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**Effect of Lending on the Financial Performance of Commercial
Banks Listed at the Nairobi Securities Exchange**



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**Effect of Lending on the Financial Performance of Commercial Banks Listed at the
Nairobi Securities Exchange**

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ABSTRACT

Purpose: This study aimed at determining how check-off lending, group lending, collateral lending and mobile lending affects the financial performance of commercial banks in Kenya. A descriptive survey research design was employed in the study with the target population comprising of 12 commercial banks listed in Nairobi Securities Exchange.

Methodology: A total of 48 employees in the credit and lending department in the selected commercial bank formed the target respondents and with the study utilizing both primary and secondary data. Primary data was gathered through five point Likert scale questionnaires while secondary data was collected from audited reports and CBK financial reports for the period between 2017 and 2021. Both descriptive and inferential statistics were utilized in analyzing the data collected. SPSS and multi-linear regression model were used to analyze the data and which was presented by use of tables and figures.

Findings: The study established that check-off lending, group lending, collateral lending and mobile lending positively and significantly affects financial performance of commercial. The results bear the implications that increasing the any of the independent variable with one unit results to an increase in the levels of financial performance with the respective beta value.

Unique contribution to theory, practice and policy: The study provides that commercial banks' performance can be enhanced through various lending practices that formed the independent variables of this study and hence resonates with commercial banks to take lending seriously as it is a cash cow to their products' offering.

Key Words: *check-off lending, group lending, collateral lending, mobile lending, financial performance*

1. Introduction

Loans are central to the realization of critical banking objectives with financial performance being the baseline yardstick for the sector. All banks understand clearly the sensitivity of lending and how they can influence banking services. They are at the top of the priority list for the banking

operations. The realization that loans form a major component of banking services; any shortcoming in strategy can significantly hurt the overall financial performance of the bank (Almajali, Alamro & Al-Soub, 2012).

Historically, commercial banks offered their loans at very steep interest rates which discouraged borrowing by the poor and middle class but as the financial markets were liberalized and competition increased, the cost of credit reduced (Adams & Buckle, 2013). This was a trend replicated around the world, with low levels of access to credit in the Americas, Asian, and European and even in the African continent. Africa was the last continent to embrace the concept of credit which grew significantly in the 1950's when banks opened credit departments to provide loans to the elite and white colonialists (Chijoriga, 1997). In the Kenyan market, credit was primarily extended to wealthy individuals, as well as large companies, which meant that credit was not a widely known concept among the poor (Chijoriga, 1997).

In Malaysia, a high demand for credit from financial institutions by small and medium enterprises resulted to high under-repayment rates which exposed the financial institutions to poor performances in terms of non-performance loans and which pushed for group lending philosophy. According to Khan and Xuan (2021), group loans to culminated into a reduction in the amounts of non-performing loans which significantly resulted to improved financial performances to the commercial banks.

In India, Athaide (2010) notes that mobile loans approach was adopted as norm by majority of commercial banks as a way of reaching wide markets especially in the marginalized areas. Additionally, there is no collateral required by the commercial banks in extending the loans. However, the loans exposed the commercial banks to performance risks as majority of the loans remained unpaid. To avoid the risks associated with mobile loans, Athaide (2010) advocates for establishment of structures and measures that ensures that the borrower complies with repayment terms.

In Nigeria, existence of more than 882 micro-finance banks offering credit and more than 20 commercial necessitates the need of establishing survival mechanisms in the in the highly competitive markets. In order to attract customers especially in the employment sector, the commercial banks and micro-finance banks introduced check-offs loans where the employed can get access to credit facilities (Okang, 2016).

In South Africa, a World Bank Report (2016) revealed that the country forms one of the world's larger borrowers. This is being occasioned by the fact that there exist prevalent retrenchments in the country which is brought about by various businesses closing down. According to the report, the only way that the citizens are coping up with the situations is through borrowing from financial institutions.

The banking sector in Egypt has been viewed as the most stable and largest amongst countries in Northern Africa. Since the year 2010, the sector has survived extreme challenges comprising of political revolution, interest rates and currency crisis. According to Boushnak *et al.* (2018), the survival of the sector in the dynamic operational environment has been accelerated by existence of favorable loans that encourages taking loans and timely repaying the same.

The types of loans common with the financial institutions comprise of personalized loans, home-equity loans, home equity lines of credit, credit card cash advances and small business loans. These loans according to are designed in ways that the borrowers can conveniently borrow and repay. The loan designs have seen the financial institutions improve their performance levels in terms of loan performances.

According to Mugane and Njuguna (2019), the realization of the fact that loans forms one of the major component of banking operations, any defect in the lending process bears significant impact on the general financial performance of the commercial banks. Abdirashid and Jagongo (2019) advocates for adoption of loans that ensures a smooth flow of financial performance of the commercial banks.

The decision to loan amongst commercial banks is usually determined and guided by various prevailing factors inclusive of rates of interests, borrower's repayment capability and economic fluctuations. Remarkably, liquidity ratio of the bank, volume of deposits and foreign and domestic borrowing further determines a bank's lending capability. The deposits from customers directly determines the commercial bank's ability of lending in that when advances or loans are given in excess the bank's cashing deposit amounts, the bank ends up experiencing operational difficulties especially in meeting its lending capability and meeting cash drawings from customers. According to Abdirashid and Jagongo (2019), banks needs to provide loans to customers for them to realize high performances in terms of profits. However, some of the practices for extending loans adopted by commercial banks do not culminate into profits but rather to losses in terms of NPLs.

Dash and Kabra (2010) advocates for establishment and adoption of lending practice that do not expose the commercial banks to losses and convenient to the borrower's repayment capability. In Kenya, the industry of banking has been reserved as a main pillar to the accomplishment of vision 2030 through improved savings, encouragement of Foreign Direct Investment (FDI), conservation of the economy at large from shocks caused by external factors, as well as boosting Kenya to become a prominent center for finance in Eastern and Southern Africa.

Basel (2012) found that lending portfolio formed the largest source of operating income. Despite its strong contribution to the financial performance of banking institutions, lending portfolio is still exposed to shocks that have the potential of derailing all the positives. Houghton (2019) observed

that weaknesses in loan provision practices amongst lenders was a major factor in derailing the performance of the loan portfolio with NPL's being cited as the major pitfall in the sector.

According to the Central Bank of Kenya Banking Sector Stability Report (2018), there has been an increase in value of gross non-performing loans (loan defaults) in the banking sector by 47.5% in the year 2017, decrease in profits as well as quality of assets. There are several problems that commercial banks in Kenya face including a high failure rate, intense rivalry, and difficulties with growth. In Kenya, a number of banks have been placed in receivership (for instance Prime bank and Chase bank). Others, like the National Bank of Kenya, are in risk of failure (CBK, 2021). Lenders weaknesses in mitigating NPL's has been the biggest contributor in the stumbling the financial performance of commercial banks (Houghton, 2019). This said, Kenya still struggles with the problem of NPLs that has caused stagnation of economic resources and provoked cautious behaviour of corporation and consumers due to decline in confidence in the financial markets.

Related studies done in the past have focused on the various aspects of loans among commercial banks. For instance, Mabonga (2015) focused on the influence of micro-finance institutions group lending mechanism on enterprise development of rural women in Transzoia west sub-county, Kenya. The study did not relate group lending to financial performance of the lender. Maina (2016) focused on the effect of lending practices on financial performance of commercial banks in Kenya. The study conceptualized lending practices in terms of know your customer, interest rate and bank credit policies without considering the form in which the loans are extended to clients. Mulongo (2017) focused on the influence of bank lending practices on small-scale business performance and failed to consider financial performance of the lender. Ndagijimana (2017) focused on the effect of mobile lending on financial performance of commercial banks and therefore failed to consider other types of loans such as check-off and group lending. Others such as Nduku (2019) and Koki (2018) focused on the effect of mobile loans on financial performance of commercial banks leaving a gap on the influence of other loans such as check-off, group and collateral loans.

