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ANALYSIS OF CHALLENGES SECONDARY SCHOOL WOMEN PRINCIPALS FACE IN ADMINISTRATIVE DUTIES IN BONDO, KENYA."

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ABSTRACT

The main goal of every banking institution is to operate profitably in order to maintain stability and sustainable growth. However, the existence of high levels of non-performing assets (NPAs) in the banking industry negatively affects the level of private investment, impair a bank's ability to settle its liabilities when they fall due and constrain the scope of bank credit to borrowers. This study will evaluate the relationship between profits and non-performing Assets (NPAs) and interest on loans in Kenyan banking sector. The purpose of this study will be to investigate the influence of non-performing Assets on profitability of Kenyan banks. The study will use a case study of KCB for the period between 2005 and 2014.The study will use time series data from quarterly reports of Kenya Commercial Bank and Central Bank of Kenya for the stated period. The objectives of this study include; (a) to investigate the relationship between interest income and overall profit of KCB bank (b) to analyze and compare the trend of non-performing Assets and profit before tax of KCB between the year 2005 and 2014 (c) to investigate the causes of high default rate in loan repayments in KCB bank. This study therefore, will be useful to the bank in formulating its credit risk policy. The study will be based in KCB banks only and no other bank will be researched on during the estimated period. The study will also be tied to a case study approach. The target population for this study will be all the KCB branches in Kenya. From this target population, sampling will be used to narrow down the population to a manageable size. The methods of data collection to be used will be questionnaires and financial reports from the bank. The collected data will finally be analyzed using Regression analysis.

DECLARATION

Declaration by the Student

I declare that this research project is my original work and has not been submitted for examination in any university.

Signature..... Date.....

Kenduywa Chelangat Betty

D53/KER/PT/24662/2010KER/PT/24662/2010

Declaration by the Supervisors

This research proposal has been submitted for examination with our approval as university supervisor.

Dr. Charles Tibbs

Signature..... Date.....

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I thank our almighty God for giving me the grace and strength to go through the course work of the MBA degree Programme and to prepare this research proposal to completion. My sincere appreciation goes to my supervisor Dr.Charles Tibbs for his valuable guidance, encouragement and critique at all stages of the writing of this proposal. Besides that, I would like to extend my gratitude to all MBA course instructors for their informative lectures and encouragement all through various stages of the MBA programme.

DEDICATION

This research proposal is dedicated to my family, husband Mr.Joshua Kirui, Children Camilla Diana, Canute Kiplangat, and Caren Chebet for their moral support and encouragement in my pursuit of Master of Business Administration (Finance Option).

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ACRONYMS

CBK	Central Bank of Kenya
CRB	Credit Reference Bureau
DPF	Deposit Protection Fund
FDIC	Federal Deposit Insurance Corporation
GDP	Gross Domestic Product
IMF	International Monetary Fund
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
Ksh	Kenya Shillings
NIM	Net Interest Margin
NPAs	Non-Performing Assets
PBT	Profit before Tax
ROA	Return on Asset
ROE	Return on Equity

DEFINITION OF TERMS

Non-performing Assets - These are credit facilities in respect to which the interest and or principal has remained past due for a period of over 90 days. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments.

Profitability- a situation where the income generated exceeds the expenses incurred over the same length of time for the purpose of generating income.

Return on Asset - It is a ratio of Income to its total asset. It measures the ability of the bank management to generate income by utilizing company assets at their disposal.

Return on Equity – It is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. It is what the shareholders look in return for their investment.

Net Interest Margin - NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets.

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CHAPTER ONE:

INTRODUCTION

This chapter presents a Background to the Study, the Problem statement, the Purpose of the Study, the objectives of the Study, significance of the study, the scope of the study and the limitations of the study.

1.1 Background of the Study

The banking industry has experienced significant changes in the amounts of financial assets it holds in the last decade. Both internal and external factors have affected the amounts of assets that have been issued in the banking industry .This in return has fuelled an increase in the non-performing assets.

Non-Performing Assets (NPAs) are also called Non Performing Loans (NPLs). A Nonperforming Loan/ Asset is a credit facility in respect of which the interest and or principal amount has remained past due for a specific period of time. A loan is an asset for a bank as the interest payments and the repayment of the principal create a stream of cash flows. It is from the interest payments that a bank makes its profits. Banks usually treat assets as non-performing if they are not serviced for some time. If payments are late for a short time, a loan is classified as past due and once a payment becomes really late (usually 90 days), the loan is classified as non-performing. A high level of non-performing assets, compared to similar lenders, may be a sign of problems.

Stuti & Bansal (2013) stated that the best indicator for the health of the banking industry in a country is its level of Nonperforming assets (NPAs). Nonperforming Assets reflects the performance of banks. Decline in the ratio of Nonperforming Assets indicates improvement in the asset quality of public sector banks and private sector banks. Increase in the ratio of nonperforming loans to total loans on the other hand should worry commercial banks. The decline in gross NPAs to gross advances indicates the improvement in the credit portfolios of both the sector banks. Gross NPAs to total assets has direct bearing on return on assets as well as liquidity-risk management of the bank. Non-performing Assets are threatening the stability and demolishing bank's profitability through a loss of interest income, write-off of the principal loan amount itself.

Non- performing Assets are also commonly described as loans in arrears for at least ninety days (Guy, 2011). Quality of assets in lending technologies is normally measured by the quantum of non-performing assets and has been found a direct and interlinked relationship between both

(Guy 2011). Michael et al. (2006) emphasized that NPA in loan portfolio affect operational efficiency which in turn affects profitability, liquidity and solvency position of banks. Batra (2003) noted that in addition to the influence on profitability, liquidity and competitive functioning, NPA also affect the psychology of bankers in respect of their disposition of funds towards credit delivery and credit expansion. According to Kroszner (2002), non-performing assets are closely associated with banking crises. NPA generate a vicious influence on banking survival and growth, and if not managed properly leads to banking failures.

When banks' amounts of disposal of non-performing Assets exceed their profits, it will reduce banks' net worth and lower their risk-taking capacity, making it difficult to invest funds in risky projects and to realize potentially productive businesses. White (2002) links the Japanese financial crisis to non - performing Assets. According to White (2002), Japanese banks still suffer under the weight of thousands of billions of yen of bad loans resulting from the collapse in asset prices a decade ago in the country's financial system.

