequate to draw conclusions and make recommendations on issues relating to the different influence of credit management on loan performance. Additionally, Hair, Wolfinbarger, Money, Samouel, and Page (2017) advise that response rates to surveys of 70% or above be considered sufficient for drawing relevant statistical inferences and conclusions. Babbie and Mouton (2018), who contend that response rates above 50% are appropriate and satisfactory while rates above 70% are exceptional, support this as well. Because of the study's high response rate, statistical examination of the various effects of credit management on loan performance was possible.

4.1.2.Demographic Analysis

The demographic profiles of the various responders in the company are presented in this part along with research data.

Table 4.2 : Demographic Analysis for Microhub Staff

		Frequency	**Percent**
Gender	Male	35	72.92
	Female	13	27.08
	Total	**48**	**100**
Age	18-25	12	25
	26-35	19	39.58
	36-45	10	20.83
	46yrs and above	7	14.58
	Total	**48**	**100**
Educationa Levels	Master's degree	10	20.83
	Bachelor's degree	22	45.83
	Diploma	7	14.58
	Cericificate	9	18.75
	Total	**48**	**100**
Position Held	Outreach Manager	4	8.33
	Finance manager	1	2.08
	Clerk and bookkeepers	3	6.25
	Operations Manager	5	10.42
	Risk Manager	3	6.25
	HOCC	2	4.17
	Loan Officer	20	41.67
	Back Office Manager	4	8.33

	Recepionist	6	12.50
	Total	**48**	**100**
Length in the Position	1-3-yrs	22	45.83
	3-5-yrs	19	39.58
	5-10yrs	7	14.58
	over 10yrs	0	0
	Total	**48**	**100**

Source (Field work 2023)

According to the findings in table 4.2, 27.08% of respondents were female and 72.92% of respondents were men. This suggests that the study had a sufficient representation of both genders. In order to ascertain the gender distribution of duties and responsibilities in the various departments, it was critical to record the gender differences among the respondents.

In terms of the respondents' ages, the results indicate that 25% of them were between the ages of 18 and 25; 39.58% were between the ages of twenty-six and thirty-five; 20.83% were between the ages of thirty-six and forty-five ; and 14.58% were over the age of 46. This indicates that Microhub employed individuals between the earliest employment age and the oldest employable age.

Additionally, the findings indicate that the majority of respondents were single. The data gathered indicated that loan officers were the position with the highest percentage of single people. This is because the majority of them were males who had recently received their bachelor's degrees.

According to data on respondents' educational backgrounds, 20.83% of respondents held master's degrees, 45.83% of respondents held bachelor's degrees, 14.58% of respondents held diplomas, and 18.75% of respondents held certificates. This suggested that respondents had a variety of educational backgrounds, which widened the range of information gathered from the least to the most qualified respondents.

None of the respondents had kept their positions for longer than 10 years, based on information on length of employment, with the exception of 45.83% of respondents who had been in their jobs for one to three years, 39.58% of respondents who had been in their jobs for three to five years, and 14.58% of respondents who had been in their jobs for five to ten years. This suggests that most of the respondents have worked at Microhub Financial Services for an average of 4 years.

4.3 Diagnostic Test

Since there was no qualitative component to the investigation, it was crucial to do several diagnostic tests before beginning any statistical analysis. For this investigation, the Kolmogorov-Smirnov-Shapiro-Wilk test and Cronbach alpha were used to examine the variables' internal consistency and normal distribution, respectively. The next section provides an explanation of them.

4.3.1.Reliability of the Measuring Instrument

Through Cronbach's alpha, the study evaluated the reliability of the study constructs and their internal consistency.

Table 4.3 shows the results.

	Reliability Statistics	
	Cronbach's Alpha	N of Items
Client Appraisal	0.895	4
Credit risk control	0.762	4
Collection policies	0.723	4
Loan performance	0.821	6

Data field(2023)

The range of Cronbach's Alpha values is typically 0 to 1, with higher values indicating greater reliability of the study variables. Table 4.1 shows that all variables of the study had Cronbach Coefficients higher than 0.7. The Cronbach's Alpha coefficients should be above 0.7 to be considered acceptable, while higher coefficients indicate greater reliability, as stated by Purpura (2018). Low reliability makes it challenging to believe that the data collected is measuring accurately (Baruch & Holtom, 2018; Bell, Bryman & Harley, 2018).

4.4 Data analysis

In order to address the study's goals, the credit management and loan performance research results were presented and examined in this part. To accomplish the research objectives and inferences drawn therefrom, the researcher employed graphical depictions to assess the data collected from the field and regression analysis to apply to find correlations between variables.

4.4.1.How do you categorize the level of loan performance for the organization's existing loan portfolios?

The study's goal was to evaluate the performance of the company's loan portfolios. Respondents were questioned about the loan performance of the company's loan portfolios, and the results are displayed below.

Table 4.4 .Microhub Financial Services Pvt Ltd.'s Loan Portfolio Performance

Loan Performance	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree	Frequency
Performing	9	8	0	0	0	17
Indifferent	4	2	0	0	0	6
Non - Performing	15	8	2	0	0	25

Source :Research Findings (2023)

As can be seen from table 4.4 above, the majority of respondents (approximately 52%), represented by a frequency of 25, thought that the organization's current loan portfolios mostly consisted of non-performing loans, whereas 35%, represented by a frequency of 17, shared this opinion. The remaining respondents (13%) responded that they are unclear, as shown by a frequency of 6.

According to Saba et al. (2012), loan defaults have significantly harmed financial markets since they have led to a decline in credit quality and loan performance. As performance of such services continues to be hampered, a major area of worry in the supply of financial services is the rising numbers of delinquent loans and portfolio at risk indices. The Reserve Bank of Zimbabwe's microfinance industry reports indicate that portfolio quality, with a portfolio at risk rate of approximately 24.28%, is the industry's biggest concern. The results of this study are in line with those of Makunike (2013) and Chikoko et al. (2012), whose research found that a high percentage of non-performing loans and a decline in asset quality were aggravating factors in microfinance enterprises' lack of enough funding.