From the mentioned empirical studies there's a need to take a close look at the relationship between the loans offered by commercial banks and the resulting financial performance of the banking institutions. This is because the existing studies have either not focused on this relationship or has conceptualized loans differently and the results are based on the proxies used. Further, the existing studies have related loans with other variables that are different from financial performance. It is therefore on this basis that this study shall be undertaken to establish the effect of loans on the financial performance of commercial banks in Kenya. This study sought to evaluate the effect of lending on financial performance of commercial banks listed in Nairobi Securities Exchange with the independent variable being the check-off lending, group lending, collateral lending and mobile lending.

2. Literature Review

There have been debate and controversies on the impact of loans on bank's financial performance. Scholars have carried out extensive studies on this topic and produced mixed results; while some found that loans impact positively on banks financial performance, some found negative relationship and others suggest that other factors apart from loans impacts on bank's performance.

2.1 Check-off Lending

Munene, Ndambiri and Wanjohi (2019) sought to establish the effect of unsecured commercial bank loans on financial performance of Savings and Credit Co-operative Societies in Kenya. The specific objectives of the study were to establish the effect of unsecured commercial banks loan amount, loan interest rate and loan tenure on financial performance of Savings and Credit Co-operative Societies in Kenya. The research adopted a causal research design. The population of the study was the 177 licensed deposit taking Savings and Credit Co-operative Societies and 43 licensed commercial banks in Kenya as at 2015. Secondary data was obtained from Savings and Credit Co-operative Societies Regulatory Authority Annual Supervision Reports and Central Bank of Kenya Bank Supervision Reports using data collection checklist. The study established that unsecured commercial banks loan amount and loan interest rates had a positive significant effect on financial performance of Savings and Credit Cooperative Societies. Unsecured commercial banks loan tenure had a negative significant effect on financial performance of Savings and Credit Co-operative Societies

Adebayo (2017) sought to investigate how check-off loans impacts performance of Nigerian banks. The study targeted twenty-one (21) Money Deposit Banks in Nigeria from which: First Bank Nigeria Plc, Eco Bank Plc, GTBank Plc, Access Bank Plc and United Bank for Africa Plc were selected. Reliance was placed on secondary data that was derived from Annual Audited Reports and Prospectus of the banks from 2011 to 2015. Descriptive and Inferential Analyses were conducted on the data using SPSS version 22 and e-Views. From the findings, a substantial negative relation was found between check-off loan and performance of the banks.

Alshati (2015) examined the effect of check-off loans management on financial performance of the Jordanian commercial banks during the period (2005-2013), 13 commercial banks had been chosen to express on the whole Jordanian commercial banks. Two mathematical models were designed to measure this relationship, the research revealed that the check-off loans management effects on financial performance of the Jordanian commercial banks as measured by ROA and ROE. The research further concluded that the check-off loans indicators considered in this research have a significant effect on financial performance of the Jordanian commercial banks.

Sujeewa (2015) in his research on impact of check-off loans on performance for commercial banks in Sri Lanka, Primary data were collected from eight commercial banks out of 24 commercial banks mainly through an interview in order to have their views on the problems and solutions. The secondary data was also obtained from various sources such as Annual Reports of the selected commercial banks for panel data for the period 2009 to 2013. Regression model using E-views software was used to establish the relationship between check-off loans and profitability. The result shows that non-performing loans and provisions had a significant negative relationship to profitability, while check-off loans had a positive impact on the profitability.

2.2 Group Lending

Ambunya and Moronge (2019) sought to establish the influence of group lending on customer retention in micro finance banks in Nairobi County, Kenya. The population for the study was drawn from the microfinance banks operating within Nairobi County and licensed by the Central Bank of Kenya. The target population was 79 comprising of top level managers, middle level managers and lower level managers drawn from the 13 MFBs in Nairobi county. The researcher used the questionnaires to collect primary data from the respondents as research tools. The data was analyzed with the help of SPSS. The findings indicated that there was a notable relationship between the independent variable and dependent variable with a strong positive a correlation coefficient of 0.788. Therefore, it was concluded that free will own selection, progressive lending, flexible social collateral and sequential lending greatly need to be enhanced to boost customer retention in the MFBS in Kenya.

Omolo (2018) studied the effect of lending model on loan repayment among financial institutions in Kakamega Municipality. In order to achieve this objective, this study was anchored on theory of financial intermediation and uniting theory of microfinance. Research design adopted for this study was correlational study design. In order to carry out the research, this study targeted all the banks and microfinance institutions in Kakamega municipality he study used both qualitative and quantitative data. Questionnaire was used to collect qualitative data while quantitative data was collected from secondary source which is the Central Bank's Bank Supervision Annual Report from 2007 -2017. Data was analyzed using SPSS version 2.0. Results were presented using tables. This study found out that group lending has no statistically significant effect on loan repayment while individual lending has statistically significant effect on loan repayment.

Muturi (2017) study was guided by individual lending, group lending and gender based lending methodology as independent variables while financial performance was the dependent variable. The population of the study was licensed microfinance institutions in Kenya. A sample of 9 deposit taking micro financial institutions was selected. The study adopted a descriptive research design. The selected microfinance institutions were registered before the year 2012. The study found that

the three methodologies of lending affect financial performance of microfinance institutions. Individual lending affects financial performance negatively while group and gender lending methodology affects financial performance positively.

Milgo (2013) sought to establish the causes of default in group lending; to establish how screening and monitoring affects repayments rates; and to establish how enforcement mechanisms affect repayment rates among micro finance institutions in Kenya. The analytical techniques used were descriptive statistics in form of percentages, inferential statistics, Pearson correlation, ANOVA and multiple regression models. The study found out that joint liability has a strong positive effect on loan repayment because of social cohesion and better information flow. Joint liability lending mechanisms were effective in ensuring timely repayments of funds, instilling supervision and administration traits among the group members. The study concluded that the group mechanisms should be upheld as they ensure increased probability of repayment rates and leads to creation of customer loyalty.

Maobe (2013) sought to analyze the effects of group liability on the performance of MSEs in Nairobi, Uhuru market. This study used both primary and secondary data. Primary data was collected using questionnaires which were administered using drop and pick later method while secondary data was obtained from MSEs strategic plans, newspapers, in-house journals, electronic journals and other internet sources. Data was analyzed using descriptive statistics and represented by measures of central tendency, that is mean and standard deviation. Inferential statistics such as the as spearman correlation coefficients and ANOVA were computed to explain and allow for drawing of conclusions. The information was then presented by use of tables, bar charts, graphs and pie charts. The study found out that most of MSEs in Uhuru market rely on funds from group lending to operate and that borrowers organized in groups were more likely to be productive and repay their loans than their counterparts in individual lending.

2.3 Collateral Lending

Rithaa, Munene and Kariuki (2019) sought to establish the effect of banks credit accessibility on the performance of small and medium enterprises in Maua Town, Meru County, Kenya. Maua is a cosmopolitan urban center serving the entire Igembe region of Meru County as well as parts of Isiolo County. Specifically, the study sought to evaluate the effect of loan collateral requirements on the performance of SMEs in Maua Town. The population of the study comprised 250 registered SMEs licensed in Maua Town by the County Government of Meru. Using stratified and simple random, 153 enterprises were selected as the sample of the study. Data was collected using questionnaires and analyzed using SPSS Version 21 and presented using frequency tables. Regression Analysis was used to establish the effect of the independent variable on the dependent

variable. Linear regression analysis indicated that the independent variable (collateral requirements) had a negative effect on performance of SMEs.

Hamisi, Otinga and Mukanzi (2018) research sought to investigate determinants of loan repayment among customer performance of commercial banks in Bungoma County, Kenya. Specifically, the study sought to find out the effect of loan security, on customer performance among customers of commercial banks in Bungoma County. Both descriptive and inferential analysis revealed that all conceptualized predictor variables significantly influenced loan repayment among customers of commercial banks in Bungoma County (the outcome variable). The study concluded that first, commercial banks engaging in viable loan security measures reduce loan delinquency ratios which can consequently positively influence customer performance. The study recommended that first, commercial banks should engage in viable loan security measures meant to reduce loan delinquency ratios which can consequently influence positive customer performance.