According to Bloem and Gorter (2001) non-performing Assets are mainly caused by an inevitable number of wrong economic decisions by individuals and plain bad luck (inclement weather and unexpected price changes for certain products). Under such circumstances, the holders of assets can make an allowance for a normal share of nonperformance in the form of bad loan provisions, or they may spread the risk by taking out insurance. Nishimura at el (2001) state that one of the underlying causes of Japan's prolonged economic stagnation is the non - performing or bad assets problem. Non– performing Assets can be treated as undesirable outputs or costs to a loaning bank, which decrease the bank's performance (Chang, 1999).

The problem of non-performing Assets can put serious adverse influence on the economy; the government has implemented various policy measures for management of non-performing Assets and securing confidence in the financial system. This includes licensing of credit reference Bureaus.

Two common measurements for Non-Performing Loans/Assets are; Non- performing Assets ratio and Non-performing Assets coverage ratio. Non performing coverage ratio refers to the ratio of allowance for probable losses on non-performing Assets to total nonperforming Assets and its computed as follows; Provisions for Losses on non-performing Assets over non-performing assets. NPA ratio refers to the ratio of non-performing Assets (NPA) to total loans (gross of allowance for probable losses). It is measured as non-performing Assets over total Assets and advances. In this study non-performing Assets ratio measured by non-performing Assets over total Assets and advances has been used.

NPA determinants here……

Profitability of the banking sector is a subject that has received a lot of attention in recent years and there is now a large literature which has examined the role played by management of resources in determining bank profitability. Indicators used to measure profitability are many and includes Return on Assets, Return on Equity and Net Interest Margin. There are however divergent views among scholars on the superiority of one indicator over the others as a good measure of profitability. For instance, Goudreau and Whitehead (1989) and Uchendu (1995) believed that the three indicators are all good namely ROA, ROE and NIM. Hancock (1989) used only ROE to measure profitability in her study. Odufulu (1994) used only the gross profit margin in measuring profitability. Ogunleye (1995) did not believe that profit level perse could constitute a good measure of profitability and therefore used ROA and ROE. Uchendu (1995) believed that the three indicators are all good namely ROA, ROE and NIM. Ahmed (2003) identified the three indicators, namely: Net Interest Margin (NIM), Return on Assets (ROA) and Return on Equity (ROE) to be widely employed in the literature to measure profitability. Profitability connotes a situation where the income generated during a given period exceeds the expenses incurred over the same length of time for the sole purpose of generating income (Sanni, 2006). The fundamental requirements here are that the income and the expenses must occur during the same period of time using the Matching Concept and the income must be a direct consequence of the expenses. The period of time may be one week, three months, one year etc (Sabo, 2007). It is not immaterial whether or not the income has been received in cash nor is it compulsory that the expenses must have been paid in cash. For a profit-oriented organization, profit is the soul of business.

A company remains in operation because it expects to make profits. Once that expectation is confirmed unattainable, the most rational decision is to close shop or exit the business. According to Akinola (2008), Profitability measures, include Profit before Tax (PBT), Profit after Tax (PAT), ROE, Rate of Return on Capital (ROC) and ROA. Sanni (2009) used Earnings per Share (EPS). In this study, Return on Assets (ROA) is considered as a good and most widely used as a measure of profitability has been used. Return on Assets has been measured as; Return on Assets (ROA) = Net Earnings/Total Assets.

ROA is another major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset (Khrawish, 2011). It measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution

(Khrawish, 2011). Wen (2010), state that a higher ROA shows that the company is more efficient in using its resources.

ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation. It is further explained by Khrawish (2011) that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. It represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders' funds. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders capital.

NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets (Gul etal., 2011).Net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. It reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions (Khrawish, 2011).

1.2 Problem Statement

Kenya witnessed a number of bank failures in 1980's, 1990's and early 2000's. The banking sector is reeling from an escalating stock of non-performing assets which has led to deterioration of the quality of loan assets. A question arises then is; could there be a relationship between Non-Performing assets and the profitability of commercial banks.

Persistent loan defaults have become the order of the day in Kenyan banks. There is hardly any bank in Kenya which has not experienced assets defaults. This has adversely affected bank profits and the economy as well. To prevent escalation of non-performing assets CBK developed

risk management guidelines for the purpose of providing minimum directions to banks on risk management and create a working framework befitting international best practice .This require banks to have a fully independent credit risk management, responsible for capital calculation and provide for escalating non-performing assets (CBK, 2010). This follows failure by commercial banks to prudently manage credit risk in the 1990's which led to huge non-performing assets and heavy capital losses to investors. Some of these banks closed shop for not meeting their capital requirements and seven merged under the supervision of Central Bank to form the Consolidated Bank of Kenya (CBK, 1992, 1993, 1996). In its Monthly Economic Review (CBK August, 2009), the CBK reported an increasing stock of non-performing assets by 10.1%, from Shs.58.3 billion in June, 2008 to shs.64.2 billion as at 30th June 2009. KCB is not an exception to the above trend as their financial results shows that for the last five years between 2005 and 2010 it has recorded increasing non-performing assets which have led to making huge specific provisions from its reserves which influence negatively on reported profits.

Studies by Sinkey & Greenawalt, (1991), Jaminez and Saulina (2005), among others have been done to explore the relationship between non-performing assets and profits proofing that there is an inverse relationship between non-performing assets and profits. However much of the available evidence in this area of research does not include the Kenyan banking sector or the East African Community. Therefore, the purpose of this study was to investigate the influence of non-performing assets on profitability of Kenyan banks using KCB as a case study.

1.3 Objective of the Study

1.3.1 General objective

The general objective of this study will be to establish the influence of non-performing assets determinants on KCB bank profitability.

1.3.2 Specific objectives

From the general objective, the specific objectives will be:

1) To establish the trend of non-performing assets and profit before tax in KCB
2) To determine the relationship between non-performing assets determinants and profitability of KCB.

1.4 Research Questions/ hypothesis

1) What is the trend of non-performing assets and profit before tax in KCB?
2) There is no significant relationship between non-performing assets determinants and KCB profitability.