4.5.Inferential statistics

4.5.1.The Model Summary

Table 4.5 Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675[a]	.550	.537	.12733
a. Predictors: (Constant), Collection_Prac, Credit_Risk, Client_App				

Table 4.5 above shows the model fit which establish how fit the regression equation fits the data. As shown in the table, the computed coefficient of determination value was 0.537 which explained the extent to which changes in loan performance could be explained by the change in client appraisal, credit risk control an collection policies variables. The findings, thus, indicated that 53.7% variation in loan performance within Microhub Financial Services could be explained by the combined variations in the three independent variables of client appraisal, credit risk control and collection policies investigated in the study In conclusion, it can be stated that credit risk management plays a significant role in enhancing loan performance in microfinance institutions. These findings are consistent with Adeusi, Akeke, Adebisi, and Oladunjoye's (2014) survey on the relationship between risk management and loan performance of lenders in Nigeria, which settled that credit risk management practices had a positive impact on organizational performance. The results concurred with those of Fathi, Zarei, and Esfahani (2016), who looked into how financial risk management affected return on equity among a sample of Rwandan lending institutionsAccording to the study's findings, credit risk measures including risk identification and risk monitoring had a good impact on the performance and survival of the organization. According to Ntiamoah, Egyiri, Fiaklou, and Kwamega (2019), there was a strong positive link between business performance and credit conditions, credit analysis and assessment, and credit risk control.

One-way ANOVA analysis

The one-way ANOVA analysis was used to determine whether there was a statistically significant relationship between the dependent variable (loan performance) and the independent variables (client appraisal, credit risk control and collection policies). The results are shown in table 4.6 below:

Table 4.6 One Way ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.550	3	4.517	278.576	.000[b]
	Residual	.713	44	.016		
	Total	14.263	47			
a. Dependent Variable: Loan_Per						
b. Predictors: (Constant), Collection_Prac, Credit_Risk, Client_App						

Data field (2023)

From the above findings in table 4.6 the significance column provided p-value of 0.000 which meant that the null hypothesis was true. As such, there was a significant relationship between credit risk control and loan performance at Microhub. The F value of 278.576 was quite a high value and this affirmed the model to be a good fit. Hence, the model was appropriate in predicting the deferential effect of credit management tactics on organizational performance with particular reference to Microhub Financial Services.

4.5.3.Regression Analysis

Table 4.7 Regression Model Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.057	.072		.784	.437
	Client_App	.533	.137	.523	3.889	.000
	Credit_Risk	.670	.112	.558	5.970	.000
	Collection_Prac	.081	.177	.078	.460	.648
a. Dependent Variable: Loan_Per						

Data field (2023)

From Table 4.8 above, it can be stated that taking all factors into account (client appraisal, credit risk control and collection policies) constant at zero, credit risk control effect on loan performance 0.057. The findings also showed that a unit increase in client appraisal would lead to a 53.3% (β = 0.523, p-value = 0.000) increase in loan performance among the firm whilst a unit increase in credit risk control would lead to a 67% (β = 0.558, p-value = 0.000) increase in loan performance within the firm. In addition, it was revealed that a unit increase in credit collection would lead to a 81% (β = 0.078, p-value = 0.000) increase in loan performance within the firm.

Table 4.8 Correlation Table

Correlations		
		Loan_Per
Client_App	Pearson Correlation	.544**
	Sig. (2-tailed)	.000

	N	48
Credit_Risk	Pearson Correlation	.650**
	Sig. (2-tailed)	.000
	N	48
Collection_Prac	Pearson Correlation	.148**
	Sig. (2-tailed)	.238
	N	48
Loan_Per	Pearson Correlation	1
	Sig. (2-tailed)	
	N	48
**. Correlation is significant at the 0.01 level (2-tailed).		

Data field 2023

From the above table ,correlation exist to show the direction of the association, strength of the association and significations of the association .From the above table ,it can be seen that there is a positive direction between Client Appraisal and loan performance. This is shown by a +0.544. Also from the correlation , it can be seen that there is moderate positive correlation between Loan performance and client appraisal. The significance (p) of the association is 0.000 which proves there is a significant relationship. From the table above it can be seen that there is a strong positive relationship between credit Risk Controls and loan Performance this means an increase in credit risk controls would lead to a positive result of 65% towards loan performance . The significance (p) of the association is 0.000 which proves there is a significant relationship. It can be seen also that there is a weak relationship between collection policies and loan performance as it can seen by +.148 .This means that as a firm puts more of its focus on collection policies , it will only increase the firm's loan performance by 14.8% .The significant was 0.238 which signifies that the results occurred by chance not by the effect being studied .

4.6. Credit management Strategies

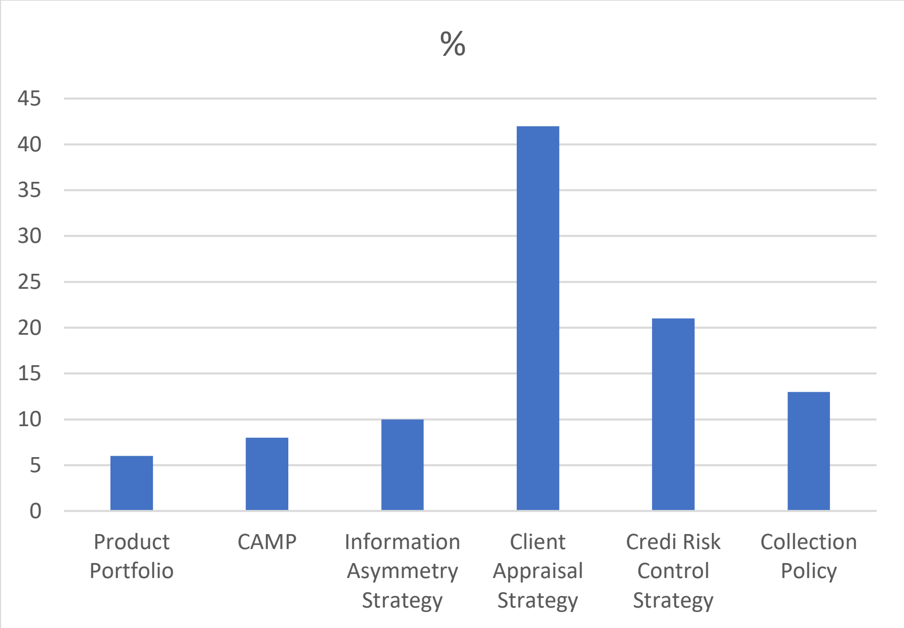
Evaluation of Microhub Financial Services' credit management procedures was one of the study's goals. The researcher continued to investigate these tactics and how well they affected the organization's loan performance. The following table displays the respondents' opinions of the firm's credit management practices and how well loans are performing as a result.