Olweny, Ochieng and Oloko (2018) studied on the influence of collateral loans on financial performance of deposit taking savings and credit co-operatives (DT Saccos) in Kenya. The study adopted a descriptive research design. The target population for this study was 164 deposit taking Sacco societies licensed to undertake deposit-taking Sacco business in Kenya for the financial year ending 31st December 2016. The study adopted census and considered all the Deposit Taking Saccos for study. Secondary data was collected from 135 deposit taking Sacco's audited financial statement which represented 82.32% success rate. Data was analyzed using both descriptive and inferential statistics. The result indicates collateral loans has a negative and significant influence on financial performance. The study gives recommendations that Deposit Taking Saccos should manage collateral loans by reinforcing its own resources since depositors could at any time and under unexpected reasons, withdraw their deposits to seek investment elsewhere with higher returns.

Mori (2016) examine the effect of the collateral informal lenders use to ensure loan repayment. Specifically, they measure how the use of movable and immovable assets affects loan repayment and delinquency rate, and assess the extent to which guarantor-ship and relationship-lending act as collateral to improve loan repayment. With a dataset of 835 individual borrowers drawn from an informal Tanzanian lending institution, they run descriptive and econometric models. The results suggest that movable assets increase the likelihood that borrowers perceived to be less creditworthy will obtain loans from informal sources and repay them. They also find a small proportion of customers to have pledged immovable assets as collateral when borrowing from informal lenders. The results also show the positive effect of referral, which implies that relationship lending and social collateral is key to increasing access to finance through informal lenders.

Nora and Maytham (2015) in their research on empirical analysis of collateral loans and performance in Malaysia Banks, in these research 21 commercial banks in Malaysia were studied for the period of 2005-2013. Panel data for this period was utilized in this research. Both collateral loans indicators had a significant relationship with measures of banks performance. The negative result of liquid asset to total asset implies inverse relationship thus disadvantage of banks holding higher liquid assets. For capital ratio, the mixed results, which is positive significant effects with return on assets and negative with return on equity cause the effects on performance not to be inferred.

2.4 Mobile Lending

Saluja and Wadhe (2015) explored the on how the profitability banks in India from the period 2006 to 2014 was affected by E-banking. A sample of 31 Indian commercial banks was used. The effect of E-banking services on the commercial banks' profitability was tested using the multiple regression analysis. The findings depicted a positive association between e-banking and profitability in the private sector as well as in the public sector banks'. Base on this study it was pointed that an increase in the number of ATMs was necessary so as to realize increased profitability. However, a negligible association existed between the amount of branches and the banks' profitability.

Wong (2018) carried out a study to analyze levels of consumer acceptance for mobile services in Hong Kong. Technology acceptance model was embraced in the study to establish attitudes towards use and perceived usefulness and ease of use of mobile services. This study sampled people aged over 20 using a convenience sampling technique by distributing 300 electronic questionnaires. The findings and conclusion denote that perceived usefulness and ease of use was important for customers who considered new technologies and innovativeness. Respondents were willing to try out new mobile services due to the fact that innovativeness was associated with value addition by the respondents.

Ndagijimana (2017) sought to determine the effect of mobile lending on financial performance of commercial banks in Kenya. Descriptive design was applied in the study while all banks were included in the study. Tertiary data was obtained from banks annual reports and was analyzed using both inferential and descriptive statistics to establish explanatory power of the selected independent variables. The study concludes that mobile lending positively and significantly affects the financial performance of banks in Kenya.

Kimeu (2018) carried out an empirical study to determine influence of mobile services usage and operational efficiency of banks in Kenya using secondary data obtained from the 43 licensed banks operating in Kenya between 2017-2017. The source of the data was reports from financial institutions, central bank, economic journals and statistical publications done by research

organizations. The dependent variable, which was operational efficiency, was measured using the ratio of revenue to operational costs. Explanatory variables used in the study included in the regression model included number of mobile money transactions and annual value of cash moved through mobile transfer. The empirical findings indicated that 65% of variation in operational efficiency of banks was explained to the number of annual transactions and the number of accounts.

Kinyanzui, Kiriri and Achoki (2018) undertook a research to investigate on the impact of mobile credit on the operational efficiency of Kenyan banks using a mix of both primary and secondary data on credit accessibility and its effect on enterprises performance. A questionnaire with a mix of open ended and closed ended questions was used in collection of data. The multiple linear regression method was embraced in undertaking data analysis. The study measured operational efficiency in terms of earnings per share, ROA and the proportion of non-performing loans. Mobile credit was measured in terms of enterprises being able to use mobile phones to undertake transactions such as make payments, collect loan repayments and make disbursements to shareholders. The study findings indicated that the proportion of non-performing loans decreased after mobile credit introduction an indication that debt collection operational efficiency had improved. Mobile credit introduction improved operational efficiency of enterprises in that brand image, the ability to adapt to changes in the market as well as improved perception of reliability in customer's minds.

2.5 Critique of Existing Literature and Research Gap

In as much as a lot of researches have been done on the effect of lending type and financial performance of commercial banks, most of the local studies have leaned heavily towards the various tools and techniques of managing risks without addressing the effect of the different types of loans on financial performance (Nyabicha, 2017). Others such as Rithaa et al. (2019) have focused on the effect of loans to the borrower leaving a gap on the lender. While most Kenyan researchers have shown the effects of mobile loans on bank performance (Nduku, 2019; Koki, 2018), there seems to be a lack of enough studies investigating effects of other variables such as group loans and check-off loans.

Previous studies also reveal conceptual and contextual gaps. Conceptually, the findings of previous studies have been inconsistent ranging from a significant positive relationship to no relationship at all. These differences can be explained by the fact that previous researchers have operationalized loans differently and therefore findings are specific to the operationalized method used. Contextually, most of the existing literature focuses on emerging markets with little research on developed and less developed markets. Further, the focus has mostly been on recipients whose objectives are different from those of lenders.

Further, most of the studies used different research designs with some basing on empirical literature review to come up with conclusions while others review relevant literature to measure the interrelationships among the study variables. Researchers provided mixed and inconclusive results and also failed to document evidence of the likelihood that further innovation will be necessary to generate a more reliable practice for extending loans. The different views from different authors therefore necessitates intervention by future studies to fill the gap by conceptualizing how loans influence financial performance among commercial banks in Kenya. These gaps have shown that research on loans and financial performance still has several grey areas with no empirical consensus. This study highlights the glaring research gaps in the study area and forms the basis for future advancement on loans and financial performance studies.

Related studies done in the past have focused on the various aspects of loans among commercial banks. For instance, Mabonga (2015) focused on the influence of micro-finance institutions group lending mechanism on enterprise development of rural women in Transzoia west sub-county, Kenya. The study did not relate group lending to financial performance of the lender. Maina (2016) focused on the effect of lending practices on financial performance of commercial banks in Kenya. The study conceptualized lending practices in terms of know your customer, interest rate and bank credit policies without considering the forms of loans extended to customer. Mulongo (2017) focused on the influence of bank lending practices on small-scale business performance and failed to consider financial performance of the lender. Ndagijimana (2017) focused on the effect of mobile lending on financial performance of commercial banks and therefore failed to consider other types of loans such as check-off and group lending. Others such as Nduku (2019) and Koki (2018) focused on the effect of mobile loans on financial performance of commercial banks leaving a gap on the influence of other types of loans such as check-off, group loans and collateral.

From the mentioned empirical studies there's a need to take a close look at the relationship between the type of loan currently provided by commercial banks and the resulting financial performance of the banking institutions. This is because the existing studies have either not focused on this relationship or has conceptualized loans differently and the results are based on the proxies used. Further, the existing studies have related loans with other variables that are different from financial performance. It is therefore on this basis that this study was undertaken to establish the effect of lending type on the financial performance of commercial banks in Kenya. This study sought to evaluate the loans adopted by the listed commercial banks and the consequent outcome on the financial performance.

