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Factors Affecting Utilization of Credit Facilities by Banks' Customers at Kenya Women Finance Trust Bank in Trans Nzoia County

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***Abstract*: The study examined the factors affecting utilization of credit facilities by banks customers at Kenya Women Finance Trust Bank in Trans Nzoia County . The objectives of the study were; to evaluate the effect of cost of credit on credit utilization by customers , to find out the effect of collaterals on credit utilization by customers and to examine the effect of loan repayment period on credit utilization by customers of Kenya Women Finance Trust Bank in Trans Nzoia County. This study is of significant to financial institutions as a whole to find out the best measures and methods to be used on the factors affecting utilization of credit facilities by banks customers. The study employed stratified and simple random researcher to select the respondents for the study. The researcher used a survey research design because it gave in depth information of the study area and gives out the wanted information of which the researcher is looking on. The target population included banks customers and credit officers . Researcher used questionnaires to collect data. After data collection, it was analyzed using qualitative and quantitative data analysis and it was coded, organized and presented using frequency tables and percentages. The study found that there is a significant relationship between cost of credit and credit utilization by customers ($\beta = 0.669$, $p = 0.000$), there is a significant relationship between collaterals and credit utilization by customers ($\beta = 0.468$, $p = 0.000$) and there is a significant relationship between loan repayment period and credit utilization by customers (β = 0.0.281, $p = 0.000$). The study concluded that a majority of customers visiting the facility had applied for credit facilities with the institution. The processing of the loan took a considerably short period with a majority having their loan processed within 7 days and therefore viewed it as an institution that is good in advancing credit facilities and were therefore inclined to utilize credit from the facility in the future as they found the interest rates of the bank to be reasonable. On the effect of cost of credit on utilization of credit facilities the study concluded that the fluctuation in rates affects credit utilization, On the effect of collaterals on utilization of credit facilities the study concluded that in case of defaults of the loan, all parties understands the impact to the collaterals. On effect of repayment period on utilization of credit facilitib1es, the study concluded the repayment period attached to the different loans affected their utilization. On utilization of credit facilities at Kenya Women Finance Bank, Trans Nzoia County the study concluded that a majority of the customers maximized their ability to get credit. The study made the following recommendations; the creditors of the bank should be involved in the decisions of the rates to be charged to the loan facility, the institution should make the interest rates and any other costs associated clear to their customers and the institution should utilize records of good credit scores and repayment to improve the client loan uptake.**

***Keywords:* Collateral, loan repayment, cost and utilization of credit.**

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1. INTRODUCTION

Background:

Globally, the population of mankind has increased as well as increases in individual Per capita income levels have promoted strong enthusiasm for financial services in the Banking sector. Banks globally have continued to grow and have become among the main pillars of several economies both in developed and developing countries (World Bank, 2013). Banks are credible monitors of loans repayments and borrower credit worthiness because the returns are more predictable due to diversification effect of their business portfolio and dealing with large number of clientele base in broader sectors of the economy. Credible bank scan gather deposit at relatively low costs and deposits runs represent powerful disciplining device that limits banks incentives for risk taking and misallocation of resources. Credit facilities are the most important functions provided by financial institutions. It is therefore affected by several factors in the utilization by its customers. (a) sound decision of credit; a bank should focus on the documents requested from customers before lending, and inquire about customers financial conditions, and evaluation of the collateral for lending purposes, the study of Hussain (2005) concluded that in order to sound results of lending there must be around study. (b) Direction and guidance for customer; the study of (Tarawneh, 2002). The study clarified that the need for management's attention to provide direction and guidance for customers to invest their money, publish banking awareness among all groups, human resources development operating in the commercial banks, need to reconsider the credit policies of commercial banks in order to match the reality of the economic situation.(c) information about the credit facility; the lack of information, and lack of follow-up customers after granting facilities, use client for a loan for the purpose for which it was granted, unjustified expansion in investment, and the change in customer behavior and credibility (Alhaher *et al,* 2007) (d)Quality and objectivity of the credit facilities provided, and the extent to which banks prepare feasibility studies for the projects to be financed in Palestine, in addition to other role of banks in the development of various economic sectors and that from the view point of the owners and the guarantees is different according to economic sectors. Manasseh (2004) found out that, financial institutions such as banks offer finances to businesses which are mostly short term in nature. This is because the deposits made with them are demand deposits, which cannot be lent on long term basis. Due to this fact the financing role of commercial banks is limited to short term loans exceeding four years. (b)Demand for collateral by financial institutions; most banking institutions demand collateral as one of the requirements for the access to credit facilities. This becomes a constraint to customers most of who may not have deeds to capital assets to present as security against the loans. This factor reduces accessibility of these loans. Furthermore, most lending institutions are more inclined to lending to the large scale businesses that have higher success rate, and repayment rate. (c) Interest rate of credit; the rate of interest rate charged on the credit determines the cost of the credit. High interest rate therefore increases the cost of credit. High interest rate on credit may discourage bank customers from borrowing reducing the accessibility of credit among them.

This provides some degree of quality assurance in banks' loan portfolio. Because non-bank lenders that cannot issue demand deposits do not have the benefits of affordable capital structure, they are less credible in their loan portfolio quality commitment. This may explain why a ban approval by non-bank lenders does not carry the same good news weight, as does a ban approval by banks. The intermediate function of the banks is to source funds or deposits from surplus agents and lends it to deficit agents contributing a lot to the convenience of the borrower, the depositor and the economy. The ability to match ban repayments terms to the requirements of the borrowers due to the economies of scale is much convenient to the prospective borrowers. The banks offer credit facilities to the clients or customers who need funds. The banks require the clients or those seeking for the facilities to have an account with them. Commercial Banks experiences in credit processing show that banks normally tend to relax their restrictions for lending when there is excess liquidity. The banks do not insist on security but only loyalty and minimum number of months those customers have banked with them during such period. This position however changes during economic difficulties like the ongoing global recession. Also, most banks identify start up capital as an extremely risky capital even for good customers and only endeavour to finance existing business or expansion. It can therefore be argued that banks primarily take repayment ability of loans as the main factor to consider in giving out loan. In assessing risks of borrowing, banks take into accountability as a primary mitigating factor (Central Bank Report, 2008). According to the central Bank Report (2008), one of the major successes in the banking sector has been the development of favourable lending policies and the expansion of branch network of the key banking institution in Kenya. However, banks have not yet exhausted the

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opportunities to increase access to financial services by a majority of the population. The lack of credit information sharing has in the past been a contributory factor to the high levels of non-performing loans in the sector. Furthermore, banks have tended to rely more on physical rather than on 'personal' collaterals in their lending decisions. It is noted that banks be they commercial or micro finance do not offer credit to everybody who applies for them. They apply conditions some of which are retrogressive to the growth of micro lending business, thus repugnant to economic growth. Each bank has its own internal lending policies of which some are as diverse as having collaterals and others would ask for a small grouping of business person for them to qualify for lending. Renault and Arnaud (2004) held that when a customer applies for credit from the bank, his information is forwarded to the credit bureau along with constant updates on the status of his credit accounts, address or any other changes made since the last time he applied for any credit.