Table 4.9. Credit Management Strategies

	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
Product Portfolio	1	2		0	3 6%
CAMP (capital asset pricing model) strategy	3	1		0	4 8%
Information Asymmetry Strategy	0	5		0	5 10%
Client Appraisal Strategy	12	8	0	0	20 42%
Credit Risk control Strategy	7	3	0	0	10 21%
Collection Policy	5	1	0	0	6 13%

Source :Research Findings (2023)

Fig 4.1:Implementing of credit management techniques By Microhub Financial Services



The replies to the credit management strategies the organization used were noted in the table. 8% of respondents supported the capital asset pricing mechanism (CAPM), whereas 6% supported the product portfolio adoption. The information asymmetry technique received 10% of the responses. Client evaluation appeared to be the most often employed practice based on its 42% response rate. Response rates for Credit Risk Control and Collection Policy were respectively 21% and 13%. In conclusion, the organization implemented all credit management techniques. The adopted tactics, however, are not being used to their utmost extent based on the outcomes. According to Nzotta (2014), a business can only succeed if it carefully controls its credit. She underlines the significance of credit management practices.

The majority of respondents noted that the most frequently employed method is client appraisal. Client appraisal was the most popular credit management approach, based on a 2012 study by Moti et al. on the effectiveness of loan performance on credit management systems used by Kenyan microfinance institutions.

4.6.1 Credit standards and loan performance

The researcher also investigated how credit standards impact loan performance as part of the investigation.The following table displays the information from the findings.

Table 4.10. Effect of credit standards on loan performance

Statement	Averaged Rating out of 10
To control credit risk, a credit standard has been put in place.	6
Credit standards lessen the risk of having bad credit.	5
The borrower's credit worth is determined in part by credit standards.	6
The borrower's credit worth is determined in part by their past behavior.	8
Credit repayment capacity is also influenced by market conditions.	7
Losses from loan default are reduced by stricter credit requirements.	8

Source :Research Findings (2023)

The responses from the respondents regarding how the various credit requirements applied by the firm effect loan performance were displayed in Table 4.6.According to the findings' median of 6, the majority of respondents claimed that credit criteria are in place to manage credit risk. Additionally, the results indicate that with a mean of 5, the majority of respondents agreed with the statement that credit rules reduce exposure to bad credit. Additionally, the results of the study showed that, on average, the majority of participants agreed with the statement that credit standards assist establish borrowers' credit quality. This was witnessed by an average score of 6 out of 10.Additionally, with a mean of 8, the findings revealed that most respondents believed market conditions affected their ability to repay debts. Furthermore, with a mean of 8, the majority of respondents said that tougher credit rules lower losses on loan default. This suggested that the majority of the Microhub Staff supported this assertion.

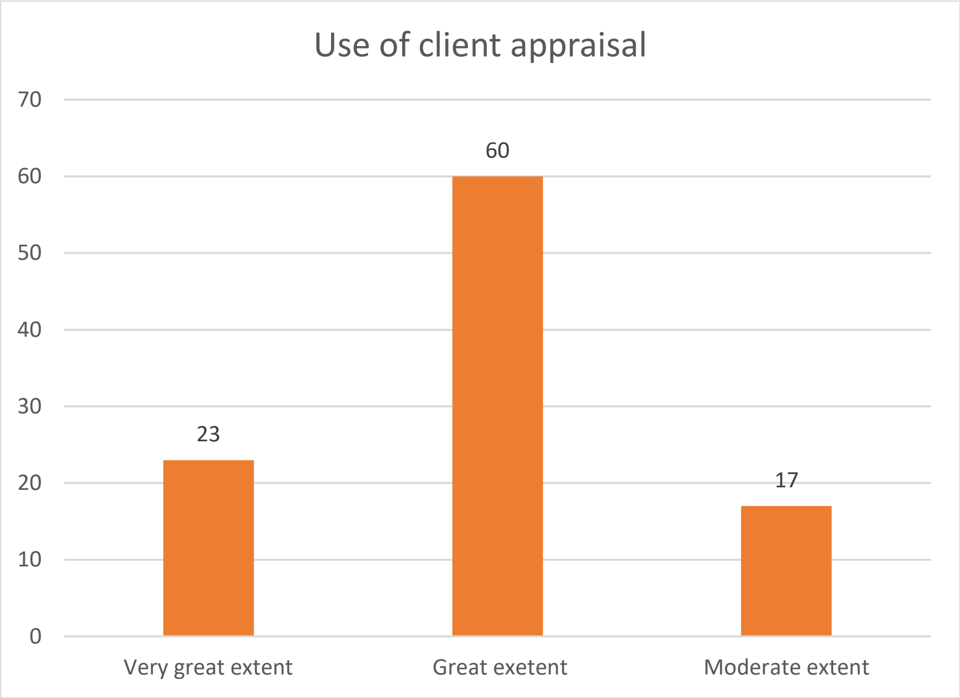
4.6.2.To what extent does Microhub Financial Services uses client appraisal in Credit Management?

Table 4.11.Client Appraisal in Credit Management

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Very great extent	6	5	0	0	0	11
Great extent	7	22	0	0	0	29
Moderate extent	3	4	1	0	0	8

Source :Research Findings (2023)

Fig 2. Extent to which Microhub uses Client Appraisal Credit Management



Source: Research Findings (2023)

The study looked into how much client evaluation was employed by Microhub for credit management. Figure 4.2 shows the findings, which show that the company used client appraisal in credit management to a significant degree. Of the respondents, 60% indicated to a great extent, 23% indicated to a very great extent, and 17% indicated to a moderate extent. In conclusion, the majority of respondents emphasized that customer appraisal is being employed more frequently.

The findings corroborated literature by Baiden (2013) who noted that a financial company is more likely to experience liquidity issues if it does not value client appraisal**.**

4.7 Client Appraisal

The researcher created questions to assess the level of customer evaluation in Microhub Financial services because one of the goals of the study was to determine the impact of client appraisal on loan performance. The information below relates to the degree of agreement with customer evaluation.