3. Research Methodology

The study employed a descriptive survey research design. The design is deemed appropriate for the current study as it allows the researchers to gather both descriptive and numeric data whose analysis enabled answering the research questions. The descriptive survey research design is appropriate for this study because it helps in understanding the unique connection between the lending and financial performances of commercial banks listed in NSE in Kenya.

The target population of the current study comprised of commercial banks listed in Nairobi Securities Exchange. According to NSE Report (2020), there are 12 commercial banks listed in NSE. The study targeted employees in Credit and Lending Department in the selected commercial banks. Two employees from each department were randomly selected and involved in the study. A total of 48 employees were targeted in the study as outlined in table 3.1.

Table 3.1 Target Population

Target Population	Population	Percentage
Credit Department	24	50%
Lending Department	24	50%
Total	48	100%

A census approach was employed in the study where all the 12 NSE listed commercial banks were involved in the study. The sample population was all the 12 commercial banks listed at the Nairobi Securities Exchange of the target population under study. Data can be collected from either primary or secondary sources. This study utilized both primary and secondary data. Primary data was gathered through a 5-point likert-scale questionnaire with a scale of 1-5 where 5= Strongly Agree, 4 = Agree, 3 =Neutral 2 = Disagree 1 = Strongly Disagree. The usage of questionnaires is supported by assertions from Mugenda and Mugenda (2013) who noted that questionnaires are appropriate for obtaining key information pertaining to variables under study from the target population. Secondary data will be collected through a secondary data collection sheet from audited financial reports of respective banks from 2017 to 2021.

Prior proceeding to the field to gather data, the researchers acquired an introductory letter from Jomo Kenyatta University of Agriculture and Technology and a research permit from the National Commission for Science, Technology and Innovation. A cover letter was also being included to each of the commercial bank detailing the person conducting the study, the motive of the study

and the anonymity requirement from the respondents. Drop and pick method was applied in data collection to improve response rate. The procedure for collecting secondary data involved obtaining the financial statements from the central bank of Kenya website and individual banks website by the researchers.

Cooper and Schindler (2008) argue that a sample of 5-10% of target population is relevant for pilot study. A pilot study of 10% (2 commercial banks) of the target population was used for pre-testing. The pilot test was conducted on one randomly selected commercial banks not listed by NSE. 8 questionnaires were used for pretesting.

The study applied reliability analysis to assess internal consistency of the study variables. Cronbach's Alpha coefficient was computed on all components of questionnaire and their assessment given. Alpha of 0.7 was used in this study as a threshold. This study applied content validity and construct validity as it measures the extent to which the selected items contained in the sample represents the content being measured by the test. To ensure content validity, the supervisor was requested to assess the questionnaire's concepts and determine whether they measure what they purport to measure. Construct validity was assessed through component factor analysis where items with factor loading value of less than 0.4 was removed from the questionnaire.

This research employed both descriptive and inferential statistics to analyze the data collected. Mugenda and Mugenda (2008) argue that, descriptive statistics enables the researchers to get the meaningful description of scores and measurements for the study through the use of few indices or statistics. Descriptive statistics were used to describe the data and examine the relationships between the variables under investigation. Descriptive statistics to be used include frequency distributions and measures of central tendency (mean and standard deviation). Inferential statistics were used to examine the casual relationships between lending and the banks financial performance. The analyzed data was presented in form of tabulations, percentages, mean and standard deviation. To test the relationship between lending and financial performance of commercial banks in Kenya, SPSS software and multi-linear regression model was used. The model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Financial Performances

X_1 = Check-off Lending

X_2 = Group Lending

X_3 = Collateral Lending

X_4 = Mobile Lending

β_0 = Regression Constant or Intercept

$\beta_1, \beta_2, \beta_3$ and β_4 = Coefficients of various independent variables

ε = error term assumed to be normally distributed with a zero variance.

In a bid to pre-test the assumptions of multiple regression analysis, the normality test, multicollinearity test and the homoscedasticity test were conducted. This study adopted the Shapiro-Wilks test for normality in which a test fails the assumption of normality if the p-value is below 0.05. This research adopted the Variance Inflation Factor (VIF) to establish the multicollinearity in which VIF of more than 10 indicates that there is high correlation and hence a good study should have VIF values which are less than 10. Homoscedasticity on the other hand was tested using the Breusch-Pagan test by Breusch and Pagan in which if the test statistic has a p-value below an appropriate threshold (e.g. $p < 0.05$) then the null hypothesis of homoscedasticity is rejected and heteroscedasticity assumed.

4. Research Findings and Discussion

4.1 Response Rate

A total of 48 questionnaires were administered to the target respondents in the selected commercial banks. 39 questionnaires were fully filled and returned for analysis. This accounted for 81.3% response rate. The response rate was acceptable for analysis because, according to Cooper and Schindler (2011), a response rate of 50% is acceptable for analysis and publication, a response rate of 60% is deemed good, and a response rate of 70% or higher is regarded to be really good. The high response rate was credited to the researchers' persistent reminders and to giving the respondents extra time because of their busy schedules. Figure 4.1 presents the response rate.

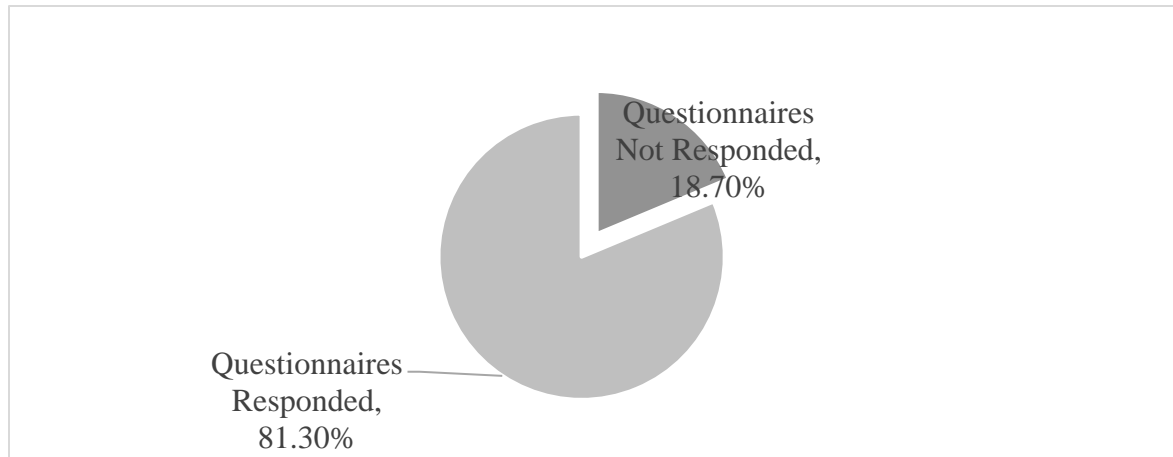


Figure 4.1 Response rate

4.2 Pilot Test Results

A pilot test, according to Vogt (2010), tries to evaluate the validity and dependability of the data collection tool. According to Cooper and Schindler (2008), a pilot study should include a sample of 5–10% of the target population. Pre-testing involved a pilot study of 10% (2 commercial banks) of the target population. One commercial bank not listed by NSE was the subject of the pilot test, which was chosen at random. For the pretesting, 8 questionnaires were employed.

4.2.1 Reliability Test Results

Reliability measures the extent to which data collection instrument yields consistent result when applied severally on similar tests. Table 4.1 presents the results of reliability tests. The results show that the Cronbach Alpha value for each of the variable was above the threshold of 0.7 implying that they were all reliable in assessing respective aspects in the study. According to Cronbach (1951), an alpha value of 0.7 is taken as a threshold where a value equals to or is greater than 0.7 are considered reliable. The Cronbach Alpha values of the study variables exceeded 0.7 implying existence of good internal consistency.