1.5 Significance of the Study

The study is important to various stake holders namely the Banking industry, the Regulatory body, Academicians and the government. The Banking industry will obtain information on the relationship between non-performing assets and profitability. This information will be especially useful to future investors in the industry as well as senior management. The government will obtain information on the importance of implementation of various legal frameworks in relation to nonperforming assets. In addition to contributing to the body of knowledge, the research will also encourage and facilitate further research in the Finance.

1.6 Scope of the Study

The study will capture from Kenyan commercial bank (KCB). The Field data will be over a period of 5 years from the year 2010 to the year 2014. The study will employ regression analysis in measuring the variables. The study will be done within a timeframe of six months.

1.7 Limitations of the study

This study will be based on KCB banks in Kenya only. The details of other banks will however not be researched upon. Non response to the questionnaires will affect the sample size, hence the results. Ignorance of the respondents also will affect the sample size.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature on non-performing assets and profitability of banks. It contains review of Kenya commercial bank and its historical background. It also reviews past studies and theory that will guide the study and concludes by review of analytical models that will be used in the study.

2.2. Review of non-performing assets in the World

In 1980's and 1990's several countries experienced several banking problems requiring a major overhaul of the banking system (IMF, 1998). Banking Crisis occurred in the United States in 1984 when Continental Illinois National Bank collapsed due to high default rate of their customers (Glantz, 2002). Between 1980 and 1994, more than 1,600 banks insured by the Federal Deposit Insurance Corporation (FDIC), were closed or received financial assistance. During this period banks experienced increased loan write-offs, for example Bank of America wrote off $1 billion in uncollected loans. Similarly, many companies failed to repay their loans and more defaults continued to occur worsening the banking crisis (Glantz, 2002).

In the Argentine Banking Crisis, the largest private bank, Argentine- Banco de Intercambio collapsed in 1980, prompting the Central Bank to intervene to rescue three other banks two of which were liquidated. The crisis continued and in two years a total of seventy one banks were liquidated (The World Bank Report, 1984). This situation arose when firms defaulted on their bank loans as a result of business failures and also due to lack of strong supervision by the Central Bank. The crisis had strong negative influence on the national economy of Argentina resulting to temporal disruptions on the balance of payment system, deterioration and unemployment, misallocation of credit and ultimately capital out flows by companies who lost their deposits constituting their capital base and thereafter they had to close down.

In the1970s' Japan had taken steps to liberalize its financial institutions, despite considerable progress towards these liberalized financial institutions, the transition did not progress smoothly and it was characterized in many cases by harsh financial disruptions and banking crisis. The liberalization transition saw sharp increase in asset prices, monetary growth and subsequent crisis in 1990s' when asset prices fell. Banking institutions were left with a massive non – performing loan problem estimated at some US$ 500 billion, leading to the crash of many institutions in Japan (The Economy, 1997).
In 2008 several developed countries including the USA experienced a banking crisis. For example the Citibank Group alone wrote off more than $39 billion in losses (Waweru and

Kalani, 2009). Despite the problems facing the global financial market in 2008, Canadian banks remained relatively stable. Many economists and policy analysts have looked for the source of Canadian stability and a variety of factors have been proposed, with the leading contenders being innate Canadian conservatism among Canadian banks and superior Canadian regulation.

The recent banking crisis of 2008 was caused by the house-price bubble where the banks were lending recklessly to people with no prospects. The US subprime mortgage crisis was one of the first indicators of the 2007 financial crisis, characterized by a rise in subprime mortgage delinquencies and foreclosures, and the resulting decline of securities backing said mortgages. As a result of the financial crisis in 2008, twenty five U.S. banks became insolvent and were taken over by the Federal Deposit Insurance Corporation (FDIC) as of August 14, 2009 and an additional 77 banks became insolvent. The five largest U.S. investment banks, with combined liabilities or debts of $4 trillion, either went bankrupt or were taken over by other companies (Bear Stearns and Merrill Lynch), or were bailed-out by the U.S. Government (Goldman Sachs and Morgan Stanley)

In UK banks offered "suicide loans" of up to 120 per cent of the value of the house with only self-certification of income. Northern Rock lent out roughly 200,000 of these in the two years before it went bust and had to be nationalized in 2008 thus making the government the biggest holder of sub-prime mortgages in Britain. A bank rescue package totaling some £500 billion (approximately $850 billion) was announced by the British government on 8th October 2008 to rescue Lloyds and Royal Bank of Scotland .The plan was aimed at restoring market confidence and help stabilize the British banking system, and provided for a range of short-term loans and guarantees of interbank lending.

The 2008 Belgian financial crisis is a major financial crisis that hit Belgium from mid-2008 onwards. Two of the country's largest banks - Fortis and Dexia - started to face severe problems, exacerbated by the financial problems hitting other banks in the world. The Government tried to control the situation by bailing-out banks and guaranteeing bank deposits. Eventually Fortis was split into two parts - the Dutch part was nationalized, while the Belgian part was sold to the French bank BNP Paribas (Wikipedia, 2008).

Currently there are there are 43 licensed commercial banks in Kenya. According to bank supervision report by Central Bank, out of the 43 banks, 30 are locally owned and 13 are foreign owned. According to the report the banks are categorized as small, medium and large based on asset base.

Out of the 43 banks, 17 big banks account for approximately 88% of the total assets as well as loan and advances while 14 medium banks control approximately 9.5% leaving out only 1.5 % of the total assets to be shared out among the 12 small banks. The six big banks comprising of KCB, Barclays, Equity, Standard Chartered, CFC Stanbic and Cooperative bank control approximately 60% of the total assets and 69% of the total industry profits. They also account for

60% of the industry loans and advances. Among the six, KCB accounts for approximately 23% of the assets and 20% of the profits.

The ratio of NPLs to assets is an indicator of a bank's asset quality and financial soundness. In the case of the financial turmoil of 2008-2010, a high ratio may indicate that banks are not healthy since they have significant exposure to the origins of the problem. In Kenya, the NPL/assets ratio decreased from a high of 22.6% in 2001 to a low of 4.3% in 2007, an indication that the banking system's asset quality has improved. This may be attributed to the requirements for bad loans provisions and increased core capital mandated by CBK.