4.7.1. What is your level of agreement on the following statements relating to client appraisal at Microhub (Pvt) Ltd?

Table 4.12 Level of agreement on client appraisal

Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
The most effective credit management technique is client appraisal.	14 29%	25 52%	9 19%	0	0	48
Customer appraisal takes into account the characteristics of the clients requesting credit facilities.	13 27%	31 64%	4 8%	0	0	48
When valuing a client, collateral-related factors are taken into account.	29 60%	17 35	2 4%	0	0	48
Failure to assess customers capacity to repay results in loan defaults	32 67%	12 25%	2 4%	0	0	48

Source :Research findings (2023)

The study's objective was to ascertain the degree to which participants agreed or disagreed with the aforementioned statements on client evaluation at Microhub Financial Services. According to the data in the above table, the majority of respondents (52%) agreed that client appraisal is a practical credit management strategy. 64% of respondents in total agreed that client evaluation takes the nature of the clients requesting credit facilities into account. 60% of those surveyed strongly agreed that factors related to collateral are taken into account when valuing clients. According to 67% of the respondents, loans default when consumers' ability to repay is not considered.

The aforementioned claims contradict Ruth's (2014) claim that most financial institutions typically use collateral to substitute other client appraisal methods. The findings show that the business also uses other client evaluation techniques, like character and capacity.

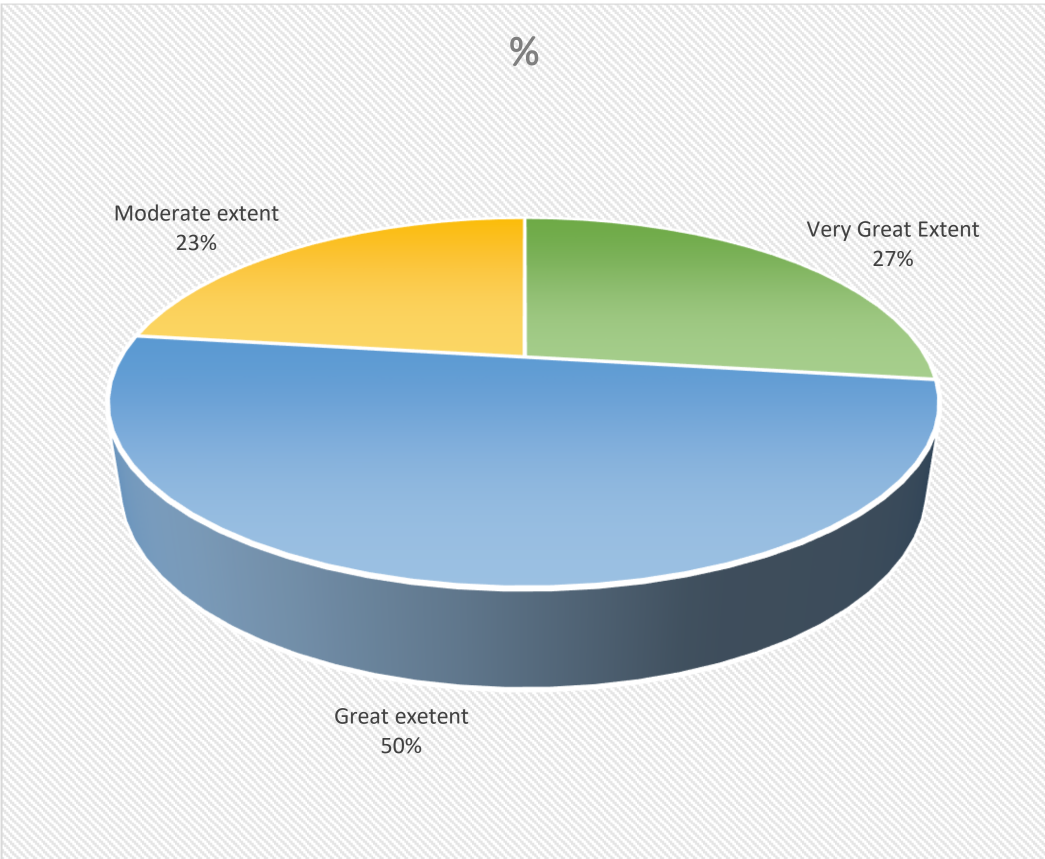
4.8.Credit Risk control Applicability at Microhub Financial Services

The applicability of credit risk controls at Microhub Financial Services was one of the areas that was looked into. The following table summarizes the opinions of the personnel regarding the implemented credit risk controls.

Table 4.13 :Use of Credit Risk Controls in Credit Management

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Very great extent	8	5	0	0	0	13 (27%)
Great extent	13	11	0	0	0	24 (50%)
Moderate extent	5	6	0	0	0	11 (23%)

Fig 4.3 Showing the extent to which Credit Risk Controls are used at the organization



Source :Research Findings (2023)

The results of the investigation showed that, 50% of respondents said that Microhub Financial Services (Pvt) Ltd uses credit risk control in credit management to a great extent, 27% said to a very great extent, and 23% said to a moderate extent. This implies that the business employs credit risk management and credit risk control extensively. In general, most respondents concurred that credit risk control was being employed more frequently.

Although credit risk is unavoidable in the money lending industry, Baesens and Van Getsel (2015) stated that it is unquestionably managed as shown by the aforementioned facts. The implementation of credit risk controls demonstrates that the business works to reduce the likelihood of borrowers failing to uphold their obligations.

The researcher created questions to determine the organization's level of credit risk control.

4.8.1 What is your level of agreement on the following statements relating to credit risk control in Microhub financial sevices .

4.14. Level of agreement on Credit Risk Controls

Statement	**Strongly agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**	**Total**
Credit committees involvement in decision making regarding loans are essential in reducing defaults	25 (52%)	17 (35%)	**6 (13%)**	**0**	**0**	**48**
The use of credit checks on a regular basis enhances credit management	19 (40%)	28 (58%)	**1 (2%)**	**0**	**0**	**48**
Delinquency management is a viable tool in credit risk	16 (33%)	32 (67%)	**0**	**0**	**0**	**48**
Loan product design enhances customer commitments to loan repayment	10 (21%)	38 (79%)	0	0	0	48

Loan rescheduling improves the performance of loans in the company.	9 (19%)	38 (79%)	1 (2%)	0	0	48
Interest rates charged affect performance of loans in the company	39 (81%)	9 (19%)	0	0	0	48

Resource :(Field Data 2023)

The goal of the study was to ascertain how strongly respondents agreed or disagreed with the claims made above regarding Microhub Financial Services (Pvt) Ltd.'s credit risk controls. According to the research, 52% of respondents strongly agreed that incorporating the credit management committee in loan decision-making is crucial for lowering credit risk. The table above summarizes the study's findings. 35% of respondents agreed as well, while 13% expressed uncertainty. Interviews revealed that the level of defaults began to drop after the creation of a credit committee.