The central bank has been addressing the problem by pushing banks to close loss making branches and improve loan recovery. Concerns about depositor, protection have led to conservative liquidity and cash ratios and increased reserve requirements, increasing the cost of funds and the further distance the SMEs from the banking sector (Institute of Policy Analysis and Research, IPAR, 2000). A credit rating assesses the credit worthiness of an individual corporate or even a country. Credit ratings are calculated from financial history and current assets and liabilities. (a)Literacy levels; most lenders advertise their services on the print media. Since the literacy levels among the bank customers are low they may not access the information. Others may have general literacy but are not well informed, on the effect of credit facilities on business growth, and therefore may fail to ask for services. The literacy level may therefore be a constraining factor in the accessibility of credit, customers(b) The credit facilities are most important source of financing for the investors to complete their various projects, Investors depend on credit facilities to establish their projects granted by the banks, credit facilities have several forms and the most accepted one is the direct credit facilities, it is Known as "those facilities that pay for the customer in cash or credited to account with the bank.

Statement of the Problem*:*

Most of the bank customers in Kenya often consider the cost of credit facility as a barrier in getting access to credit and often look for easily accessible sources of credit such as chamas, and shylocks among others which they consider to offer low cost of credit to customers. Deposit rates also play a crucial role in influencing customers when opening deposit accounts such as savings accounts. The interest rate on deposits charged by the different Commercial banks in Kenya has been heavily criticized for being extremely low compared to the interest rate charged when they lend money (World Bank, 2013).

Credit facilities have been spoken of in a wide sector of economic development and in a wide range of institutions. Banks have been coming up with several packages of credit facilities but the benchmark lies with the conditions underlying qualification for one to get the credit facilities. Conditions have been varying from bank to bank and this has been exemplified by the conventional banking requirements for one to access loans. Credit facilities are offered but whether or not clients utilize these facilities for the purpose of borrowed is not known. This formed the basis of this study of determining factors affecting utilization of credit facilities by banks customers. Although many financial institutions have been vigorously marketing their credit facilities, few customers have been accessing them. Therefore there is a reason for the poor accessibility and utilization for these facilities. In view of these there was a need for a study to establish the factors that affect the utilization of credit facilities

Objectives of the Study:

General objectives:

The main objective of this study was to examine the factors affecting utilization of credit facilities by banks' customers in Kenya Women Finance Trust Bank, Trans Nzoia County.

Specific objectives of the study:

1. To evaluate the effect of cost of credit on credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County.
2. To find out the effect of collaterals on credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County.

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3. To examine the effect of loan repayment period on credit utilization by customers of Kenya Women Finance Trust Bank Trans Nzoia County.

Research Questions:

1. What is the effect of cost of credit on credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County?
2. What is the effect of collaterals on credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County?
3. What is the effect of loan repayment period on credit utilization by customers of Kenya Women Finance Trust Bank Trans Nzoia County?

Hypotheses:

$\mathbf{H_1}$ There is a significant relationship between cost of credit and credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County

$\mathbf{H_2}$ There is a significant relationship between collaterals and credit utilization by customers of Kenya Women Finance Trust Bank, Trans Nzoia County

$\mathbf{H_3}$ There is a significant relationship between loan repayment period and credit utilization by customers of Kenya Women Finance Trust Bank Trans Nzoia County.

Scope of the study:

The study was conducted to determine factors affecting utilization of credit facilities by banks customers a survey of Kenya Women Finance Trust Banks customers in Trans Nzoia County. The study employed a survey research design. Stratified, simple random and purposive sampling designs were adopted as the sampling techniques to select the sample size. The study targeted customers who visit Kenya Women Finance Trust Bank, Trans Nzoia County who were estimated to be 300 per day and50 credit officers in the bank.

2. LITERATURE REVIEW

Theoretical Framework:

Credit Market Theory:

A model of the neoclassical credit market postulates that the terms of credits clear the market. The theory postulates that if collateral and other pertinent restrictions remain given, then it is only the lending rate that determines the amount of credit that is dispensed by the banking sector. Therefore with an increasing demand for credit and a fixed supply of the same, interest rates will have to rise. Any additional risk to a project being funded by the bank should be reflected through a risk premium that is added to lending rate to match the increasing risk of default. Subsequently, there exist a positive relationship between the default probability of a borrower and the interest rate charged on the advance. It is thus believed that the higher the failure risks of the borrower, the higher the interest premium (Ewert *et al*, 2000). Although this theory does not explicitly discuss how collateral would effect on the risk premium, it creates the impression that collateral has no effect on lending rate, and if a risky borrower would wish to face the same lending rate as a borrower with a lower risk, then all that is required is to pledge more collateral to lower his risk profile and therefore enjoy a lower risk premium. This brings about the ‘moral hazard’ and ‘adverse selection’ phenomena, firstly because of information asymmetry existing between the lender and borrowers. The borrower has a more accurate assessment of the risk profile of this investment that is not known by the lender and thus may perform secret actions to increase the risk of his investment without the realization of the lender. The adverse selection problem appears as lenders raise their interest rates to shield themselves from default and on the other hand attract only high risk borrowers and eliminate low risk borrowers (Mason and Roger, 1998).

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Information Theory:

Derban, Binner and Mullineux (2005) recommended that borrowers should be screened especially by banking institutions in form of credit assessment. Collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening as indicated by symmetric information theory. Qualitative and quantitative techniques can be used in assessing the borrowers although one major challenge of using qualitative models is their subjective nature. However according to Derban *et al* (2005), borrowers attributes assessed through qualitative models can be assigned numbers with the sum of the values compared to a threshold.

