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THE EFFECT OF SYSTEMATIC RISK REDUCTION ON SHAREHOLDER GROWTH IN BUNGOMA COUNTY, KENYA

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Abstract

Financial regulation practices in the management of MFIs leads to customer losing confidence in the ability of a Micro-Finance to properly manage its assets and liabilities, including deposits, which could in turn trigger liquidity crisis. The objectives was assess the effect of systematic risk reduction on shareholder growth in Bungoma County. The study targeted 13 micro-finance institutions with a total population of 143 employees. Census method was employed because of the small number of respondents. Both primary and secondary data were collected. Descriptive and inferential techniques were adopted. Qualitative and Quantitative analysis techniques were employed. Inferential statistic was adopted where regression and correlation analysis were used to test research hypothesis. Frequencies and percentages were adopted. Graphs and charts were used to present data. Correlation results showed that there is a positive and significant relationship between customer credit protection, financial crime prevention and systematic risks reduction on growth of MFIs Regression results depicted that systematic risk reduction is an insignificant measure of MFIs growth thus an increase in growth of MFIs by 1unit lead to a *decrease by 0.267 units use of systematic risk reduction. The study concluded that there is a positive and significant relationship and systematic risks reduction on growth of MFIs respectively.*

Keywords: Systematic Risks, Shareholder Growth, Financial Regulation, Kenya

INTRODUCTION

Financial sectors need to manage risks in the entire portfolio. Since microfinance institution are more likely to be exposed to moral hazard and adverse selection when advancing loans to borrowers, credit assessment of loan is inevitable (Alexander, 2011). This should be done with a clear mind that there is great potential that most borrowers would default. Frederic (2014), pointed out that financial institutions attempt to solve these problems by coming up with ways and means for managing risk: screening and monitoring, establishment of long- term customer relationships, loan commitments and compensating balance requirements and credit rationing. Financial regulations practices are therefore an essential factor for any micro-finance institution. As part of its ongoing efforts to address microfinance institution supervisory issues and enhance sound practices in microfinance institution organizations, microfinance institution supervisors must be satisfied that effective financial regulatory practices and procedures are followed and that management takes appropriate corrective action when compliance failures are identified (Becker, 1968). Implementation of the regulatory practices starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the board of directors and senior management lead by example. It concerns everyone within the microfinance institution and should be viewed as an integral part of the growth and expansion of the financial institution. Microfinance institutions should hold themselves to high standards when carrying on business and at all times strives to observe the spirit as well as the letter of the law (Central Bank of Kenya, 2014).

Failure to consider the impact of its actions on its customers, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken. The existing regulatory practices in many of the World Bank's client countries have been unable to support the sustainable growth and commercial integration of microfinance programs into the formal financial system. In addressing this problem, a number of governments have begun to address the issue of a transparent and inclusive regulatory framework under which microcredit can be legitimately provided by MFIs, and so that a continuum of MFIs can be developed and strengthened. These governments have realized the advantages and benefits of

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a “tiered” banking and financial system (including its regulation and supervision), which facilitates the establishment of smaller, specialized MFIs

Globally, a number of developed countries including Australia and Russia are restructuring their banking laws and prudential regulations to establish a tiered approach to accommodate specialized financial institutions with capitalization requirements much lower than those for regular commercial banks. In Southeast Asia, the Philippines and Indonesia have had tiered banking structures, although the existing regulatory framework still does not make it possible for a range of MFIs to be integrated into the regulated financial sector. India also has in place basic statutes that would permit the establishment of smaller regulated financial institutions with a regional focus

In Africa, financial regulatory practices have become part of the culture of every financial institution. Nevertheless, micro-finance institutions will be able to manage their financial regulatory practices more effectively if it has a compliance function in place that is consistent with the compliance function principles.

In developing economies, the micro-finance sector among other sectors has also witnessed several cases of collapses, in the case of financial institution in Nigeria for instance the Capital Finance Ltd and Okafolo microfinance according to Akpan, (2014) have all collapsed.