From 1998 to 2000/2001, NPL's assumed an upward trend during which the period recorded substantial net increase in loans. The decrease in non-performing assets during the period 2001-2003 was mainly attributed to the collapse of some financial institutions (e.g. Trust Bank in 2001) and write offs made by some banks to clean up their balance sheets (CBK 2003). From 1997 to 2002 interest rates on lending were on an all-time high compared to the latter period registering an annual average of 23.45%.

From 2003 to 2009 banks registered an annual average of Ksh.58, 479 million NPLs which was much lower than preceding period's average of Ksh67, 567 million .This period saw the lowest interest rates in the banking industry down to an annual average of 13.50%. Loans recorded an upward trend from 2003 and an average growth in profits of 41.57% from 2003 to 2009. Due to the global recession towards end of 2008 spilling into 2009, interest rates began increasing to cater for the increased lending risk and NPLs increased by 18.98% and 7.17% in 2008 and 2009 respectively.

The banks' profit before tax was on a downward trend from 1997 to 2000.This coincides with the period when the country's GDP was declining. The trend was however reversed in 2001 when the banks recorded over 200% increase in profits before approximately 37% decline in 2002. Analyst attributed the decline to political risk posed by 2002 general election. When NARC took over power in 2003 there was accelerated growth in GDP as shown by table 2.2. During the period the bank's profit before tax as well loans and advance increased by over 200% in 2003 and ever since it has been increasing in tandem with I.

2.5 Empirical literature

Several empirical studies have been conducted on nonperforming assets and profitability of commercial banks and confirmed that adverse changes in economy contribute to non-performing assets and adversely affect the banks' performance.

Hou and Dickinson (2007), which examined the non-performing loans on microeconomics, specifically at the bank level to empirically evaluate how non-performing assets (NPAs) affect

commercial banks' lending behavior. In particular, it is discussing some consequences of nonperforming assets (NPAs) on the economics. They have used empirical methodology for testing the effect of non-performing assets (NPAs) which the data taken from individual bank's balance sheet to assess whether non-performing assets (NPAs) will negatively influence bank's lending behavior.

Mohammed (2012) studied the bank performance in context of corporate governance for which mainly the ratios of non-performing loans and loan deposits have been used. Study was conducted on 9 banks of Nigeria for a period of 10 years from 2001-2010. According to generalized least square regression results, non-performing loans ratio has significant negative effect while loan deposit ratio has insignificant negative effect on performance. So, survival of banks is strongly dependent upon the better asset quality means dependent upon minimizing the non-performing loans ratio.

Kolapo, et al. (2012) also analyzed the influence of credit risk on performance of five banks in Nigeria by taking data from 2000-2010. Credit risk is measured by taking ratio of nonperforming loans to loans plus advances, total loans to advances plus deposits and ratio of loan loss provisions while performance is measured by return on assets. Fixed effect model used in the study and according to results of regression analysis, non-performing loans and loan losses provisions are adversely affecting the performance while total loans to advance plus deposit ratio has positive significant effect on the performance. This is evident from the study that banking industry needs to improve their loan administration processes for maximization of profits.

Shingjergji (2013) studied the impact of different bank specific factors on non-performing loans of Albanian banks by taking quarterly data from 2002-2012. Dependent variable used in the study is non-performing loans (NPAs) while independent variables include capital adequacy ratio (CAR), loan to asset ratio (LTA), return on equity (ROE), natural log of total loans, and natural log of net interest margin (NIM). Regression results obtained by using ordinary least square revealed negative insignificant relation of CAR with NPLs. Relation of loan to asset ratio has been found negative but total loans level is positively influencing the NPLs means increased loans level will result in increased level of NPAs. On the other hand, NIM and ROE are negatively linked with NPAs depicting that high NPAs deteriorate the performance of banks.

Kaaya and Pastory (2013) analyzed effect of credit risk (measured by ratios of nonperforming loan, loan loss to gross loan, loan loss to net loan and impaired loan to gross loan) on banks' performance (measured by return on assets) by controlling the effect of deposits and bank size. A sample of 11 banks in Tanzania has been used for this analysis. According to correlation and regression results, credit risk measures of non-performing loans, loan loss to gross loan, loan loss to net loan have significant negative influence on banks' performance. It is concluded that

performance of banks can be increased by effective risk management as it help to reduce non-performing loans and loan losses.

Vatansever and Hepsen (2013) investigated the presence of any significant relation (if exists) of non-performing loans with macroeconomic indicators, global and bank level factors in Turkey for a period of January 2007 to March 2013. Results obtained from ordinary least square regression helped in categorizing the factors significantly affecting the non-performing loans. Among various macroeconomic, global and bank level factors used in the study, only the variables of industrial production index, Istanbul stock exchange 100 Index, inefficiency ratio of all banks have significant negative effect while unemployment rate, ROE and capital adequacy ratio have positive significant effect on non-performing loans.

Azeem & Amara (2013) study Impact of profitability on quantum of non-performing loans in

Pakistani Banks. The Data of one business cycle of sixteen Pakistani banks were collected from 2006 to 2012. The sample comprised of sixteen public and private banks with different sizes. Three models were adopted to check the relationship between profitability and nonperforming loans. Model one represented return on asset as dependent variable while nonperforming loans were taken as independent variable. Model two represented Return on

Equity as dependent variable while non-performing loans were taken as independent variable.

Model three represented Stock Return as dependent variable while non-performing loans were taken as independent variable.

The results of the study were as follows; Model one using Returns on Assets indicated that profitability and non-performing loans have negative relationship and that One thousand increases in non-performing loans may decrease the profitability up to 0.00527 %. Model two with Return on Equity indicated that profitability and non-performing loans have negative relationship and that One thousand increases in non-performing loans may decrease the profitability up to 0.00371%. Model three revealed that stock returns and non-performing loans have no significant relationship and no room for generalization of results is possible on this finding. The study found that NPLs disturb the profitability of banks and every other financial institution, which is involved in lending activity and that in State Bank of Pakistan, there are some reasons noted to have intensify this issue which are namely; marks up on mark up, embezzlement in amount, wrong calculation procedures and divergent practices in calculating amount of NPLs. However, data of non- performing loans in Pakistan was only available from six years 2006 to 2012 and a Short panel of sixteen Banks only was used in the study.