This technique minimizes processing costs, reduces subjective judgments and possible biases. The rating systems will be important if it indicates changes in expected level of credit loan loss. Brown (1998) concluded that quantitative models make it possible to numerically establish which factors are important in explaining default risk, evaluating the relative degree of importance of the factors, improving the pricing of default risk, screening out bad loan applicants and calculating any reserve needed to meet expected future loan losses.

Classical theory of demand:

Banking services are demanded in a similar manner to any other service and the prices associated with the issuance of such service are the prime determinants of demand. Prices on the other hand are settled by market forces of supply and demand model. It is concluded that in a competitive market, the unit price for a particular good will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium for price and quantity (McConnel, 2008).

McConnel (2008) gives the four basic laws of supply and demand are as follows; If demand increases and supply remains unchanged, a shortage occurs, leading to a higher equilibrium price; If demand decreases and supply remains unchanged, a surplus occurs, leading to a lower equilibrium price; If demand remains unchanged and supply increases, a surplus occurs, leading to a lower equilibrium price; If demand remains unchanged and supply decreases, a shortage occurs, leading to a higher equilibrium price. Demand is often depicted graphically as a negatively sloping curve asymptotic to the x axis (which is representative of the quantity of products demanded). It represents the amount of some good that buyers are willing and able to purchase at various prices, assuming all determinants of demand other than the price of the good in question, such as income, tastes and preferences, the price of substitute goods, and the price of complementary goods, remain the same. Following the law of demand, the demand curve is almost always represented as downward sloping, meaning that as price decreases, consumers will buy more of the good (McConnel, 2008). Just like the supply curves reflect marginal cost curves, demand curves are determined by marginal utility curves. Consumers will be willing to buy a given quantity of a good, at a given price, if the marginal utility of additional consumption is equal to the opportunity cost determined by the price, that is, the marginal utility of alternative consumption choices. Thus a demand schedule is defined as the willingness and ability of a consumer to purchase a given product in a given frame of time (McConnel, 2008).

Aforementioned, the demand curve is generally downward sloping however there may be rare examples of goods that have upward sloping demand curves. Two different hypothetical types of goods with upward sloping demand curves are Giffen goods (an inferior but staple good) and Veblen goods (goods made more fashionable by a higher price) (Binger, 1998). Two distinctions ought to be made between the individual and market demand curves. The latter is obtained by summing the quantities demanded by all consumers at each potential price (Binger, 1998).

The determinants of demand include Income, Tastes and preferences, Prices of related goods and services, Consumers expectations about future prices and incomes and the number of potential consumers among others (Binger, 1998).When consumers increase the quantity demanded at a given price, it is referred to as an increase in demand. Increased demand can be represented on the graph as the curve being shifted to the right. At each price point, a greater quantity is demanded, as from the initial curve to the new curve.

The price of money (interest rate) quite often influences customers when deciding to take a loan. The higher the price of money, the lower the demand for money in the economy, the opposite is true. World Bank (2013) reported that small medium sized enterprises cite the cost of credit as being the major stumbling block in getting access to credit inferring to the high cost of borrowing or interest rate in the economy which keeps them away from formal financial instructions

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Conceptual Framework:

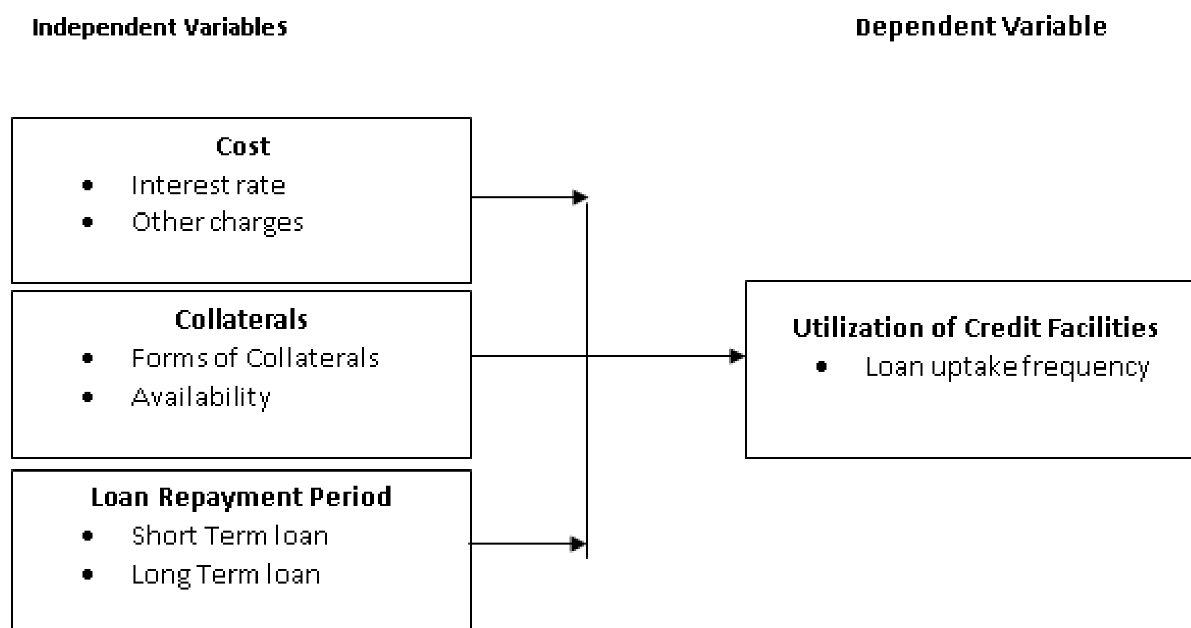

Figure 2.1: Conceptual F

Review of variables:

Cost of Credit:

An interest rate is the rate at which interest is paid by borrowers (debtors) for the use of money that they borrow from lenders (creditors). Specifically, the interest rate is a percentage of principal paid a certain number of times per period for all periods during the total term of the loan or credit. Interest rates are normally expressed as a percentage of the principal for a period of one year; sometimes they are expressed for different periods like for a month or a day (Radevic and Ahmedin, 2010). Different interest rates exist parallel for the same or comparable time periods, depending on the default probability of the borrower, the residual term, the payback currency, and many more determinants of a loan or credit. For example, a company borrows capital from a bank to buy new assets for its business, and in return the lender receives rights on the new assets as collateral and interest at a predetermined interest rate for deferring the use of funds and instead lending it to the borrower. A commercial bank can usually borrow at much lower interest rates from the central bank than the rate at which companies can borrow from the commercial bank. Interest-rate targets are a vital tool of monetary policy and are taken into account when dealing with variables like investment, inflation, and unemployment. The central banks of countries generally tend to reduce interest rates when they wish to increase investment and consumption in the country's economy (Arnaud 2004).However, a low interest rate as a macro-economic policy can be risky and may lead to the creation of an economic bubble, in which large amounts of investments are poured into the real-estate market and stock market. In developed economies, interest-rate adjustments are thus made to keep inflation within a target range for the health of economic activities or cap the interest rate concurrently with economic growth to safeguard economic momentum (Tarawneh, 2002).

Collaterals:

Traditionally, collateral and guarantees have remained the most popular credit risk reduction strategies. These are largely 'ex-ante' considerations, implying that any loan appraisals that do not pass this test are rejected. Moreover, the bank conducts a monitoring exercise to keep track of adverse changes that might affect the value of the collateral, periodic repayments as well as the total value of the loan (Radevic and Ahmedin, 2010). In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default—that is, it can be used to offset the loan to any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral, with the lender then becoming the owner of the

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property. In a typical mortgage loan transaction, for instance, the real estate being acquired with the help of the loan serves as collateral. Should the buyer fail to pay the loan under the mortgage loan agreement, the ownership of the real estate is transferred to the bank. The bank uses the legal process of foreclosure to obtain real estate from a borrower who defaults on a mortgage loan obligation (Tarawneh, 2002).

A pawnbroker is an easy and common example of a business that may accept a wide range of items as collateral rather than accepting only cash. Most banking institutions demand collateral as one of the requirements for the access to credit facilities. This becomes a constraint to bank customers most of who may not have deeds to capital assets to present as security against the loans. This factor reduces accessibility of these loans. Furthermore, most lending institutions are more inclined to lending to the large scale businesses that have higher success rate, and repayment rate. the small scale businesses are relegated to the micro finance institutions(MFI's) and 'shylocks' whose lending requirements may further discourage them (Arnaud, 2004).

Loan Repayment Period:

The time between the first payment on a loan and its maturity (Manasseh, 2004). For example, if a bank customer takes out a bank loan with a payback period of 10 years, the full amount of the loan is due 10 years after the first payment, which occurs on an agreed-upon date. Over the course of the payback period, a borrower must either pay back the loan with his/her own funds or take out a different loan to pay off the first. The time value of money is not taken into account (Arnaud, 2004).

Payback period intuitively measures how long something takes to "pay for itself." All else being equal, shorter payback periods are preferable to longer payback periods. Payback period is popular due to its ease of use despite the recognized limitations described below (Alhaher *et al*, 2007). The term is also widely used in other types of investment areas, often with respect to energy efficiency technologies, maintenance, upgrades, or other changes. For example, a compact fluorescent light bulb may be described as having a payback period of a certain number of years or operating hours, assuming certain costs. Here, the return to the investment consists of reduced operating costs.

Although primarily a financial term, the concept of a payback period is occasionally extended to other uses, such as energy payback period (the period of time over which the energy savings of a project equal the amount of energy expended since project inception); these other terms may not be standardized or widely used. Payback period as a tool of analysis is often used because it is easy to apply and easy to understand for most individuals, regardless of academic training or field of endeavour. When used carefully or to compare similar investments, it can be quite useful (Alhaher *et al,* 2007). As a stand-alone tool to compare an investment to "doing nothing," payback period has no explicit criteria for decision-making (except, perhaps, that the payback period should be less than infinity).

The payback period is considered a method of analysis with serious limitations and qualifications for its use, because it does not account for the time value of money, risk, financing, or other important considerations, such as the opportunity cost. Whilst the time value of money can be rectified by applying a weighted average cost of capital discount, it is generally agreed that this tool for investment decisions should not be used in isolation (Manasseh, 2004). Alternative measures of "return" preferred by economists are net present value and internal rate of return. An implicit assumption in the use of payback period is that returns to the investment continue after the payback period. Payback period does not specify any required comparison to other investments or even to not making an investment.

Summary:

The study indicates that there are issues that need to be connected to banking sector. Interest rate charged, legal policies, customer attitude and other factors influence client's credit facilities utilization. Travel costs and time are other factors that determine transaction cost to the customers. Loan security is one of the important aspects of credit to individuals. Collaterals or security is often beyond the reach of many borrowers especially in rural areas. In Kenya, the slowing of the US economy as well as the increase in oil prices has had a direct effect on inflation. The post-election violence led to a disruption of price mechanisms by having a direct impact on supply of goods and services by negatively affecting transport around the country. This therefore means reduced supply of deposits as savings reduce and a general increase in cost of living and high demand for credit against financial institutions. On the other hand there is a corresponding rise in the cost of doing business, leading to an increase in demand for money from these same commercial banks. CBK and the

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government have asked commercial banks to be patient and keep the interest rates constant. So far this has worked, but the lender will soon be faced with reduced deposits and increased defaults on current loans as global economies slow down.

Research Gaps:

There is evidence from the review of both the theoretical and the analytical literature that research gaps exist. However modern trends in the financial transactions have brought about different ways in these operations. An example is the mobile telephone money transactions by the unbanked traders. The study will therefore Endeavour to why they are unable to only access normal banking services but credit services offered by the financial institutions.

3. RESEARCH METHODOLOGY

Research Design:

The study employed a descriptive research design. This method was to help the researcher in obtaining information from various department and cadres of employees in the organization and need for accuracy; hence find it the most appropriate method to use. Descriptive research designs are used when the objectives are descriptive of facts of a given sample of the population or area of interest is factual and accurate (Kothari, 2007). Descriptive research is a study designed to depict the participants in an accurate way. More simply put, descriptive research is all about describing people who take part in the study. The design was employed in this study to determine the factors affecting utilization of credit facilities by banks' customers at Kenya Women Finance Trust Bank in Trans Nzoia County

Target Population:

The study targeted customers who visit Kenya Women Finance Trust Bank in Trans-Nzoia County who were estimated to be 300 per day and 50 credit officers. The table below shows how the target population was drawn.