Table 4.1 Reliability Test Results

Scale	Cronbach's Alpha	Number of Items	Comment
Check-Off Lending	0.798	6	Reliable
Group Lending	0.817	5	Reliable
Collateral Lending	0.853	5	Reliable
Mobile Lending	0.819	6	Reliable
Financial Performance of Commercial Banks	0.901	5	Reliable

4.2.2 Validity Test Results

Creswell (2014) asserts that validity is the extent to which an instrument measure what it is supposed to measure and shows the truthfulness and accuracy of data and inferences acquired from the data. This study applied content validity and construct validity as it measures the extent to which the selected items contained in the sample represents the content being measured by the test. To ensure content validity, the supervisor evaluated and assessed the questionnaires' concepts and determined whether they measured what they purported to measure. The opinions, suggestions and views received were applied in enhancing the contents of the items in the questionnaire to ensure they capture what they purport to capture. Component factor analysis was adopted in assessing the construct validity where a threshold of 0.4 was adopted on the factor loading values. The results show that all items addressing each variable had a factor loading value of above 0.4 implying that all the items were valid thus none was deleted. The items were considered valid for collecting data for the main study.

4.3 Demographic Characteristics

This section presents respondents' demographic characteristics in areas of department, education, and experience.

4.3.1 Respondents Department

The results on the department of the respondents outlined in figure 4.2 shows that Credit Department accounted for 46.3% while Lending Department accounted for 53.7%. The results show that the respondents were well represented in their respective departments.

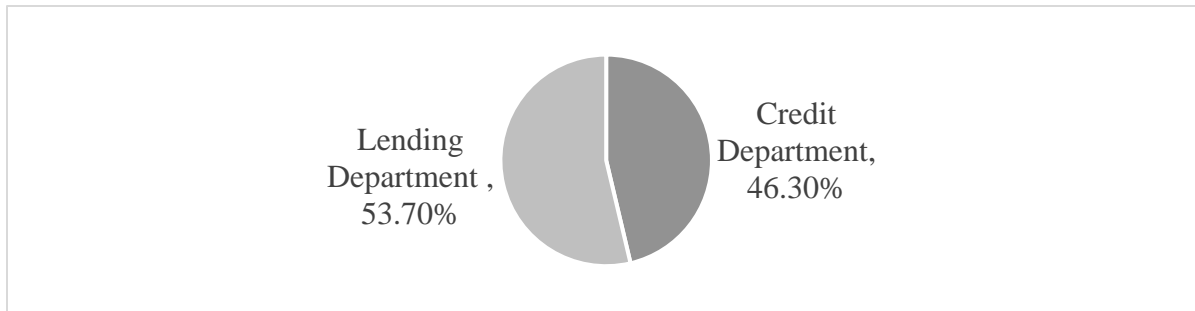


Figure 4.2: Respondents Department

4.3.2 Level of Education

The results on the highest level of education of respondents presented in figure 4.3 shows that Diploma holders were 9.30%, Degree holders were 56.80%, Masters holder were 33.90% while none of the respondents had a doctorate education level. The results bear the implication that all respondents were educated and in a position to read, understand and respond to the items contained in the questionnaires in the most appropriate way.

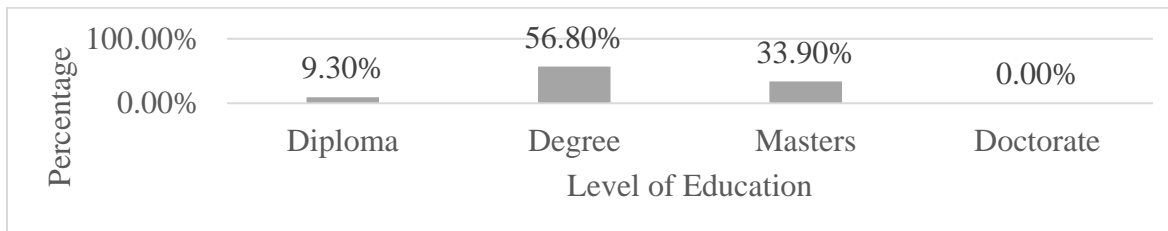


Figure 4.3 Level of Education

4.3.2 Experience

The results on the respondents' level of education outlined in figure 4.4 shows that those with 2 Years and below were 14.20%, 2-4 Years were 26.40%, 5- 7 Years were 39.10% while those with above 7 Years accounted for 20.30%. The results imply that majority of the respondents had an experience of above two years meaning that they had stayed long in the respective commercial banks to understand the lending practices undertaken and the respective effects on performance and hence were best suited to answer the research questions.

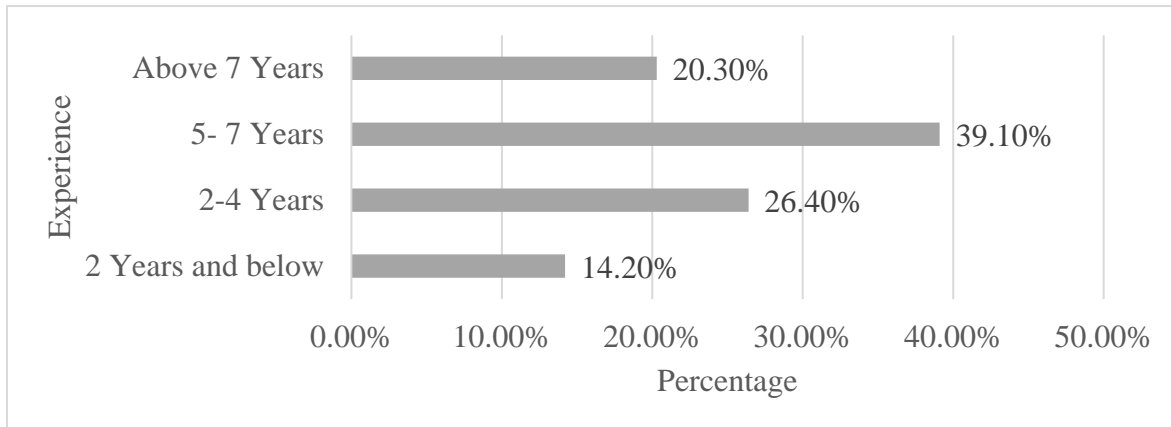


Figure 4.4: Level of Experience of Respondents

4.4 Descriptive Results

4.4.1 Check-off Lending

The study requested the respondents to indicate their agreement levels with statements on Check-off Lending using a scale of 1 to 5. According to the results outlined in table 4.2, respondents were in agreement with the statements that evaluation of individual payslip prior extending the loan ensure increases repayment chances (mean=3.98), that assessing prevailing deductions and balance after deduction on the payslip enables loan amount determination(mean=4.31) and that there is an emphasis on the employer's capability of remitting employees' deductions to the bank(mean=4.01). Respondents further agreed with the statements that assessment of employer past history on deduction remittances determines extension of payslip loan (mean=4.19), that bank considers client's bank balances in determining the amount to be deducted (mean=3.59) and that the bank ensures that the client's employer remits employees deductions in a timely manner (mean=4.06). An average mean of 4.02 and standard deviation of 0.611 implies that all the respondents agreed with the statements on check-off lending. The results concur with Alshati (2015) who noted that check-off loans have a significant effect on financial performance of commercial banks.

Table 4.2 Descriptive Statistics on Check-off Lending

Statement	Mean	Standard Deviation
Evaluation of individual payslip prior extending the loan ensure increases repayment chances	3.98	0.961
Assessing prevailing deductions and balance after deduction on the payslip enables loan amount determination	4.31	0.362
There is an emphasis on the employer's capability of remitting employees' deductions to the bank	4.01	0.625
Assessment of employer past history on deduction remittances determines extension of payslip loan	4.19	0.214
Our bank considers client's bank balances in determining the amount to be deducted	3.59	1.034
Our bank ensures that the client's employer remits employees deductions in a timely manner	4.06	0.468
Average	4.02	0.611

4.4.2 Group Lending

The study requested the respondents to indicate their agreement levels with statements on Group Lending using a scale of 1 to 5. According to the results outlined in table 4.3, respondents were in agreement with the statements that there are established procedures for appraising loans for groups in the bank(mean=4.36), that an assessment of the governance procedures of the group determines the group's repayment competencies(mean=3.67), that the governance level of the group according to our bank determines the group's repayment capability(mean=3.74) and that the bank assesses the measures the group has put in place to ensure loan repayments(mean=3.99). Respondents were however neutral on the fact that an assessment of the group's missions and visions prior extending loans informs of the group loan repayment capability(mean=3.43). On average, all respondents were in agreement with the statements on group lending as shown by average response mean of 3.84 and a standard deviation of 0.877. The results are in tandem with Guttman (2016) who noted

that group lending acts as a bank’s insurance as the bank is guaranteed that the loans will be paid even at the event that one member defaults paying or is incapable of repaying.