Mausya (2009), study the impact of non-performing loans on the Performance of the banking sector in Kenya, an MBA project submitted to University of Nairobi and in his findings, indicated that commercial banks are negatively affected by raising levels of non-performing loans through provisioning made and interest in suspense. She outlines that majority of such factors include under staffing, under qualified staff among others for years 2004-2008. In the study, a sample of thirteen banks is used to show how these factors affect the performance of these banks where the performance is represented by the profit before tax of the 13 sampled banks. The research used a single regression equation approach to analyze the impact of nonperforming loans to financial sector stability. A second test with all the variables was run and finally one with just NPLs interest income and provision as per the study framework Tests of significance was be done to determine whether the effect of nonperforming loans on profitability is significant. From the equation in chapter for the findings indicate that commercial banks will be negatively affected by raising levels of non-performing loans through provisioning made and interest in suspense. From the study, the findings indicate that commercial banks are negatively affected by raising levels of non-performing loans through provisioning made and interest in suspense.

Kithinji (2011), study Credit risk management and profitability of commercial banks in Kenya, paper submitted to Aibuma conference, Nairobi, Kenya. Non-performing loans was measured using nonperforming loans/ total loans, and profits were measured using ROTA (Return on Total assets). The trend of level of credit, nonperforming loans and profits were established during the period 2004 to 2008. A regression model was used to establish the relationship between amount of credit, non-performing loans and profits during the period of study. R2 and t-test at 95% confidence level were estimated. Her findings reveal that the bulk of the profits of commercial banks is not influenced by the amount of credit and nonperforming loans suggesting that other variables other than credit and nonperforming loans impact on profits. The results indicated that there is no relationship between profits, amount of credit and the level of nonperforming loans. The research did not use other factors affecting profitability of commercial banks as control variables in the study and the study covered only 6 year period.

Macharia (2012) study the relationship between the level of nonperforming Loans and the financial performance of commercial banks in Kenya an MBA project submitted to University of Nairobi. Multi linear analytical model was used to determine the relationship between the NPAs and the financial performance of commercial banks. The relationship between these ‘’bad loans’’ and the financial performance represented by ROA was regressed. After determining the level of NPAs across the banks and the total outstanding shares, the relationship between these variables was obtained. This involved regressing the NPLs with the ROA of the firm for entire period of

the study. NPLs were the independent variable in the regression equation while ROA was the dependent variable. The study regression results indicate that there is no relationship between profits, amount of credit and the level of non-performing loans. The findings reveal that the bulk of the profits of commercial banks is not influenced by the amount of credit and nonperforming loans suggesting that other variables other than credit and nonperforming loans impact on profits. The study however did not consider other factors affecting profitability of commercial banks such as Capital, Liquidity and management efficiency as controlling variables.

Mugwe (2013) study the relationship between firm-specific factors and financial performance of commercial banks in Kenya. The study determine and evaluate the relationship between bank-specific factors; capital adequacy, asset quality, liquidity and management efficiency on the financial performance of Commercial Banks in Kenya. Secondary data of the 43 Kenyan commercial banks from 2008 to 2012 obtained from published Audited Accounts of the

Commercial Banks, the Central Bank of Kenya Annual Reports and Oloo (2014). The data was analyzed using Multiple Regressions method. The findings show that bank specific factors considered are significantly associated with financial performance as indicated by the positive mean values and their respective standard deviations. This means that bank specific factors variables considered in the study Capital Adequacy, Liquidity, Management Efficiency and Asset Quality are very crucial in affecting financial performance of commercial banks in Kenya. The study results show that the capital strength of a bank is of paramount importance in affecting its profitability and the asset quality affects the performance of banks adversely.

Mombo (2013) study the effect of non-performing Loans on financial performance of deposit taking micro finance Institutions in Kenya an MBA project submitted to University of Nairobi.

The researcher used simple linear regression model used by Macharia (2012) in establishing the effect of non-performing loans on commercial banks in Kenya. One control variable which was operating expenses of microfinance institutions and it was measured as a percentage of the total revenue by microfinance institutions. The study made use of secondary data that was obtained specifically from the financial stations of the microfinance institutions. The study found out that non-performing assets in deposit taking microfinance institutions account for the greatest percentage of the variance in the profitability of the institutions. All the three independent variables in the study; non performing assets, rate of loan repayment and operational expenses largely affect the profitability of the institutions and that non-performing assets and operational expenses have more significant effect than the rate of loan repayment that is achieved by the organization.

2.6 Theoretical Review

This presents review of the relevant theories that explains the influence of nonperforming assets on profitability of commercial banks in Kenya. The theoretical reviews covered are; Asymmetric Information Theory, Agency Theory and Modern Portfolio Theory

2.6.1 Asymmetric Information Theory

This is a theory relevant for situations where there is imperfect knowledge. In particular it occurs where one party has different information to another. Asymmetric information is a problem in financial markets such as borrowing and lending. In these markets the borrower has much better information about his financial state than the lender. Akerlof (1970) first presented this theory in the easy; "The Market for Lemons". It is the single most important study in the literature on economics of information. Mirrlees (1996) study Asymmetry of information related to access to information among participants in the process of making economic decisions. Pagaon and Jappelli (1993) show that information sharing reduces adverse selection by improving banks information on credit applicants. The theory of asymmetric information tells us that it may be difficult to distinguish between good from bad borrowers, which may result into adverse selection and moral hazards problems. The theory explains that in the market, the party that possesses more information on a specific item to be transacted (in this case the borrower) is in a position to negotiate optimal terms for the transaction than the other party (in this case, the lender) (Auronen, 2003). The party that knows less about the same specific item to be transacted is therefore in a position of making either right or wrong decision concerning the transaction. Adverse selection and moral hazards have led to significant accumulation of non-performing loans in banks (Bofondi and Gobbi, 2003). Commercial bank managers may know more about effects of nonperforming assets on profitability of commercial banks than other stakeholders. In this case, they could fail to disclose nonperforming assets and/ or use provisions for losses on non-performing assets profit smoothening.

2.6.2 Agency Theory

The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Ross (1973) and Mitnick (1973), independently and roughly concurrently. The basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions.

The agency theory is gaining a lot of popularity in explaining the financial performance of organizations. The theory seeks to explain the relationship that exists between the management of an organization and the owners of the organization who are usually the people holding stocks for the organization. The theory suggests that there is an agency conflict. The management of an organization is usually considered as an agent who has been contracted by the stockholders to work towards enhancing the stockholder value through good financial performance. The

management is therefore expected to act in the best interests of the owners and enhance the financial performance of the organization.