Table 3.1: Target population

Category	Target population
Customers	300
Credit officers	50
Totals	**350**

Sampling Techniques and Sample Size:

Kothari (2009), define a sample as part of the target population that has been procedural selected to represent it. Sampling is the process of systematically selecting representative elements of a population. According to Fitcher (2003), if the target population is less than 10,000 then the sample can be determined using the formula below. The sample size employed for the identification of target population was scientifically computed as recommended by Fitcher as follows:

$$nf = \frac{n}{(1 + n/N)}$$

Where;

nf = Sample size (when the population is less than 10,000).

n = Sample size (when the population is more than 10,000); 384.

N = Estimate of the population size;

Therefore the sample size of the study for the respondents was calculated as follows

$$nf = \frac{384}{1 + \frac{384}{350}}$$

Desired Sample Size for study was therefore 168 respondents as computed in table 3.2

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Table 3.2: Sample size

Category	**Target population**		**Sample size**
Customers	300	300/350*168	144
Credit officers	50	50/350*168	24
Totals	**550**		**168**

The study employed stratified sampling design to put the population into different categories. Then the study adopted simple random sampling to select customers while purposive sampling was employed to select 24 credit officers from the bank.

Data Collection Procedure:

The researcher personally administered the research tools after a prior visit that assists in refining timings of distribution of questionnaires. It also provided a rough picture of the respondents' expectations. The researcher had an agreement with the respondents when the research instruments was administered and specifically dates of collecting the questionnaires. Adequate time was given to the respondents to respond to the questionnaires.

Data Collection Instruments:

Since data to be used for this study was primary data collected by use of two sets of questionnaires from the field, the respondents were personally approached and questionnaire issued to them. The uses of questionnaire enhance anonymity than personal interviews and are very useful when the respondents are spread over a large geographical area. Data to be used for purposes of this study was primary data collected straight from the respondents.

Data Analysis and Presentation:

The study applied Qualitative and Quantitative data analysis techniques to analyze data. This ensured that the data was analyzed in a systematic way in order to come to some useful conclusions and recommendations. Data obtained from the questionnaires was coded, organized, analyzed and presented using frequency tables and percentages.

Multiple regression analysis was used to analyze the correlation between the variables. The following regression model was used:

$Y= \beta_0+\beta_1x_1+\beta_2x_2+\beta_3x_3+e$

Where: Y = Utilization of Credit Facilities

β_0 = the intercept when x is zero

X1= Cost of Credit

X2= Collaterals

X3= Period of repayment

e= error term

4. RESEARCH FINDINGS AND DISCUSSIONS

Findings of Demographic Characteristics of Respondents:

The study sought to determine the demographic information of the respondents which included their gender, age and education. The findings are presented in table 4.1

Table 4.1: Demographic Information of Customers

		Frequency	**Percent**
Gender	female	116	100
age	18-25 years	21	18.1
	26-35 years	33	28.4

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	36-45 years	21	18.1
	46-55 years	25	21.6
	above 55 years	16	13.8
	Total	116	100
education	primary	16	13.8
	secondary	37	31.9
	college	29	25
	university	34	29.3
	Total	116	100

The findings on the customers indicate that all the customers were female. This can be attributed to the fact KWFT in a bank that as an identified niche market and works with the women with the objective of empowering them.

The findings on the ages of the customers indicate that 28.4% were aged between 26-35 years, 21.6% were aged between 46-55 years, 18.1% were aged between 18-25 years while another 18.1% were aged between 36-45 years while 13.8% were aged above 55 years. These findings indicate that the clientele of the bank was drawn from all the age brackets and therefore represented the reach of the bank which was women of all ages.

The educational level of the respondents indicate that 31.9% had secondary level education 29.3% had university level education, 25% had college level education while 13.8% had primary level education. These findings illustrate that the clientele of the bank was drawn from all education level implying that the bank was keen on drawing women from all walks of life and providing services to women from all educational cadres.

The study sought to determine the gender of the creditors in the bank. The findings are presented in figure 4.1

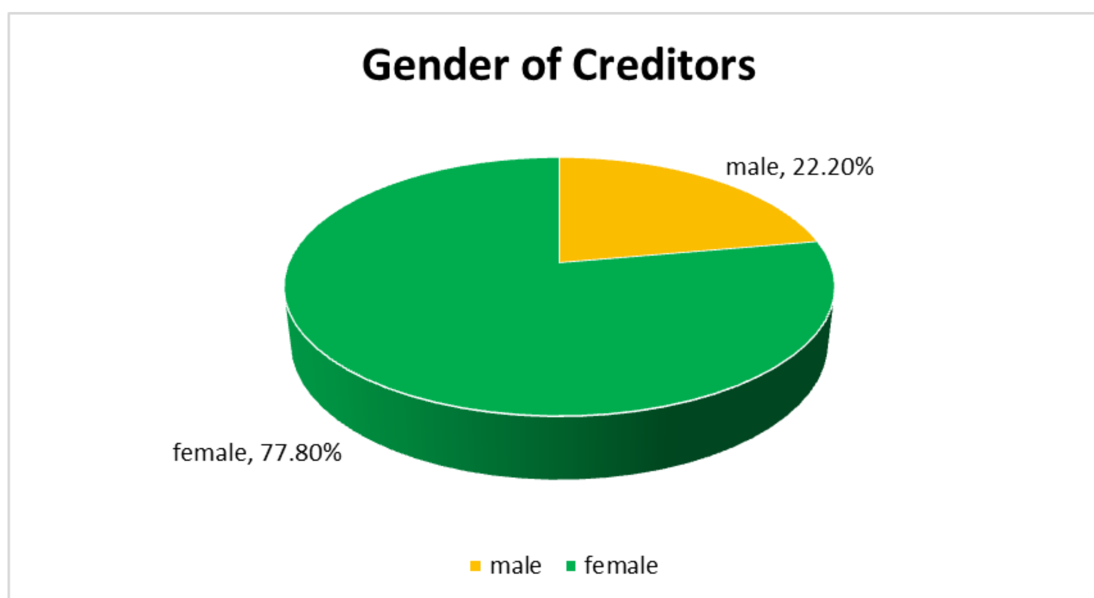

Fig 4.1: Gender of Creditors

The findings on the gender of the creditors indicate that 77.80% were female while 22.2% were male. These findings indicate that the female were more compared to the male. This could be attributed to the fact that the bank was specifically set up to empower the women folk and was a niche bank that specifically targeted the women and it only prudent for them to have a large female workforce in line with their women empowerment objective. The work setting was also setup in such a way that it met the needs of working women with children such as the nursery and it would therefore attract more women to work with the bank.