When the researcher questioned respondents if regularly using credit checks improved credit management, 40% strongly agreed, 58% agreed, and 2% were unsure of their level of agreement. Churchill and Caster (2011) proposed that it is typical for borrowers to be willing but unable to pay due to difficulties in the macroeconomic climate, necessitating frequent credit checks.

Delinquency management is a practical method for reducing credit risk, according to other respondents (33%) and 67%. The following responses were given to the idea of using loan product design as a better instrument for debt settlement: 21% strongly agreed and 79% agreed. According to Dhakal (2013), the management of a financial company's loan portfolio should be highly valued because delinquent loans have significant effects on it.

Regarding the claim that loan rescheduling affects the performance of loans in the organization, respondents indicated their agreement in the following ways: 79% agreed, 19% strongly agreed, and 2% were unsure. However, Oleskiw (2011) asserts that financial institutions frequently disregard the need to exercise caution when rescheduling loans because it may be riskier and only necessary in emergency situations.

In response to a question on whether interest rates have an impact on how well loans perform, 81% strongly agreed and 19% agreed. According to the results of the interviews, reduced interest rates made it easier for clients to pay their bills because borrowing was less expensive.

4.9.Collection Policy

The study also sought to determine the impact that collecting practices have on the organization's loan performance.The following information was gathered by the researcher:

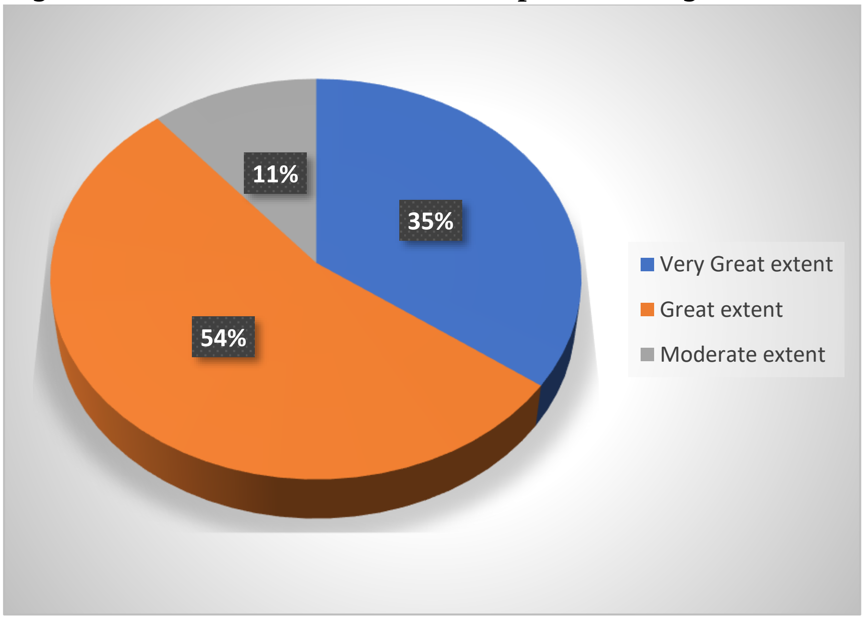
To what extent does Microhub Financial Services use collection policy as a credit management strategy?

Table 4.15. Use of collection Policy

	Strongly Agree	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**	**Total**
Very Great Extent	7	10	0	0	0	17 (35%)
Great extent	9	17	0	0	0	26 (54%)
Moderate Extent	5	0	0	0	0	5 (11%)

Resource : Field Data 202

Fig 4. 4.To what extent does collection policies being used at Microhub Financial Services



Source: Field Data 2023

According to the data gathered, the majority (54% of respondents) agreed that collecting policies were being applied in a significant way. The remaining 35% and 11% were in agreement that there were very strong and moderate collection policies in place.

4.16..Level of Agreement on Collection policies .

Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Accessible collection practices have aided in efficient credit management.	12 (25%)	30 (62%)	6 (13%)	0	0	48
The development of collection policies has proven difficult for credit management.	0	15 (31%)	5 (10%)	28 (59%)	0	48
In the event of loan defaults, chances for loan recovery are increased by the enforcement of guarantee rules.	33 (69%)	10 (21%)	5 (10%)	0	0	48
Legal action improves the recovery of past-due loans.	35 (73%)	13 (27%)	0	0	0	48
Employee incentives are beneficial in enhancing debt recovery.	40 (83%)	6 (13)		2 (4%)	0	48
To enhance the status of credit management, collection policies have undergone routine assessments.	18 (38%)	22 (52%)	5 (10%)	0	0	48
A stricter approach is more successful in recovering debt than a lax one.	13 (27%)	35 (73%)	0	0	0	48

Source :Resource Findings 2023

The goal of the study was to ascertain whether or not respondents agreed or disagreed with the aforementioned statements on the collecting policy of Microhub Financial Services (Pvt) Ltd. According to the results listed above, 31% of respondents said that creating collection rules for c1redit management had been difficult, 10% were unsure, and 59% disagreed.

The researcher looked at the degree of agreement regarding whether or not the application of guarantee policies gave opportunities for loan recovery in the event of failure on a loan. 21% and 10% both agreed, with 69% strongly agreeing. 83% of respondents strongly agreed with the assertion that using staff incentives would help enhance the recovery of past-due loans; 13% also agreed with the statement; and 4% were unsure. 73% strongly agreed and 27% agreed that using legal action will help reduce the amount of past-due loans. The following comments were given to the claim that regular reviews of collection policies were carried out to enhance the status of credit management: 52% agreed, 38% strongly agreed, and 10% were unsure.

When asked if a strict policy was better at recovering debt than one that was lax, 27% strongly agreed and 73% agreed. The respondents also concurred that successful credit management has been aided by the collection policies that are accessible. 25% of people strongly agreed, 62% of people agreed, and 13% were unsure.

According to Boldizonni (2014)'s research, poorly implemented collection policies are the simplest way to guarantee loan delinquency and experience defaults. However, emphasis should also be made on adopting legal means of doing so, in addition to creating and enforcing a collecting policy.

Additionally, respondents were prompted to score their thoughts on the following collection policy-related topics.Each responder was asked to rank the statement on a scale of 1 to 10, and the researcher then averaged the scores to display the findings.