However, the theory suggests that the managers who are agents may be involved in activities that are aimed at serving personal interest at the expense of the owners of the organization. The theory suggests that when this happens, the financial performance of the organization may easily suffer. Stockholders therefore can employ a number of strategies to ensure the management acts in the interest on the organization. The theory suggests that management can be rewarded financially in order to motivate them to work for the interests of the company. The owners can also issue threats such as hostile takeover to force management to perform the required duties.

2.6.3 Modern Portfolio Theory

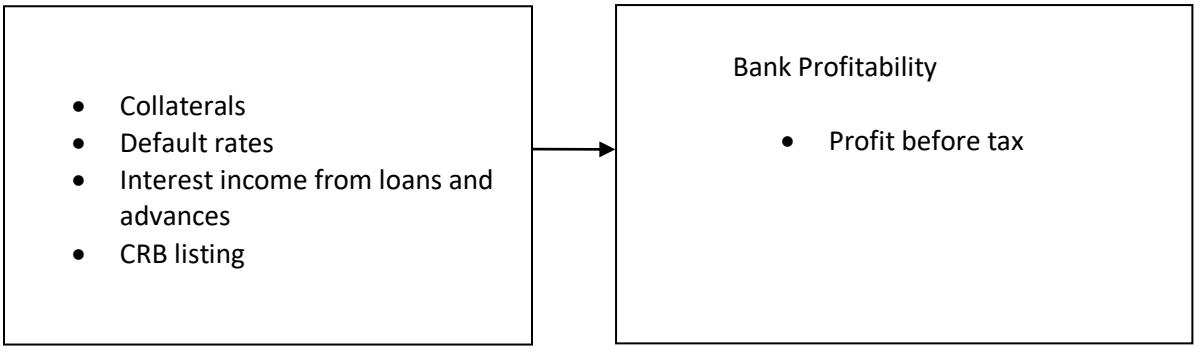
Markowitz (1952) Modern portfolio theory (MPT) is one of the most important and powerful economic theories dealing with finance and investment. Modern portfolio theory measures the benefits of diversification, known as "not putting all your eggs in one basket". Modern portfolio theory (MPT) is an investment theory which tries to explain how investors could maximize their returns and minimize their risks by diversification in different assets. Tobin (1958) expanded the theory of Markowitz's (portfolio theory) by adding the analysis of risk free assets which made it possible to influence portfolios on the efficient frontier. Markowitz (1952) and Tobin (1958) showed that it was possible to identify the composition of an optimal portfolio of risky securities, given forecasts of future returns and an appropriate covariance matrix of share returns. The portfolio theory approach is the most relevant and plays an important role in bank performance studies (Atemnkeng & Nzongang, 2006). According to the Portfolio balance model of asset diversification, the optimum holding of each asset in a wealth holder's portfolio is a function of policy decisions determined by a number of factors such as the vector of rates of return on all assets held in the portfolio, a vector of risks associated with the ownership of each financial assets and the size of the portfolio. It implies portfolio diversification and the desired portfolio composition of commercial banks are results of decisions taken by the bank management. Further, the ability to obtain maximum profits depends on the feasible set of assets and liabilities determined by the management and the unit costs incurred by the bank for producing each component of assets, Atemnkeng & Nzongang, (2006). Commercial Banks should consider diversifying investments portfolio to minimize risk of credit takers defaulting in loans repayments and causing non-performing loans portfolios that affects profitability.

The concept of revenue diversifications follows the concept of portfolio theory which states that individuals can reduce firm-specific risk by diversifying their portfolios. The proponents of activity diversification or product mix argue that diversification provides a stable and less volatile income, economies of scope and scale, and the ability to leverage managerial efficiency across products and for the case of commercial banks, reduce non-performing assets and increase Return on Assets which is a measure of profitability.

2.7 Conceptual Framework

Independent Variables on **Dependent Variable**

Non-Performing Assets (NPAs)



Source Researcher (2015)

The framework illustrates the hypothesized relationship between the independent variable (Non-Performing Assets) and the dependent variable (Non-Performing Assets). In other words, restricted to involuntary default, that is, it assumes that borrowers repay loans when they have the means to do so.

Kenyan banks, like other financial institutions elsewhere face the same problem and rely heavily on collateral lending which is a traditional instrument of providing security against loan advances to the borrower. Although collateral lending gives the lender some confidence in business, FSD-Kenya (2009) notes that collateral has serious shortcomings in Kenya. Firstly, the choice of a borrower is inhibited by the fact that there are no concrete legislations on transfer of lender with unrealized securities and non-performing loans. According to FSD-Kenya, obtaining statutory power for sale of the property in the above scenario will cost the lender Ksh.379, 700 and 150 working days if the borrower doesn't litigate. Otherwise the cost in terms of time and money may go up as it may take up to four years to realize the security.

Furthermore, the risk associated with collateral increases the capital requirement for banks, through increased capital provision for such risky assets. According to CBK (2006) a 50 or 100 per cent risk weight is attached to residential and other properties that are mostly pledged as collateral by borrowers, for purposes of determining the capital adequacy of a bank. This requirement and over-reliance on collateral imply limited capacity for creating loans (supply) as well as profitability of banks. In addition, difficulties affecting enforceability of collateral make lenders more risk-averse thereby limiting provision of credit for economic activity. Generally, over-reliance on collateral lending is detrimental to borrowers; lenders and the general economy.

This study seeks to identify ways through which banks can lend more without over-relying on the collateral system, thus supporting economic growth and development goals.

Customers who have defaulted on their loan repayments listed on CRB. Credit reference bureaus (CRBs) provide a number of benefits to the creditor and the applicant and this include; expanding access to credit by allowing creditors to differentiate good and bad debtors. Secondly, reducing the cost of borrowing to good debtors by increasing competition and creating a credit culture as borrowers become aware that the market rewards and sanctions them based on their repayment history. CRBs are particularly useful for the household segment, which forms a large proportion of the loan market in Kenya and this may help in deepening credit access and lower risk premiums. Due to the fear on the effects of listing customers will ensure that they pay their loans as per the contracts.
NPLs interest income and provision as per the conceptual framework will be done to determine whether the effect of nonperforming loans on profitability is significant. From the equation in chapter for the findings indicate that commercial banks will be negatively affected by raising levels of non-performing loans through provisioning made and interest in suspense.