4.2 Customers' Interaction with the Bank:

The researcher sought to determine the customers' interaction with KWFT and their perception of their interaction and the bank as a financial institution. The findings are presented in table 4.2

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Table 4.2: Customers' Interaction with the Bank

		Frequency	**Percent**
Applied for credit facilities	Yes	64	55.2
	No	52	44.8
	Total	116	100
If yes how long did it take	within 24 years	16	25.0
	within 7 days	37	57.8
	within 1 month	8	12.5
	none of the above	3	4.7
	Total	64	100
Reasons for applying for the loan	home improvement	6	9.4
	school fees	10	15.6
	Business	43	67.2
	Other	5	7.8
	Total	64	100
Experience in applying loan	Unsatisfactory	8	12.5
	Satisfactory	40	62.5
	very satisfactory	16	25.0
	Total	64	100
If no chances of applying for credit facilities	likely to apply	41	78.8
	not likely to apply	11	21.2
	Total	52	100
View on bank interest rate	Low	48	41.4
	reasonable	66	56.9
	high	2	1.7
	Total	116	100

The study sought to determine if the customers had applied for credit facilities with KWFT, the findings indicate that 55.2% had while 44.8% had not. These findings indicate that a majority of clients visiting the facility had applied for credit facilities with the institution. The study sought to determine for the customers that had applied for credit facilities how long it took to be processed. The findings indicate that 57.8% of the customers said it was processed within 7 days, 25% said it was processed within 24 hours, 12.5% within a month while 4.7% said it took different periods of time. These findings indicate that the processing of the loan took a considerably short period with a majority having their loan processed within 7 days followed by within 24 hours. These findings therefore indicate that institution was responsive to the needs of their clients and were quick in carrying out their checks and processing the loans required. This was crucial in attracting more customers to their facility.

These findings concur with Moghaddama and Taghizadeh (2016) whose study indicated that simplicity, speed and ease of processing services leads to more satisfied customers and are more comfortable. Clients who spend to receive the service, a cost to be considered. Unexpected costs expected to receive the service, including anxiety and discomfort, and reduce the value of customer service in poor image quality of the service as well.The study researcher sought to determine the reasons why the customers applied for the loans, the findings indicate that 62.5% of the customers had a satisfactory experience, 25.0% had a very satisfactory experience, and 12.5% had unsatisfactory experiences. These findings indicate that a majority of the customers had satisfactory experience with the bank in their effort to get loans from the institution.

The study sought to determine if there was a chance among the customers that had not applied credit facilities with the institution to do so. The findings indicate that 78.8% said they were likely to apply. These findings indicate that KWFT was viewed as an institution that is good in advancing credit facilities and therefore the respondents were inclined to as for credit from the facility in the future.These findings concur with Stutely (2003) which argues that the borrower should

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be able to put the cost of all financing on the same basis, comparing them and come up with the one that gives the lowest cost financing option.The study sought to determine how the customer viewed the bank interest rate, the findings indicate that 56.9% found it reasonable, 414% said it was low while 1.7%. These findings indicate that a majority of the customers found the interest rates of the bank to be reasonable.

4.3 Creditors view of the Bank's Credit Facilities:

The study sought to determine the creditors' view of KWFT credit facilities and their operations. The findings are presented in table 4.3

Table 4.3: Creditors view of the Bank's Credit Facilities

		Frequency	Percent
Factors considered while extending credit	whether employed or not	6	28.6
	business owned	15	71.4
	Total	21	100
Methods employed to monitor credit utilization	source document	9	42.9
	repayment mode	8	38.1
	Others	4	19
	Total	21	100
Frequency of monitoring credit utilization	rarely	5	23.8
	always	16	76.2
	Total	21	100
Extent of credit misuse by customers	lesser	14	66.7
	never	7	33.3
	Total	21	100
Degree of default per annum	0-5%	6	28.6
	6-10%	9	42.9
	11-15%	6	28.6
	Total	21	100

The study sought to determine the factors considered while extending credit, the findings indicate that 71.4% said the bank considered business owned while 28.6% said they considered whether one was employed or not. These findings indicate a majority of the respondents held that the bank considered the availability of a business owned which is an indicator of the customer's ability to repay their loan from the proceeds of the business. The study sought to determine the methods to monitor credit utilization the findings indicate 42.9% employed source document, 38.1% employed repayment mode, while 19% employed other methods. The findings indicate that the major way the bank monitored credit utilization was through source document.

The study sought to frequency of monitoring credit utilization by the financial institution, the findings indicate that 76.2% said always while 23.8% said rarely. These findings indicate that the institution always monitored credit utilization. This therefore ensures that they were able to diagnose any problem immediately. The study sought to determine the extent of credit misuse by customers , the findings indicate that 66.7% said it was lesser while 33.3% said it was never misused. These findings indicate that there was little credit misuse among the customers therefore indicating the customers made proper utility of their credit. The study sought to determine the degree of default per annum; the findings indicate that 42.9% said the default was between 6-10%, 28.6% said between 11-15% while another 28.6% said between 0-5%. These findings indicate that the default rate in the bank was between 6-10%. These therefore indicate that a majority of the customers were proactive in repaying their credit reducing the default rate. This could be attributed to an understanding of the consequences of defaulting a loan.