Table 4.3 Descriptive Statistics on Group Lending

Statement	Mean	Standard Deviation
There are established procedures for appraising loans for groups in the bank	4.36	0.472
An assessment of the group’s missions and visions prior extending loans informs of the group loan repayment capability	3.43	1.346
An assessment of the governance procedures of the group determines the group’s repayment competencies	3.67	0.873
The governance level of the group according to our bank determines the group’s repayment capability	3.74	0.851
Our bank assesses the measures the group has put in place to ensure loan repayments	3.99	0.843
Average	3.84	0.877

4.4.3 Collateral Lending

The study requested the respondents to indicate their agreement levels with statements on Collateral Lending using a scale of 1 to 5. According to the results outlined in table 4.4, respondents were in agreement with the statements that fixed assets forms the main collateral in our banks(mean=4.25), that the value of the collateral is assessed prior advancing loans(mean=4.29), that the bank assesses the ownership of the collateral prior advancing collateral loans(mean=4.36), and that the borrower is issued with collateral loan in respect to the value of the collateral(mean=4.56). Respondents further agreed with the statements that offering loans through collaterals ensures there is a guarantee in loan repayment(mean=4.42) and that by holding client’s collaterals, our bank keeps the client focused on repaying the loan(mean=3.94). An average responses mean of 4.3 implies that all the respondents agreed with the respondents on collateral lending. The results are consistent with Inderst and Mueller (2017) who established that collateral plays an important role in bank lending since it reduces the bank’s loss in case a borrower defaults.

Table 4.4 Descriptive Statistics on Collateral Lending

Statement	Mean	Standard Deviation
Fixed assets forms the main collateral in our banks	4.25	0.501
The value of the collateral is assessed prior advancing loans	4.29	0.353
The bank assesses the ownership of the collateral prior advancing collateral loans	4.36	0.218
The borrower is issued with collateral loan in respect to the value of the collateral	4.56	0.169
Offering loans through collaterals ensures there is a guarantee in loan repayment	4.42	0.246
By holding client's collaterals, our bank keeps the client focused on repaying the loan	3.94	0.386
Average	4.3	0.312

4.4.4 Mobile Lending

The study requested the respondents to indicate their agreement levels with statements on Mobile Lending using a scale of 1 to 5. According to the results outlined in table 4.5, respondents were in agreement with the statements that their bank has a mobile lending platform (mean=4.37), that the amount of loan through the mobile platform is dependent on the client's activity with our bank (mean=4.41) and that their bank has set up a minimum loan which increases depending on the client's repayment capability (mean=4.59). Respondents further agreed with the statements that the repayment period of our mobile loans depends on the amount of loan extended to the client (mean=3.51), that the bank has set up a penalty inform of increasing interests on mobile loan defaulters (mean=4.27) and that setting up a penalty that reduces the amount of loan a client can qualify ensures repayment on time(mean=3.97). All respondents agreed with the statements on mobile lending as shown by average mean of 4.19. The results agree with Sheleg and Kohali (2017) who noted that adoption of mobile lending helps in minimizing the operational costs and in being efficient and effective as service provider.

Table 4.5 Descriptive Statistics on Mobile Lending

Statement	Mean	Standard Deviation
Our bank has a mobile lending platform	4.37	0.376
The amount of loan through the mobile platform is dependent on the client's activity with our bank	4.41	0.301
Our bank has set up a minimum loan which increases depending on the client's repayment capability	4.59	0.211
The repayment period of our mobile loans depends on the amount of loan extended to the client	3.51	1.015
Our banks has set up a penalty inform of increasing interests on mobile loan defaulters	4.27	0.297
Setting up a penalty that reduces the amount of loan a client can qualify ensures repayment on time	3.97	0.943
Average	4.19	0.524

4.4.5 Performance of Listed Commercial Banks

The study requested the respondents to indicate their agreement levels with statements on Performance of Listed Commercial Banks using a scale of 1 to 5. According to the results outlined in table 4.6, respondents were in agreement with the statements that attractive lending practices has increased customer base in their bank (mean=4.22), that lending practices has increased customer retention rates in their bank (mean=4.26), that the market share has increased due to attractive lending practices mean=4.17) that the level of profits of our bank has significantly increased (mean=4.36) and that their bank has witnessed a reduction in the value of Non-performing loans mean=3.68). All respondents agreed with the statements on performance of the commercial bank as shown by average mean of 4.14. The results are consistent with Ongore and Kusa (2013) who established that loans are central to the realization of critical banking objectives with financial performance being the baseline yardstick for the sector.

Table 4.6 Descriptive statistics on Performance Listed Commercial Banks

Statement	Mean	Standard Deviation
Attractive lending practices has increased customer base in our bank	4.22	0.309
Lending practices has increased customer retention rates in our bank	4.26	0.293
Our market share has increased due to attractive lending practices	4.17	0.379
The level of profits of our bank has significantly increased	4.36	0.218
Our bank has witnessed a reduction in the value of Non-performing loans	3.68	0.997
Average	4.14	0.439

The study assessed the Return on Assets for the commercial banks for the period between 2017 and 2021. The results presented in figure 4.5 shows that there were variances in the levels of ROA for the years in consideration with the highest of 3.5% witnessed in 2018 and lowest of 2.07% in 2020. The drop in 2020 can be attributed to the effects of Covid-19.

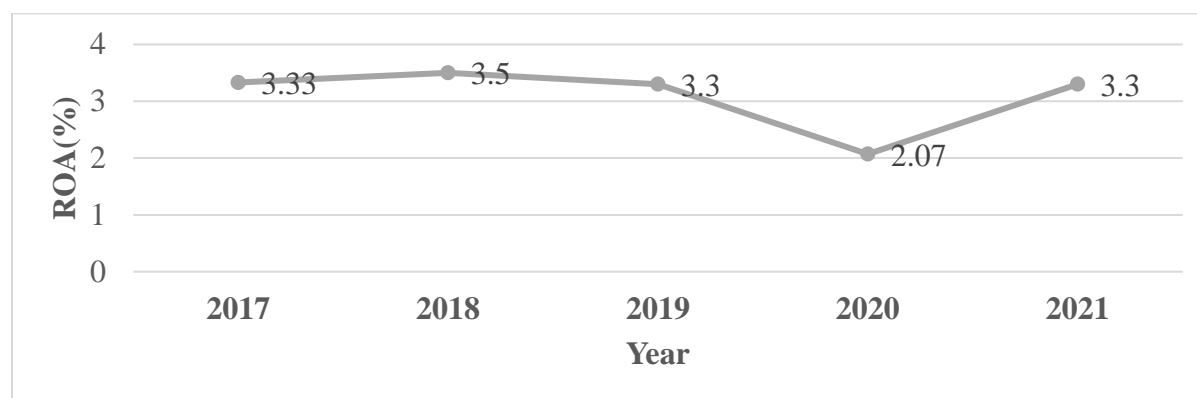


Figure 4.5 ROA

Regarding to the Return on Equity, the results in figure 4.6 shows that 2018 recorded the highest ROE of 22.5% while 2020 recorded the lowest of 13.9%.