As such non-performing loans are likely to be reduced. In the context of Kenya's microfinance banking sector, the issue of adverse selection is being handled by CRBs that minimizes information asymmetry.

2.8 Summary of Literature Review

From the studies above, it is evident that there exist theoretical concepts and empirical studies that touches on influence of nonperforming Loans on profitability of Commercial banks in Kenya. Asymmetry of information, modern portfolio theory and agency theory are as important theories that need further studies and applications. Empirical reviews have however given different results on whether non-performing loans affects profitability of commercial banks in Kenya. Some Empirical studies confirm that an indeed non-performing assets affects profitability of commercial banks in Kenya whereas others failed to confirm.

Studies done earlier have revolved much around how non-performing assets have come to exist as well as how to avoid the accumulation of such loans. For the few studies on influence of nonperforming assets and financial performance of Commercial banks, did not consider other factors affecting profitability of commercial banks such as interest income, collaterals and defaulting rate as controlling variables. Some studies also used as few as sixteen and a small duration of a maximum of six years. Previous studies also gave little attention to agency theory asymmetric information theory, and modern portfolio theory on the studies. This study aims to contribute to the gap in this field of study on influence of nonperforming assets on profitability

of commercial banks in Kenya. The study will cover 18 KCB branches in Kenya for a period of five years. The study specifically will established the influence of non- performing loans on profitability of commercial banks in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter presents a systematic description of the methods the researcher will use in data collection and analysis. The chapter presents target population, sampling design, data collection and analysis.

3.1 Research design

According to Kerlinger (1986) research design is the plan and structure of investigation so conceived so as to obtain answers to research questions. According to Mugenda and Mugenda (2003), research design is the outline plan or scheme that is used to generate answers to the research problems. It is basically the structure and plan of investigation.

Causality studies may be thought of as understanding a phenomenon in terms of conditional statements in the form, “If A, then B.” This type of research will be used to measure what influence a specific change have on existing norms and assumptions. Most social scientists seek causal explanations that reflect tests of hypotheses. Causal effect (nomothetic perspective) occurs when variation in one phenomenon, an independent variable, leads to or results, on average, in variation in another phenomenon, the dependent variable.

This study is a causality study in which the study seeks to establish the influence of nonperforming assets on banks’ profitability.

The study will use ROE as the indicator of the profitability in the regression analysis because ROE has been widely used in earlier research. In addition, use of ROE as the indicator of profitability enhances accuracy in that the required information is available in the annual reports of the bank.

3.2 Target Population

Currently, there are 177 KCB branches in Kenya (CBK 2014).

According to Mugenda and Mugenda (2003), a target population is one the researcher wants to generalize the result of the study. This research will comprise of the influence of nonperforming assets on banks' profitability. Since the study concerned one bank, 18 branches will be sampled.

3.3 Sampling Technique

The study will use KCB as a representative of Kenyan banking sector. From the target population, a desired sample size will be derived using Yamene 2009 formula below;

$$n = \frac{\mathrm{N}}{1 + \mathrm{e}^2\mathrm{N}}$$

Where;

n= sample size

N= population

e= significance level

Therefore;

$$n = \frac{177}{1 + (0.05^2 * 177)}$$

Hence, the sample size to be used will be 18 KCB branches.

3.4 Data collection

To attain the objectives of the study, both primary and secondary data will be required. The primary data will be obtained from the responses in questionnaires (appendix III). Kothari (2004) argues that questionnaires generate data in a systematic and ordered fashion. The questionnaire will comprise both of structured and unstructured questions.

Secondary data will be obtained from KCB financial reports. These reports will be quarterly data for the period between Jan 2010 and December 2014 which will be obtained from KCB quarterly reports.

3.5 Data Analysis

3.5.1 Validity of the data

According to Joetta (2007), validity means the accuracy of the measurement of which it is intended to be measured and how truthful the results of the research are. The study will be conducted based on data from the selected sample size from the population. The rest of the information will be obtained from the secondary source from published financial information, thus this will improve validity.

The instrument will be validated by having it evaluated and improved on by the university supervisors to ensure that it measures the desired content. The researcher's supervisor will assess the relevance of the content used. He will examine and provide feedback to the researcher. Their recommendations will be incorporated in the final questionnaire.

Secondly, the context validity of the instrument will be determined through piloting where the response to the subject will be checked against the research objectives. This also gives the reason as to why the content are to be used.

3.5.2 Reliability of the data

Reliability generally refers to the extent to which a variable or set of variables is consistent in what it is intended to measure. When multiple measurements are taken, the reliable measures will all be consistent in their values. (Hair et al., 2006, 3). If measurement results are not reliable, it becomes more difficult and precarious to test hypotheses or to make inferences about the relations between variables in quantitative research (Kerlinger, 1964).

In this research, research process will be discussed in detail and a clear and reasonable procedure for readers will be presented. Thereby it is possible to replicate the same research and obtain the same results.

Test re test method will be used.

3.5.3 Data analysis and presentation

Before subjecting data to regression analysis, descriptions of variables will be done (i.e. use of the frequency distribution tables, percentages and charts). This include, showing the trends of

various variables both in nominal and in real terms. Also the trend of NPAs in KCB for the 5 years will be described as well as the trend of profit before tax over the same period.

3.6 Regression analysis

The regression analysis will be conducted to find out the influence of nonperforming assets to banks profitability: The research will employ regression model represented as $Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 2X3 + Ɛ$. Where Y is the dependent variable representing bank profitability; $\beta 1X1$ is an independent variable representing collateral and $\beta 2X2$ an independent variable representing interest income and $\beta 2X3$ representing defaulting rate. The variable Ɛ is an error term representing CAMEL which are the other bank specific factors affecting the profitability of the commercial banks

3.7 Ethical Consideration

A number of ethical issues as identified by Cohen and Marion (2009) will be strictly adhered to in this study. These includes: Confidentiality, anonymity, avoiding deception, betrayal of respondents and privacy. The Participants consent (in this case selected branches) to participate in the study will be sought, where respondent choose not to participant in the study, that decision will be respected. All ethical requirements in research will be strictly adhered to. Also, the researchers will endear to avoid fraud such as filling the questionnaires on behalf and in the absence of respondents (KIM, 2009).