4.4 Effect of Cost of Credit on Utilization of Credit Facilities:

The study sought to determine the effect of cost of credit on utilization of credit facilities. The researcher sought the information from the customers and the credit officers. The findings are presented in table 4.4

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Table 4.4: Effect of Cost of Credit on Utilization of Credit Facilities

Statements			1	2	3	4	5	T	M
Does fixed rate of interest influence your borrowing ability compared with the reducing balance type rate on the loan amount	Customers	F	0	0	32	62	22	116	3.91
		%	0	0	27.6	53.4	19.0	100	78.2
	Creditors	F	0	0	4	13	4	21	4.00
		%	0	0	19.0	61.9	19.0	100	80.0
Whether the fluctuation in rates affects credit utilization?	Customers	F	0	0	3	64	49	116	4,39
		%	0	0	2.6	55.2	42.2	100	87.8
	Creditors	F	0	0	1	8	12	21	4.52
		%	0	0	4.8	38.1	57.1	100	90.4
Do you understand the prevailing market rates pecked on the loan facilities you take?	Customers	F	0	0	29	60	27	116	3.98
		%	0	0	25.0	51.7	23.3	100	79.6
	Creditors	F	0	0	6	14	1	21	3.76
		%	0	0	28.6	66.7	4.8	100	75.2
Are the interest rates and any other costs associated clear to your knowledge?	Customers	F	0	0	23	53	40	116	4.14
		%	0	0	19.8	45.7	34.5	100	82.8
	Creditors	F	0	0	10	10	1	21	3.57
		%	0	0	47.6	47.6	4.8	100	71.4
Do you have a say in the decisions of the rates to be charged to the loan facility?	Customers	F	0	0	35	63	18	116	3.85
		%	0	0	30.2	54.3	15.5	100	77.0
	Creditors	F	0	0	5	7	9	21	4.19
		%	0	0	23.8	33.3	42.9	100	83.8

The findings on the effect of cost of credit on credit utilization from the customers reveal that 87.8 of the respondents held that the fluctuation in rates affects credit utilization, 82.8% held that the interest rates and any other costs associated were clear to their knowledge, 79.6% said they understood the prevailing market rates pecked on the loan facilities they took, 78.2% said fixed rate of interest influence their borrowing ability compared with the reducing balance type rate on the loan amount while 77% held that they have a say in the decisions of the rates to be charged to the loan facility.The findings on the effect of cost of credit on credit utilization from the credit officers reveal that 90.4% of the creditors held that the fluctuation in rates affects credit utilization, 83.8% held that they have a say in the decisions of the rates to be charged to the loan facility, 80.0% said fixed rate of interest influence borrowing ability compared with the reducing balance type rate on the loan amount, 75.3% held that they understood the prevailing market rates pecked on the loan facilities you take while 71.4% said the interest rates and any other costs associated were clear to their knowledge.

These findings indicate that both the customers and creditors held that the fluctuation in rates affects credit utilization. This can be attributed to the fact clients are attracted to a financial institution because of the services they are offering and the cost they have to shoulder to get the services. Therefore the rate of the bank and how constantly they fluctuate and change affects their credit utilization. Generally many customers will go for the credit facilities of a financial institution when they are low since they are friendly while at the same time they will shun these facilities when the interest rate increase. These findings concur with a study over 1984-1994 period by Makiyan, (2003) which found that in the Iranian Islamic banking system, the supply of loan is significantly dependent on the changes in total deposits, the changes in the rate of inflation and the changes the time lags of the variables but it is not related to the changes in the expected rate of return on loans assigned to various economic sectors. The findings also concur with Manasseh (2004) whose study found that the rate of interest rate charged on the credit determines the cost of the credit. High interest rate therefore increases the cost of credit. High interest rate on credit may discourage bank customers from borrowing reducing the accessibility of credit among them. On the other hand when banks lower their interest rate they are able to attract more customers since they make it available and within the reach of their clientele.

4.5 Utilization of Credit Facilities at Kenya Women Finance Bank, Trans Nzoia County:

The study sought to determine the utilization of credit facilities at Kenya Women Finance Bank, Trans Nzoia County. The researcher targeted customers of the bank and creditors. The findings are presented in table 4.5

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Table 4.5: Utilization of Credit Facilities at Kenya Women Finance Bank, Trans Nzoia County

Statements			1	2	3	4	5	T	M
Will you recommend anybody to have facilities with KWFT?	Customers	F	0	0	26	63	27	116	4.01
		%	0	0	22.4	54.3	23.3	100	80.2
	Creditors	F	0	0	2	15	4	21	4.10
		%	0	0	9.5	71.4	19.0	100	82.0
Rate the client satisfaction with the services and credit utilization as great?	Customers	F	0	0	8	90	18	116	4.08
		%	0	0	6.9	77.6	15.5	100	81.6
	Creditors	F	0	0	0	18	3	21	4.14
		%	0	0	0	85.7	14.3	100	82.8
Customers/I prefer credit facilities of KWFT compared to its competitors	Customers	F	0	0	7	87	22	116	4.13
		%	0	0	6.0	75.0	19.0	100	82.6
	Creditors	F	0	0	0	18	3	21	4.14
		%	0	0	0	85.7	14.3	100	82.8
Customers/I normally maximize on my ability to access credit	Customers	F	0	0	6	81	29	116	4.20
		%	0	0	5.2	69.8	25.0	100	84.0
	Creditors	F	0	0	6	12	3	21	3.86
		%	0	0	28.6	57.1	14.3	100	77.2
KWFT has a better name compared to its competitors	Customers	F	0	0	19	67	30	116	4.09
		%	0	0	16.4	57.8	25.9	100	81.8
	Creditors	F	0	0	5	13	3	21	3.90
		%	0	0	23.8	61.9	14.3	100	78.0

The findings on the utilization of credit facilities at Kenya Women Finance Bank, Trans Nzoia County from the customers indicate that 84.0% of the they normally maximize on their ability to access credit, 82.6% held that they prefer credit facilities of KWFT compared to its competitors, 81.8% held that KWFT has a better name compared to its competitors, 81.6% held that Rate the client satisfaction with the services and credit utilization as great while 80.2% said they would recommend anybody to have facilities with KWFT.

The findings on the utilization of credit facilities at Kenya Women Finance Bank, Trans Nzoia County from the creditors indicate that 82.8% of the creditors held that Customers prefer credit facilities of KWFT compared to its competitors another 82.8% held that they rate the client satisfaction with the services and credit utilization as great, 82.0% held that the would recommend anybody to have facilities with KWFT, 78.0% held that KWFT has a better name compared to its competitors, while 77.2% held that Customers normally maximize their ability to access credit.The findings on the utilization of credit facilities at Kenya Women Finance Bank, Trans Nzoia County therefore imply that a majority of the customers maximized their ability to get credit. This could be attributed to the fact the financial institution offers attractive credit facilities.