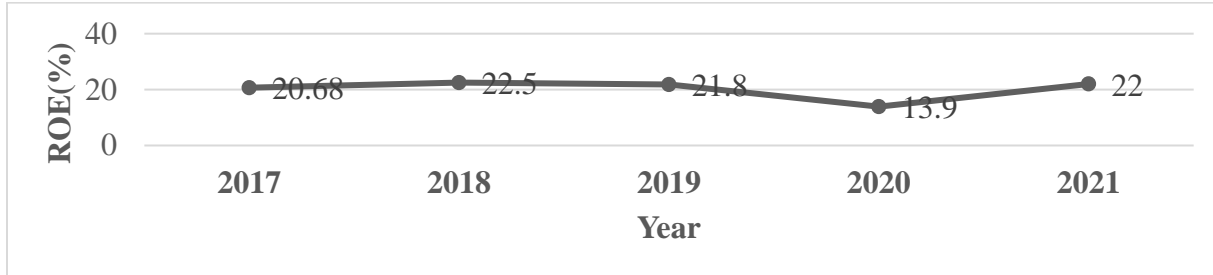


Figure 4.6 ROE

4.5 Diagnostic Test Results

4.5.1 Normality Test

The Kolmogorov-Smirnov (K-S) Test was used in the study to determine whether the dependent variable was normal. The K-S test is the most widely used normality test, according to Ghasemi and Zahediasl (2012), likely due to the drawbacks of other tests and the ease with which it can be studied using SPSS. The secondary data is not normally distributed, which is the null hypothesis for performing the normality test. If the p-value is more than 0.05, this should be discarded. Shapiro-Wilk and Kolmogorov-Smirnova tests both have p-values greater than 0.05, as shown by the findings in table 4.7. This implied that the study's secondary data was regularly distributed, rejecting the null hypothesis.

Table 4.7 Kolmogorov-Smirnov test of Normality

	Kolmogorov-Sminorv			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Financial Performance	.187	38	.365*	.613	38	.706

*. This is a lower bound of the true significance.

4.5.2 Multicollinearity Test

Indicators of multicollinearity include high levels of correlation between the independent variables. The beta coefficients and the standard errors increase in situations where the predictor variables have a high degree of correlation, making it impossible or challenging to determine the relative relevance of the predictor variables. A correlation matrix was used in the study to evaluate

the multicollinearity. Variance Inflation with a threshold of 0.2 for tolerance value and less than 10 for VIF values as indicators of no multicollinearity, factor values and variable tolerance values were used. According to the findings shown in table 4.8, no independent variable displayed multicollinearity because all of them had tolerance values above 0.2 and VIF values under 10.

Table 4.8: Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
Check-Off Lending	0.215	1.845
Group Lending	0.336	1.765
Collateral Lending	0.621	2.002
Mobile Lending	0.413	2.615

4.5.3 Homoscedasticity Test

In order to check for homogeneity in a linear regression model, the study used the Breusch-Pagan test created by Breusch and Pagan (1979). When the probability value in the Breusch-Pagan test exceeds 0.05, homoscedasticity hypotheses are reached. The data shown in Table 4.9 showed an unremarkable p-value larger than 0.05 at the 5% level of significance. The constant variance null hypothesis is therefore not ruled out, according to this. This demonstrates the homogeneity of the error component, demonstrating that the assumption of homogeneity in traditional linear regression was not broken.

Table 4.9 Breusch-Pagan Test of Homoscedasticity

Breusch-Pagan / Cook-Weisberg test for Homoscedasticity	
H ₀ : Constant variance	
chi2(3)	= 0.698
Prob > chi2	= 0.559

4.6 Inferential Statistics

4.6.1 Correlation Results

The study established the relationship between independent variables (Check-Off Lending, Group Lending, Collateral Lending, and Mobile Lending) and the dependent variable (Financial Performance of Commercial Banks). Consequently, a correlation coefficient matrix to assess relationship between study variables (independent variables) themselves is also indicated. The results are as shown in table 4.10.

According to the results, check-off lending bears a positive and significant correlation with performance of NSE listed commercial banks in Kenya. This is shown by a correlation value of 0.714 and a significant value of 0.000. The results imply that enhancing the levels of check-off lending practices culminates into increased performance levels of the listed commercial banks. The results concur with Sujeewa (2015) findings in his research on impact of check-off loans on performance for commercial banks in Sri Lanka which established that check-off loans had a positive impact on the profitability.

The results further revealed that group lending bears a positive and significant correlation with performance of NSE listed commercial banks in Kenya. This is shown by a correlation value of 0.403 and a significant value of 0.000. The results imply that enhancing the levels of group lending practices culminates into increased performance levels of the listed commercial banks. The results are in tandem with Guttman (2016) who noted that group lending acts as a bank's insurance as the bank is guaranteed that the loans will be paid even at the event that one member defaults paying or is incapable of repaying.

The results also revealed that collateral lending bears a positive and significant correlation with performance of NSE listed commercial banks in Kenya. This is shown by a correlation value of 0.346 and a significant value of 0.000. The results imply that enhancing the levels of collateral lending practices culminates into increased performance levels of the listed commercial banks. The results agree with Olweny, Ochieng and Oloko (2018) who found out that collateral loans have a positive and significant influence on financial performance.

The results finally revealed that mobile lending bears a positive and significant correlation with performance of NSE listed commercial banks in Kenya. This is shown by a correlation value of 0.544 and a significant value of 0.000. The results imply that enhancing the levels of mobile lending practices culminates into increased performance levels of the listed commercial banks. The results concur with Ndagijimana (2017) findings in his study on the effect of mobile lending on financial performance of commercial banks in Kenya which established that mobile lending positively and significantly affects the financial performance of banks in Kenya.

Table 4.10 Correlation Analysis

		Performance	Check-Off Lending	Group Lending	Collateral Lending	Mobile Lending
Performance	Pearson Correlation	1	.714**	.403**	.346**	.544**
	Sig. (2-tailed)		0	0	0	0
	N		39	39	39	39
Check-Off Lending	Pearson Correlation		1	.198**	.090**	.196**
	Sig. (2-tailed)			0.96	0.215	0.104
	N			39	39	39
Group Lending	Pearson Correlation			1	.051**	.118**
	Sig. (2-tailed)				0.134	0.203
	N				39	39
Collateral Lending	Pearson Correlation				1	.092**
	Sig. (2-tailed)					0.002
	N					39
Mobile Lending	Pearson Correlation					1
	Sig. (2-tailed)					

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

4.6.2 Multiple Regression Analysis

The inclusion of a multiple regression analysis was adopted to assess the level of relationship between the independent variables (Check-Off Lending, Group Lending, Collateral Lending, and Mobile Lending) and the dependent variable (Financial Performance of Commercial Banks). The regression was conducted at 95% confident level ($\alpha = 0.05$). The analysis results are presented in table 4.11. According to the findings, there is a high relationship between Check-Off Lending, Group Lending, Collateral Lending, and Mobile Lending and Financial Performance of Commercial Banks ($R=0.819$). The model also showed that the R-squared, or coefficient of determination, was .671, indicating that Check-Off Lending, Group Lending, Collateral Lending, and Mobile Lending accounts for 67.1% of variation in performance of listed commercial banks in Kenya.

Table 4.11: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.819	0.671	0.612	0.617952

ANOVA (Analysis of Variance) was used to determine the statistical significance of the model linking independent and dependent variables. The significance level is arrived at by comparing the value of F-calculated and F-critical value from F-statistics table. The F-critical value at 4,34 and at 0.05 significant level was 2.64 while the F-calculated value was 12.15131. The f-calculated value was greater than the F-critical value implying that the model was statistically for assessing the relationship between the dependent and independent variables.

Table 4.12: ANOVA (Model Significance)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	131.186	4	3.021549	12.15131	0.013458
Residual	43.4168	34	0.24866		
Total	174.6028	38			

Table 4.13 outlines the regression coefficients. According to the results, check-off lending positively and significantly affects performance of NSE listed commercial in Kenya ($\text{Beta}=0.497$, $\text{sig}=0.000<0.05$). The results bear the implication that increasing check off lending with one unit results to 0.497 units in the levels of performance of the NSE listed commercial banks. The results

concur with Alshati (2015) who noted that check-off loans have a significant effect on financial performance of commercial banks.