The study will be conducted by following the ethical principles of research. Permission will be sought for the use of bank annual reports. The researcher will maintain high ethical standards and will not disclose any information about the bank and its clients to third parties.

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APPENDICES

APPENDIX 1: PLAN OF ACTIVITIES

Activity	**March 2nd to April 2nd 2015**	**April 3rd to May 3rd 2015**	**May 4th July 2015**	**Aug to Sept. 2015**	**Sept 2015**		**Oct 2015**	**Nov 2015**
Proposal design & consultations with supervisor								
Develop data collection tool								
Pre-test the data collection tool								
Proposal defense								
Data collection								
Data analysis								
Report writing & submission								

Appendix II

BUDGET

	(KSH)
Internet Services and Modem	5,000
Air time	10,000
Data collection	15,000
Data analysis	10,000
Transport and accommodation	12,000
Printing and binding	10,000
Wages of research assistant @Kshs. 10,000*2 months	20,000
Publication and Dissemination	10,000
Total	**92,000/=**

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Appendix III

QUESTIONNAIRE

This questionnaire seeks to collect data to be used in a study of the influence of non-performing assets on bank profitability in KCB banks in Kenya. The information you will provide will be treated as confidential and will be used for the intended purpose of this study only. You are kindly requested to provide answers to these questions to the best of your knowledge.

Please tick [ ] where appropriate or fill the required information in the spaces provided.

Section 1: Background Information

1. Name of your KCB branch.....
2. Please indicate your gender

   Male [ ] Female [ ]

3. Kindly indicate your age

   18 to 25 years [ ] 26 to 35 years [ ]

   36 - 45 years [ ] 46 to 55 years [ ]

   56 - 60 years [ ] Over 60 years [ ]

4. How long have you worked in KCB bank? (Years)

   Up to 1 year [ ]

   1- 5 years [ ]

   Over 5 years [ ]

5. What is your level of education?

Diploma	[ ]
Degree	[ ]
Masters	[ ]
PhD	[ ]

Other (Specify)……..

6. What is your designation?

Sales representative	[ ]
Clerk	[ ]
Manager	[ ]
Assistant manager	[ ]
Driver	[ ]

Other (Specify)……..

Section 2: Determinants of business collaterals

7. Are there times you give out loans without a customer pledging any security? (Tick where applicable).

□ Yes [ ]

□ No [ ]

Give reason for your Yes or No answer……
……
……

8. What do you ask for as collateral when giving out the following amounts as loans?

Amount

□ Kshs. 10,000 ……

□ Kshs. 50,000…….

□ Kshs. 100,000……..

□ Kshs. 200,000 …….

□ Kshs. 300,000……..

□ Kshs. 400,000……

□ Kshs. 500,000……..

□ Above Kshs. 1M……

9. Please rate in terms of significance the following determinants of business collaterals for the bank .5-very significant, 4- highly significant, 3- moderately significant, 2-less significant, 1-not significant at all.

5 4 3 2 1

□ Legal Environment [ ] [ ] [ ] [ ] [ ]

□ Macroeconomic uncertainty [ ] [ ] [ ] [ ] [ ]

□ Relationship Banking [ ] [ ] [ ] [ ] [ ]

□ Business Cycle [ ] [ ] [ ] [ ] [ ]

□ Bank Ownership [ ] [ ] [ ] [ ] [ ]

□ Family Ownership [ ] [ ] [ ] [ ] [ ]

□ Firm & Loan characteristics [ ] [ ] [ ] [ ] [ ]

10. Who is involved in deciding on what collateral is to be pledged by the customer?

□ Board [ ]

□ Senior management [ ]

□ Branch managers [ ]

□ Others (kindly specify) [ ]

Section 2: Assessment of defaulting rate

11. What is your loan outstanding portfolio as:

a) As a bank?.....

b) As a branch?……

12. What is your PAR?

a) 30 days……

b) 90 days…….

14. What is your outstanding non-performing assets as:

a) As a bank?.....

b) As a branch?…….

13. Please rate in terms of significance the following determinants of business collaterals for the bank in relation to loan portfolio quality .5-very significant, 4- highly significant, 3- moderately significant, 2-less significant, 1-not significant at all.

5 4 3 2 1

□ Legal Environment [ ] [ ] [ ] [ ] [ ]

□ Macroeconomic uncertainty [ ] [ ] [ ] [ ] [ ]

□ Relationship Banking [ ] [ ] [ ] [ ] [ ]

□ Business Cycle [ ] [ ] [ ] [ ] [ ]

□ Bank Ownership [ ] [ ] [ ] [ ] [ ]

□ Family Ownership [ ] [ ] [ ] [ ] [ ]

□ Firm & Loan characteristics [ ] [ ] [ ] [ ] [ ]

14. Tick the following factors as considered in apportioning individual discretionary approving limits in a scale of (1 **–Not significant to 5 – Very significant**) with respect to risk lending discretions

	1	2	3	4	5
Loan limits or amount					
Credit Skills					
Lending experience					
Education level					
Rank or supervisory position					

15. Below are the factors considered in loan appraisal process before loan approval is granted? With respect to lending in your bank, please rank in order of priority with 1 being the most important and 5 the least important.

Character	
Ability	
Margin	
Purpose	
Amount	
Repayment	
Insurance / collateral	

16. If the above factors are overlooked, to what extent of loss will the bank be exposed to?

Very great extent [ ]
Great extent [ ]
Low extent [ ]
Very low extent [ ]

Section3: Assessment of interest income

9. To what extent does interest income relates to non-performing assets?

I.	Very high	( ).
II.	High	( ).
III.	Average	( ).
IV.	Low	( ).
V.	Very low	( )

8. What interest rates do you charge for the loan amounts listed below (%)?

Amount Interest Rates in (%)

3 Months 6 Months 9 Months 1 Year Over 1yr

□ Kshs. 10,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 50,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 100,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 200,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 300,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 400,000 [ ] [ ] [ ] [ ] [ ]

□ Kshs. 500,000 [ ] [ ] [ ] [ ] [ ]

□ Over Kshs. 1M [ ] [ ] [ ] [ ] [ ]

16. Do you have any other information that you feel may be of importance to this study?

……
……
……