In Kenya, estimated 38% of Kenyans who do not have access to any type of financial services and the 35% of Kenyans who might be unhappy with the informal financial services they use have opted for micro-finances. In the recent years micro-finances have further gained acceptance twice as banks despite few challenges like amount to lend out in comparison with the banks. Therefore, micro-finances have been systematically trying to understand the nature and pace of change in the operating environment, besides trying to identify opportunities, challenges and likely future developments in the market (Mbwayo, 2013). Most of the MFI have ensured regulatory compliances practices and therefore proving a chance to creating a higher profits wealth for the shareholders.

In Bungoma County the number of MFIs has been growing significantly but operation under some of regulations. It is the goal of the Central Bank of Kenya to expand the microfinance industry as its goal and purpose is to meet the needs of the clients through expanding access to financial services for poor individuals and families along with small business, particularly Micro and Small-Scale Enterprises (MSEs) and informal sector businesses. Such a goal also fulfills Kenyan Vision 2030 in which the government aims to improve and expand access to the financial sector to improve the quality of life for Kenyan citizens by 2030 (Mutheu, 2014). Despite the fact that MFIs enjoy benefits of expansion, there

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are also many complex issues associated with global expansion. Some of these issues have been identified by Dymsza (2014), who highlights the following most relevant: firm must deal with multiple political, economic, legal, social and cultural environments as well as various rates of change within each of them. These factors have also proven to affect the shareholder wealth creation. Therefore, this study sought to find assess the financial regulatory compliance practices on growth of microfinance institutions of MFIs.

Statement of the Problem

Microfinance institutions occupy an important position in the economic equation of any country as they provide loans and financial support to small and micro-enterprise, hence without well-organized financial regulatory practices small business and large organizations may experience poor performance due to financial instability. Failure to implement proper financial regulatory practices may contribute to slow growth and eventually collapsing of a microfinance institution as customer will be discouraged to seek their services as they can observe financial management and profit or loss earned through annual financial statement. Financial regulations practices can also lead markets to lose confidence in the ability of a micro-finance to properly manage its assets and liabilities, including deposits, which could in turn trigger liquidity crisis. Therefore, financial regulatory practices may lead credit controlling being controlled improper where loan awarding procedure may be compromised also embezzlement of fund by MFIs management can be facilitated by financial regulatory practices. Hence it is in this basis that the researcher will conduct his study.

As such to most of the studies the focus has been the effect of financial regulations and practices on the consumer and the growth of various microfinance institutions which makes it essential to find out on the same. To the best of the researcher's knowledge based on the literatures reviewed, only few studies were found in the context of Ghana micro-finances. Due to neglect of microfinance institutions sector regarding financial regulatory practices by other studies and with radical changes in financial sector in the last few years, present study therefore will aim to fill the existing gap.

In other cases where private ownership concentration was not allowed, the micro-finance were heavily interfered with and controlled by the government even without any ownership share (Williamson, 2000). Understandably in either case, financial regulatory compliance practices was very poor. The symbiotic relationships between the government or political circle, banks and big businesses also contributed to the maintenance of lax prudential regulation, weak bankruptcy codes and poor corporate governance rules and regulations (Das,

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2012). As such few studies concerning financial regulatory practices effect on the growth of microfinance institution has not been done therefore this study filled the existing gap.

Research Objective

To evaluate the effect of systematic risk reduction on growth of MFIs in Bungoma County, Kenya