Table 4.17 Effect of Collection Policy on Loan Performance

Statement	Mean
Account receivables are managed via a collection policy.	7.5
Spells out the incentives and rewards for early repayment	6.8
Spells out penalties for late and missed repayment schedules	8.5
When customer payments are due, they receive multiple notifications.	9
Tighter collection terms are applied to new and underperforming clients than regular ones	7
Customers with a long history of reliability get more flexible payment terms.	8

Source :Research Findings (2023)

The responses on how the loan performance is impacted by the collection policies were displayed in Table 4.16.The majority of respondents, with a mean score of 7.5, agreed that Microhub had a collection practices in place to manage account receivables, according to the study's findings. The results also showed that, with a mean score of 6.8, the majority of respondents believed that the collection policy enhances loan performance by clearly outlining the incentives and rewards for early loan repayment. The results also revealed that, with a mean score of 8.5, the majority of respondents agreed that the collection policy outlines penalties for missed and late payback deadlines, hence discouraging irregular and late loan repayments.

Additionally, the results showed that respondents, with a mean of 9, agreed that customers are informed multiple times when their repayments are due by way of the collection procedure, helping to reduce delays and missed payment schedules. The respondents also concurred, with a mean of 7, that the collection policy ensures that new and underperforming clients are subject to stricter collection terms, discouraging them from adopting erratic repayment schedules as a means of avoiding such penalties. Further, the respondents (with an average of 8) also concurred that the collection policy gives long-standing and trustworthy customers more flexible collection terms, which encourages them to uphold their reputation for dependability and inspires others to do the same. This suggested that the majority of respondents were in agreement that the performance of the loan portfolio in an organization is significantly influenced by the collection policy.

4.10.Loan Performance

The staff was also requested to give their opinion on the following statements about loan performance

4.18.Response on loan performance

Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Loan Performance is influenced by the level of collateral	5	37	4	2		48
Lower interest rates results in better loan repayment performance.	15	30	3			48
Loan performance is affected by the borrower's credit history	8	15	5	20		48

The length of grace period before loan repayment affects loan performance	20	28				48
Loan repayment performances is also affected by severity of penalties for non payment	9	34	5			48
Flexibility of the lender’s collection policy also affects loan repayment performance	30	18				48

Data Field (2023)

From the above collected data it can be seen that from the total of 48 respondents ,5 of them strongly agreed that Loan Performance is influenced by the level of collateral whilst 37 of them agreed on the statement ,the other 4 of the respondents were uncertain whilst the remainder of 2 were disagreeing that loan performance is affected by the level of collateral. From the above, 15 of the respondents strongly agreed that Lower interest rates results in better loan repayment performance. 30 of them were agreeing that surely lower rate result in better loan performance whilst the remaining 3 were uncertain of the statement.

In line with the statement that Loan performance is affected by the borrower's credit history 8 of the respondents were strongly agreeing, whilst 15 were agreeing to the statement 5 were uncertain whilst 20were disagreeing with the statement . Regarding the statement that length of grace period before loan repayment affects loan performance 20 were strongly agreeing whilst 28 were agreeing to the statement .When it comes to the statement that Loan repayment performances is also affected by severity of penalties for non payment 9 of the respondents were strongly agreeing ,whilst 34 where agreeing and the remainder of 5 were uncertain about the statement.30 of the respondents were strongly agreeing that flexibility of the lender’s collection policy also affects loan repayment performance whilst 18 were agreeing to the statement.

4.11.Interview Responses

Six employees in managerial positions were interviewed for the study's purposes. These included a loan officer with the lowest PAR rate, one outreach manager, a finance manager, the operations manager, the risk manager, and a member of the HOCC. The interview response rate was 100% as a result of this.

4.11.1.What are the credit management strategies being used by Microhub ?

Client evaluation is the most popular credit management approach, according to interview respondents. Credit risk management and collection policy were the two additional often employed tactics. Information asymmetry is also a reality since in the market, the person with the most in-depth knowledge of the markets to target has the advantage. Data from questionnaires showed that 42% of respondents agreed with the adoption of client appraisal, 21% agreed with the adoption of credit risk control, 13% agreed with the adoption of collection policy, 10% agreed with information asymmetry, 8% agreed with the adoption of the capital asset pricing method (CAPM), and 6% agreed with the use of the product portfolio strategy. These results supported the validity of the hypothesis.

4.11.2What measures are being taken to make sure the strategies are being fully implemented?

According to the interviews, the corporation established a credit analysis department in addition to the operations department to ensure that strategies are being effectively implemented. Another responder brought up the fact that continuous and regular reviews are being made of how the techniques established are being used; 90% of questionnaires indicated that this was the case. A credit committee was also established to keep an eye on any deviations from the established strategies. According to 87% of respondents, using the committee as a resource for making choices about loan performance has been successful.

4.11.3What is the effect of client appraisal on loan performance?

The interviewees' comments shed light on the notion that the organization is less likely to experience diminishing loan performance the more emphasis is placed on client evaluation. They stated that they anticipate loan officers to be strict when determining whether a client qualifies for a loan in order to reduce defaults. Some of the employees who were interviewed emphasized the need to pay close attention to the client's character and circumstances in addition to determining their credit worthiness. The responders all concurred that there is a strong correlation between loan performance and client evaluation.

4.11.4.What are the challenges that hindered the success of the adopted strategies?

Departmental conflicts were identified in interviews as the difficulty preventing the adoption of the methods' success. Common tensions prevent collaboration and impede the implementation of some programs. The interviews also made clear how important it is to assign the proper individuals the right responsibilities in order for a strategy's execution to succeed.

Other authorities made it clear that employee behavior needs to be reviewed in order to determine whether it is consistent with the organization's plan. Human behavior is the most difficult to alter because there are some people who are simply impossible to deal with.

4.12.Chapter Summary

The research findings were presented and examined in this chapter. The chapter provided a summary of the analysis of the connection between Microhub Financial Services (Pvt) Ltd.'s credit management and loan performance. To interpret the data, descriptive statistics were employed, and descriptions were created based on the table results. It was determined that there is a strong correlation between credit management and loan performance, with credit risk showing the strongest correlation. The study's summary, results, and recommendations are provided in the next chapter.

CHAPTER 5

CONCLUSIONS AND IMPLICATIONS

5.1 Introduction

This chapter summarizes the results, draws some inferences, and offers suggestions for additional research. The study's conclusions will be based on its objectives, with suggestions inferred from those conclusions and the description of its findings. The study's theoretical and practical contributions are also covered in this chapter.