The results also revealed that check-off lending positively and significantly affects performance of NSE listed commercial in Kenya (Beta=0.314, sig=0.009<0.05). The results bear the implication that increasing group lending with one unit results to 0.314 units in the levels of performance of the NSE listed commercial banks. The results are in tandem with Guttman (2016) who noted that group lending acts as a bank's insurance as the bank is guaranteed that the loans will be paid even at the event that one member defaults paying or is incapable of repaying.

The results further revealed that collateral lending positively and significantly affects performance of NSE listed commercial in Kenya (Beta=0.247, sig=0.013<0.05). The results bear the implication that increasing collateral lending with one unit results to 0.247 units in the levels of performance of the NSE listed commercial banks. The results agree with Olweny, Ochieng and Oloko (2018) who found out that collateral loans have a positive and significant influence on financial performance.

The results finally revealed that mobile lending positively and significantly affects performance of NSE listed commercial in Kenya (Beta=0.388, sig=0.000<0.05). The results bear the implication that increasing mobile lending with one unit results to 0.388 units in the levels of performance of the NSE listed commercial banks. The results concur with Ndagijimana (2017) findings in his study on the effect of mobile lending on financial performance of commercial banks in Kenya which established that mobile lending positively and significantly affects the financial performance.

Table 4.13 Model Coefficients

Predictors	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.113	0.045		2.5111	0.77
Check-Off Lending	0.497	0.106	0.426	4.6887	0.000
Group Lending	0.314	0.197	0.264	1.5939	0.009
Collateral Lending	0.247	0.178	0.119	1.3876	0.013
Mobile Lending	0.388	0.114	0.316	3.4035	0.000

The optimal linear regression model for the study therefore becomes:

Performance of NSE Listed Commercial Banks = $0.113 + 0.497(\text{Check-Off Lending}) + 0.388(\text{Mobile Lending}) + 0.314(\text{Group Lending}) + 0.247(\text{Collateral Lending})$

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the findings

The main focus of the current study was to establish the effects of lending on the financial performance of commercial banks listed at the Nairobi Securities Exchange. The study centered on establishing the effects of check-off lending, group lending, collateral lending, and mobile lending on performance of NSE listed commercial banks. The target population comprised of 12 commercial banks listed in Nairobi Securities Exchange. The unit of observation comprised of employees in Credit and Lending Department in the selected commercial banks. Two employees from each department were randomly selected and involved in the study. The summary of the findings per research objective are presented in this section.

5.1.1 Check-Off Lending

The descriptive analysis results revealed that all the respondents agreed with the statements on check-off lending. Additionally, the correlation results revealed that check off lending positively and significantly correlates with performance of NSE listed commercial banks. The regression analysis results further revealed that increasing check-off lending with one unit results to an increase in the levels of performance of the listed commercial banks. The results generally imply that check-off lending positively and significantly affects performance of the listed commercial banks.

5.1.2 Group Lending

The descriptive analysis results revealed that all the respondents agreed with the statements on group lending. Additionally, the correlation results revealed that group lending positively and significantly correlates with performance of NSE listed commercial banks. The regression analysis results further revealed that increasing group lending with one unit results to an increase in the levels of performance of the listed commercial banks. The results generally imply that group lending positively and significantly affects performance of the listed commercial banks.

5.1.3 Collateral Lending

The descriptive analysis results revealed that all the respondents agreed with the statements on collateral lending. Additionally, the correlation results revealed that collateral lending positively and significantly correlates with performance of NSE listed commercial banks. The regression analysis results further revealed that increasing collateral lending with one unit results to an

increase in the levels of performance of the listed commercial banks. The results generally imply that collateral lending positively and significantly affects performance of the listed commercial banks.

5.1.4 Mobile Lending

The descriptive analysis results revealed that all the respondents agreed with the statements on mobile lending. Additionally, the correlation results revealed that mobile lending positively and significantly correlates with performance of NSE listed commercial banks. The regression analysis results further revealed that increasing mobile lending with one unit results to an increase in the levels of performance of the listed commercial banks. The results generally imply that mobile lending positively and significantly affects performance of the listed commercial banks.

5.2 Conclusion

Check off lending practices such as evaluating of individual payslip, assessing prevailing deductions and balance after deduction, emphasizing on the employer's capability of remitting deductions, assessing employer past history on deduction remittances, and ensuring client's employer remits employees deductions in a timely manner contributes to enhanced performances of NSE listed commercial banks in Kenya. Aspects of group lending such as establishing procedures for appraising loans for groups, assessing the governance procedures of the group, and assessing the measures the group has put in place to ensure loan repayments contributes to enhanced performances of NSE listed commercial banks in Kenya.

Aspects of collateral lending such as forming fixed assets as the main collateral, assessing the value and ownership of the collateral prior advancing loans, that the borrower is issued with collateral loan in respect to the value of the collateral and that by holding client's collaterals, our bank keeps the client focused on repaying the loan contributes to enhanced performances of NSE listed commercial banks in Kenya. Aspects of mobile lending such as having a mobile lending platform, ensuring that the amount of loan through the mobile platform is dependent on the client's activity the bank, setting up a minimum loan, and setting up a penalty inform of increasing interests on mobile loan defaulters contributes to enhanced performances of NSE listed commercial banks in Kenya.

5.4 Recommendations

5.4.1 Policy Recommendations

The study provides recommendations to the management of commercial to enhance their levels of check off lending since the practice leads to increased performance of the commercial banks. The commercial banks can achieve this through practices such as evaluating of individual payslip prior

extending the loan ensure increases repayment chances, assessing prevailing deductions and balance after deduction on the payslip enables loan amount determination, emphasizing on the employer's capability of remitting employees' deductions to the bank, assessing employer past history on deduction remittances to determine extension of payslip loan, considering client's bank balances in determining the amount to be deducted and ensuring that the client's employer remits employees deductions in a timely manner.

The study further recommends the commercial banks to enhance their group lending practices since the practice leads to increased performance level of the banks. The banks can achieve this through practices such as establishing procedures for appraising loans for groups in the bank, assessing the governance procedures of the group to determine the group's repayment competencies, and assessing the measures the group has put in place to ensure loan repayments

The study also recommends the commercial banks to enhance their collateral lending practices since the practice leads to increased performance level of the banks. The banks can achieve this through practices such as forming fixed assets as the main collateral, assessing the value and ownership of the collateral prior advancing loans that the borrower is issued with collateral loan in respect to the value of the collateral and that by holding client's collaterals, our bank keeps the client focused on repaying the loan further.

The study finally recommends the commercial banks to enhance their mobile lending practices since the practice leads to increased performance level of the banks. The banks can achieve this through practices such as having a mobile lending platform, ensuring that the amount of loan through the mobile platform is dependent on the client's activity with our bank, setting up a minimum loan which increases depending on the client's repayment capability, and setting up a penalty inform of increasing interests on mobile loan defaulters which reduces the amount of loan a client can qualify ensures repayment on time.

5.4.2 Recommendations for Further Research

The current study was in the contexts of NSE listed commercial banks. The study thus suggests another study in other financial institutions such as commercial banks not listed in NSE, micro finances and SACCOs. Similarly, the current study established that lending practices included in the study such as check-off lending, group lending, collateral lending, and mobile lending accounted for 67.1% of variation in performance of listed commercial banks in Kenya. The study thus recommends further research on non-lending indicators that affect financial performance of the listed commercial banks and which possibly accounts for the remaining percentage of 32.9%.

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Appendix 1: Commercial Banks in Kenya Listed at the NSE

- 1) ABSA Bank Kenya Plc
- 2) BK Group Plc
- 3) Co-operative Bank of Kenya Limited
- 4) Diamond Trust Bank Kenya Limited
- 5) Equity Group Holdings Limited
- 6) Housing finance Group Limited
- 7) I&M Holdings Limited
- 8) KCB Group Limited
- 9) National Bank of Kenya Limited
- 10) NCBA Group Plc
- 11) Stanbic Holdings Plc
- 12) Standard Chartered Bank Limited