On the other hand, the creditors held that customers prefer credit facilities of KWFT compared to its competitors and the customers were greatly satisfied with the services offered. This could be attribute to the nature of the bank which has curved for itself a nich market with the objective of catering for women and therefore has identified the challenges faced by women and can effectively address them while providing them with the loans they need.

5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary of the Findings:

The study sought to determine if the customers had applied for credit facilities with KWFT, the findings indicate that 55.2% had while 44.8% had not. These findings indicate that a majority of clients visiting the facility had applied for credit facilities with the institution.

The study sought to determine among the customers that had applied for credit facilities how long it took to be processed. The findings indicate that 57.8% of the customers said it was processed within 7 days, 25% said it was processed within

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24 hours, 12.5% within a month while 4.7% said it took different periods of time. These findings indicate that the processing of the loan took a considerably short period with a majority having their loan processed within 7 days followed by within 24 hours. These findings therefore indicate that institution was responsive to the needs of their clients and were quick in carrying out their checks and processing the loans required. This was crucial in attracting more customers to their facility.

The study researcher sought to determine the reasons why the customers applied for the loans, the findings indicate that 62.5% of the customers had a satisfactory experience, 25.0% had a very satisfactory experience, and 12.5% had unsatisfactory experiences. These findings indicate that a majority of the customers had satisfactory experience with the bank in their effort to get loans from the institution.

The study sought to determine if there was a chance among the customers that had not applied credit facilities with the institution to do so. The findings indicate that 78.8% said they were likely to apply. These findings indicate that KWFT was viewed as an institution that is good in advancing credit facilities and therefore the respondents were inclined to as for credit from the facility in the future.

The study sought to determine how the customer viewed the bank interest rate, the findings indicate that 56.9% found it reasonable, 414% said it was low while 1.7%. These findings indicate that a majority of the customers found the interest rates of the bank to be reasonable.

The study sought to determine the factors considered while extending credit, the findings indicate that 71.4% said the bank considered business owned while 28.6% said they considered whether one was employed or not. These findings indicate a majority of the respondents held that the bank considered the availability of a business owned which is an indicator of the customer’s ability to repay their loan from the proceeds of the business.

The study sought to determine the methods to monitor credit utilization the findings indicate 42.9% employed source document, 38.1% employed repayment mode, while 19% employed other methods. The findings indicate that the major way the bank monitored credit utilization was through source document.

The study sought to frequency of monitoring credit utilization by the financial institution, the findings indicate that 76.2% said always while 23.8% said rarely. These findings indicate that the institution always monitored credit utilization. This therefore ensures that they were able to diagnose any problem immediately.

The study sought to determine the extent of credit misuse by customers; the findings indicate that 66.7% said it was lesser while 33.3% said it was never misused. These findings indicate that there was little credit misuse among the customers therefore indicating the customers made proper utility of their credit.

The study sought to determine the degree of default per annum; the findings indicate that 42.9% said the default was between 6-10%, 28.6% said between 11-15% while another 28.6% said between 0-5%. These findings indicate that the default rate in the bank was between 6-10%. These therefore indicate that a majority of the customers were proactive in repaying their credit reducing the default rate. This could be attributed to an understanding of the consequences of defaulting a loan.

Effect of Cost of Credit on Utilization of Credit Facilities:

The findings on the effect of cost of credit on credit utilization from the customers reveal that 87.8 of the respondents held that the fluctuation in rates affects credit utilization, 82.8% held that the interest rates and any other costs associated were clear to their knowledge, 79.6% said they understood the prevailing market rates pecked on the loan facilities they took, 78.2% said fixed rate of interest influence their borrowing ability compared with the reducing balance type rate on the loan amount while 77% held that they have a say in the decisions of the rates to be charged to the loan facility.

The findings on the effect of cost of credit on credit utilization from the credit officers reveal that 90.4% of the creditors held that the fluctuation in rates affects credit utilization, 83.8% held that they have a say in the decisions of the rates to be charged to the loan facility, 80.0% said fixed rate of interest influence borrowing ability compared with the reducing balance type rate on the loan amount, 75.3% held that they understood the prevailing market rates pecked on the loan facilities you take while 71.4% said the interest rates and any other costs associated were clear to their knowledge.

These findings indicate that both the customers and creditors held that the fluctuation in rates affects credit utilization. This can be attributed to the fact clients are attracted to a financial institution because of the services they are offering and the cost they have to shoulder to get the services. Therefore the rate of the bank and how constantly they fluctuate and change affects their credit utilization. Generally many customers will go for the credit facilities of a financial institution when they are low since they are friendly while at the same time they will shun these facilities when the interest rate increase.

Conclusions:

The study concluded that a majority of customers visiting the facility had applied for credit facilities with the institution. The processing of the loan took a considerably short period with a majority having their loan processed within 7 days and therefore viewed it as an institution that is good in advancing credit facilities and were therefore inclined to utilize credit from the facility in the future as they found the interest rates of the bank to be reasonable.

The study concluded that the bank considered the availability of a business owned which is an indicator of the customer's ability to repay their loan from the proceeds of the business. The bank monitored credit utilization through source document and did this always. There was little credit misuse among the customers therefore indicating the customers made proper utility of their credit.

On the effect of cost of credit on utilization of credit facilities the study concluded that the fluctuation in rates affects credit utilization. This can be attributed to the fact clients are attracted to a financial institution because of the services they are offering and the cost they have to shoulder to get the services. Therefore the rate of the bank and how constantly they fluctuate and change affects their credit utilization. Generally many customers will go for the credit facilities of a financial institution when they are low since they are friendly while at the same time they will shun these facilities when the interest rate increase.

Recommendations:

The study made the following recommendations;

The creditors of the bank should be involved in the decisions of the rates to be charged to the loan facility. This is because creditors interact with the banks clients and understand their market setting and can therefore bring useful insight into the bank which can help improve their portfolio and enable them to reach more potential customers.

The institution should make the interest rates and any other costs associated clear to their customers. This is critical in ensuring that every individual customers was completely aware of what they are getting into and avoid the shock of meeting their hidden charges of acquiring the credit facilities.

The institution should utilize records of good credit scores and repayment to improve the client loan uptake. This will ensure that clients that have good credit history can gain more credit with the facility increasing the loan uptake.

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