5.2.Major Research Findings

5.2.1.Adopted Credit Management Techniques

The study's findings showed that the company's credit management tactics tended to focus on client evaluation, credit risk management, and collection policy.

5.2.2. Findings on effect of Client Appraisal on Loan Performance

The study's findings also demonstrated the impact of client evaluation on the organization's loan performance. The relationship between the two variables was determined using regression analysis, and it was discovered that the variables were positively associated, indicating that an increase in client assessment will result in an improvement in loan performance. As a result, the client evaluation technique, which is utilized by the organization's credit staff to examine a candidate's capacity, character, collateral, capital, and circumstances, is favorably correlated with the present level of loan performance. The study's findings led the researcher to the conclusion that the credit approval process is weakened because microfinance firms tend to place more emphasis on client-related features when extending credit than on other external and economic-related aspects.

5.2.3. Finding on how Credit Risk affect Loan performance

The study examined the connection between credit risk management and loan performance and found a strong correlation between the two. The measures a financial organization uses to control credit risk determine the likelihood that a loan will be recovered or will default. The field responses gathered about the credit risk control procedures governed by the organization revealed that the organization largely relies on controlling the default risk of active loans rather than following proactive preventative measures to regulate credit risk. As a result, the researcher draws the conclusion that credit-granting institutions are in dire problems due to nonperforming loans because they refuse to adopt a strategic approach to controlling credit risk and instead opt to remain reactive.

These findings support the claims made by Selma et al. (2016) that credit standards can be either tight or loose, and that tight credit standards can result in the loss of a significant number of customers, while loose credit standards can attract more customers but pose a risk of bad debts. Selma et al. emphasized the importance of credit criteria being based on each individual loan application, taking into account factors such as character evaluation, capacity condition collateral, and security capital. Character evaluation refers to an individual's willingness to fulfill their commitments, and it primarily involves assessing moral considerations. Mujtaba (2016) suggests that in cases where there are doubts about an individual's character, social collateral group members can vouch for the borrower.

5.2.4. Finding on collection policy and loan performance

The recovery of such debts is positively impacted by the collection strategy adopted to recover past-due loan payments. The study can accurately infer that because of lax credit collection rules, microfinance firms struggle to recover a significant portion of their past-due loans. More persuasive methods, such as legal action and collection agencies, are required for late loan payments in order to persuade clients to fulfill their obligations.

These conclusions are backed by study by Chaudhry et al. (2015), who stated that court litigation, collateral asset attachment, obligatory savings requiring guarantors to pay, and mandatory savings forcing guarantors to pay may all be used in collection operations. Financial organizations may employ a variety of methods, such as letters, demand letters, phone calls, personal visits from company representatives to urge customers to make payments in person, and legal action. The collection policy, according to Makorere (2014), serves as a guidance to achieve prompt payment and consistent collections. The justification for this is that not all customers fulfill their promises; some just take them for granted, others forget, and still others simply don't have a culture of paying unless they are persuaded to do so.Ifeanyi et al. (2014) claim that a collection mechanism is necessary since some borrowers do not make their loan payments on time, while others pay slowly or never. Therefore, the goal of collection operations is to accelerate payments from delayed payers in order to reduce bad debts.

According to Garcia et al. (2015), prompt payments are intended to increase turn over while limiting bad debts and keeping them at a minimum.

5.3.Conclusions

The researcher determined that the study was successful based on the data analysis in chapter four. The conclusion that credit management and loan performance have a favorable association was reached by the researcher after careful analysis of the information gathered. This implies that improved credit management results in improved loan performance.

In terms of credit management and loan performance, the following results were also reached.

• Based on the study's findings, the researcher came to the conclusion that credit management has a significant role in how well microfinance institutions manage their loans. If it is not properly implemented and used, the outcomes could be dangerous for the company's financial performance.

• The study found that each lending institution must have processes in place to determine the credit quality of all of its current and potential customers in order to reduce the risk of default on credit. According to the study's findings, many aspects of credit management, such as client assessment, credit risk controls, and collection policy, have a favorable and significant impact on loan performance in any lending institution.

• The report also identified poor loan performance as a significant hindrance to the company's survival. Companies in the microfinance industry that perform poorly on their loans experience declining credit quality, shrinking revenue sources, tight liquidity positions, and poor profitability. Because of non-performing loans, the organization's financial performance is still constrained to below-par levels.

5.4.Recomendations

A business may succeed if it adopts and puts into effect good credit management techniques and manages its debts well. However, in order for the process to be efficient and supportive of loan performance, caution should be used when including credit management and loan administration. The researcher explicitly expresses the recommendations for the organization under investigation below in light of the study's findings.

5.4.1.Recovery package

Institutions that provide microfinance continue to struggle with declining earnings and a lack of operational capital. This emphasizes the requirement for outside funds to fill in the funding shortfalls. As external investment is generally expensive, microfinance organizations have consequently become victims of the high cost environment. Ruth (2014) asserts that financial organizations should exercise caution in their operations because they heavily rely on borrowed money for financing. In order to increase business efficiency, microfinance institutions must modify their business models and streamline their processes. As a result, a recovery package is a crucial instrument for microfinance institutions to improve asset quality and financial flow.

5.4.2.Combat financial exclusion

As long as they continue to charge outrageous interest rates and neglect the urgent need to expand financial inclusion, microfinance institutions will continue to be limited to the idea of business knockouts. The idea of microfinance centers on the need to provide services to individuals who are left out of the traditional Burundiing system, yet this has shown to be fruitless. Therefore, it is advised that microfinance service providers build company portfolios that, at fair prices, serve the poor markets as a whole. Churchill and Caster (2011) provided support for this when they noted that, as a result of macroeconomic difficulties, it is common for borrowers to be willing but unable to pay, necessitating the need to reduce payment size by adjusting interest rates.

5.4.3. Credit insurance

Despite the fact that microfinance institutions face a serious threat from loan defaults of increasing size, they continue to disregard the necessity of supporting credit insurance. To fill the gap left by loan failures, microfinance organizations can guarantee their loan portfolios.

5.4.4.Improve payment infrastructure

Repaying a debt is more of a practical choice to fulfill an obligation than it is a reflection of a borrower's character and willingness to pay. The use of technology is becoming more and more popular among consumers of financial services. As a result, it is advised that microfinance institutions adopt technology infrastructure that enables borrowers to make convenient loan payments in light of technological improvements.

5.4.5.Broad range supply of services

Zimbabwean microfinance institutions only provide a small selection of financial services, but the high loan default rates put a burden on the available loan products. To provide a wider range of financial services like deposit taking, insurance, and remittances, microfinance organizations need to diversify their product portfolios.

5.6.Suggestions for future study

The analysis of the connection between credit management and loan performance in the microfinance industry was the study's main objective. The researcher is happy to see future studies concentrate on the following aspects of credit management in order for microfinance organizations to accept and efficiently manage credit.

1. Evaluating the viability of credit reference as a credit risk management method.

2. A study of the viability of using loan securitization to reduce credit risk in the Zimbabwean microfinance industry .

3. A study of the effects of salary-based loans' excessive dependence on microfinance companies' business operations.

4. A study of how microfinance organizations' credit risk management practices affect financial inclusion.

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Bindura University of Science Education

P.O Box 1020

Off Trojan Road

Bindura

Chief Operations Officer

Microhub Financial Services

61 Kaguvi Street

Harare

Dear Sir

Re: Request to carry out a research within your organization

I am a student at Bindura University of Science Education who is currently studying a Bachelor of Accountancy Honours Degree. May you please grant me permission to conduct a research in your entity. The dissertation topic is, **"An analysis of credit management and loan performance. A case study of Microhub Financial Services (Private) Limited."**

The information to be provided is guaranteed to be held in confidence. It is also to be utilized solely for academic purposes relating to this research. Your cooperation in this research is greatly valued.

Yours sincerely

Loreta Faustine Mavhurah

………………………………………..

Section A:

Respondents' Demographic Information

Kindly indicate your Gender

Male [ ]

Female [ ]

Kindly indicate your Age

18 – 25 [ ]

26 – 35 [ ]

46 – 45 [ ]

46 and above [ ]

Kindly indicate your Education levels

Masters' degree [ ]

Bachelor's degree [ ]

Diploma [ ]

Certificate [ ]

Other, please specify……………………………………...…………..

Kindly indicate Position Held *(kindly fill bellow)*

……………………………………….. ………………………….

Duration of stay in this position

1 – 3 years [ ]

3 – 5 years [ ]

5 – 10 years [ ]

Over 10 years [ ]

Section B

1.How do you classify loan performance at Microhub Financial Services

Loan Performance	Strongly Agree	Agree	Uncertain	Strongly Disagree	Disagree
Performing					
Indifferent					
Non -Performing					

The following are the credit management strategies being used by Microhub

	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
Product Portfolio					
CAMP (capital asset pricing model) strategy					
Information Asymmetry Strategy					
Client Appraisal Strategy					
Credit Risk control Strategy					
Collection Policy					

On a scale of 10 Kindly rate the following credit risk statement's effect on loan performance(where 1=no effect and 10=most affecting)

Statement	Averaged Rating out of 10
To control credit risk, a credit standard has been put in place.	
To control credit risk, a credit standard has been put in place.	
The borrower's credit worth is determined in part by credit standards.	
The borrower's credit worth is determined in part by their past behavior.	
Credit repayment capacity is also influenced by market conditions.	
Losses from loan default are reduced by stricter credit requirements.	

On a scale of 10 Kindly rate the extent to which client appraisal is used in credit management (where 1=poor and 10=best)

Extent	Rating out of 10
Very great extent	
Great extent	
Moderate extent	

What is your level of agreement on the following statements relating to client appraisal at Microhub (Pvt) Ltd?

Statement	**Strongly Agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**
The most effective credit management technique is client appraisal.					

Customer appraisal takes into account the characteristics of the clients requesting credit facilities.					
When valuing a client, collateral-related factors are taken into account.					
Failure to assess customers capacity to repay results in loan defaults					

Kindly rate your opinion on the use of credit risk Controls in Credit Management(where1=not used ,10=mostly used)

Extent	Rating out of 10
Very great extent	
Great extent	
Moderate extent	

What is your level of agreement on the following statements relating to credit risk control in the company

Statement	**Strongly agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**

Credit committees involvement in decision making regarding loans are essential in reducing defaults					
The use of credit checks on a regular basis enhances credit management					
Delinquency management is a viable tool in credit risk					
Loan product design enhances customer commitments to loan repayment					
Loan rescheduling improves the performance of loans in the company.					
Interest rates charged affect performance of loans in the company					

To what extent does Microhub Financial Services use collection policy as a credit management strategy?

Extent	Rating out of 10
Very great extent	
Great extent	
Moderate extent	

The level of agreement on the collection policy being used by Microhub Financial Services

Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Accessible collection practices have aided in efficient credit management.					
The development of collection policies has proven difficult for credit management.					
In the event of loan defaults, chances for loan recovery are increased by the enforcement of guarantee rules.					
Legal action improves the recovery of past-due loans.					
Employee incentives are beneficial in enhancing debt recovery.					
To enhance the status of credit management, collection policies have undergone routine assessments.					
A stricter approach is more successful in recovering debt than a lax one.					

Effect of Collection Policy on Loan Performance

Statement	Mean
Account receivables are managed via a collection policy.	
Spells out the incentives and rewards for early repayment	

Spells out penalties for late and missed repayment schedules	
When customer payments are due, they receive multiple notifications.	
Tighter collection terms are applied to new and underperforming clients than regular ones	
Customers with a long history of reliability get more flexible payment terms.	

What is your opinion on the following questions on Loan Performance

Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Loan Performance is influenced by the level of collateral					
Lower interest rates results in better loan repayment performance.					
Loan performance is affected by the borrower's credit history					
The length of grace period before loan repayment affects loan performance					
Loan repayment performances is also affected by severity of penalties for non payment					
Flexibility of the lender's collection policy also affects loan repayment performance					

On a scale which ranges from 1 to 10, where 1 is the least performance and 10is the best performance, kindly rate the performance of loans offered by Microhub Financial Services.

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**

Thank you for Time and Responses

INTERVIEW GUIDE

1. What are the credit management strategies being used by Microhub Financial Services

2. What measures are being taken to make sure the strategies are being fully implemented?

3. What is the effect of client appraisal on loan performance?

4. What are the challenges that hindered the success of the adopted strategies?

5. What can be done by Microhub Financial Services (Pvt) Ltd to reduce the number of loans in default?