Research Hypothesis

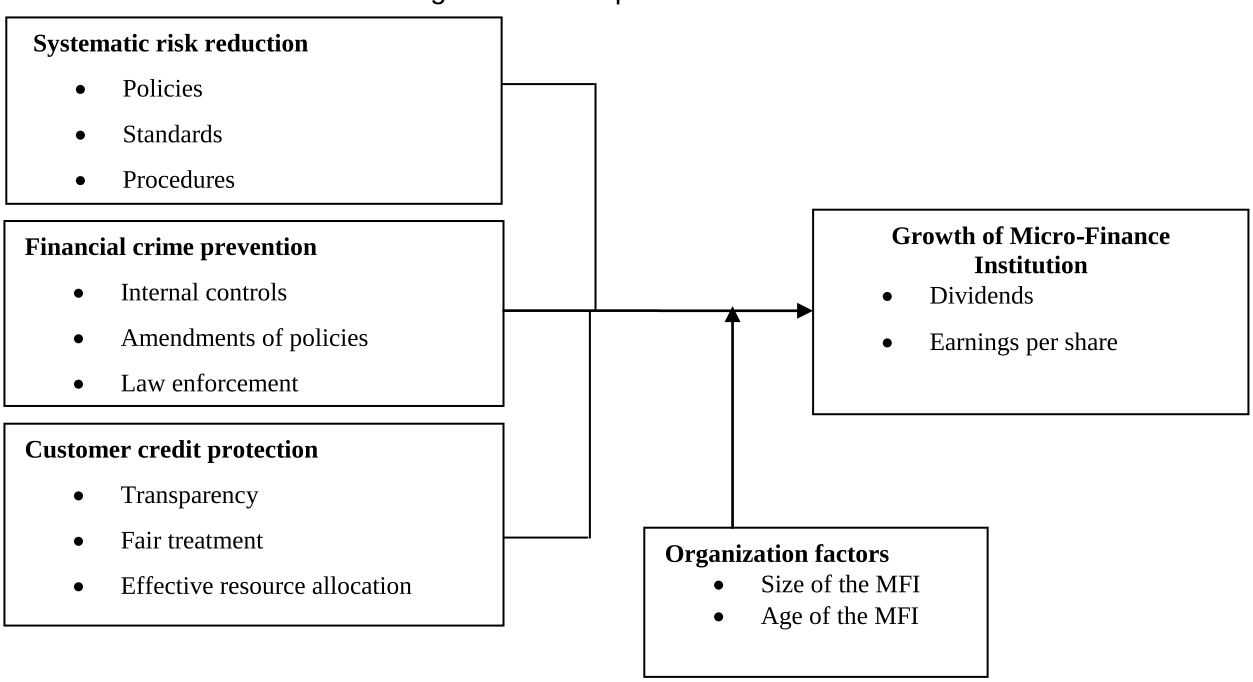
H_{o1} Systematic risk reduction has no significant effect on growth of MFIs in Bungoma County, Kenya

Significance of the study

The study may be of importance to policy makers who would make decisions regarding systematic risk reduction, financial crime prevention, and customer credit protection in the Government and the MFIs sector. This in turn will improve the performance, and effectiveness of the MFIs increasing their efficiency to manage the wealth of the member's. This study may act as a theoretical review on researchers taking related studies. The findings may also assist to find the best practices in financial regulatory compliance practices

Conceptual Framework

Figure 1. Conceptual Framework



The conceptual framework in Figure 1 looked at financial regulatory practices such as; systematic risk reduction, financial crime prevention and customer credit protection on growth of MFIs in term of dividends, earnings per share and bonuses.

The existing capital structure was the level of growth depending on return on investment and profitability at the end of the year. For instance, minimizing risks that can be incurred by projects creates an opportunity for growth and increment of the profits of the microfinance. Risks, financial crimes and credit issuance within micro-finances institutions affect their general growth.

Risks reduction involves the guideline and procedure laid down to protect the institution against future unforeseen occurrences that may hinder or slow the growth of the micro-finances. The risks that are common include the fluctuating value of money and the changing economic dynamics that may interfere with the functioning of the micro-finances. Financial crime prevention involves the protection of the firm against embezzlement of fund, mismanagement and corruption acts by the top management, hence properly formulated strategy to curb these occurrences is required to ensure the targeted growth is achieved. Customer credit protection measures includes the plan laid down to ensure there is accountability and transparency in awarding loans to the customers on fair ground, it also involve monitoring the resources distribution for the projects undertaken by the firm to ensure that they are fully maximized. Micro finance factors are the moderating variables which includes the age of the Micro Finance and size of the Micro Finance Institutions.

LITERATURE REVIEW

Theoretical Framework

Transparency Theory

The transparency theory was advocated by Schlenker (2014). Regulation has now gone beyond the dichotomous language of public authority versus private interests (Hancher and Moran 2011). It has become apparent that differences between national regulatory requirements have led to distorted consequences. This has prompted regulation across the globe using multi-level governance through a specialized discourse involving specialist epistemic communities, broad financial policy and advocacy networks. Indeed, regulatory action brings about discursive practices by building upon participants shared understandings of problems and solutions.

Tadesse (2013) suggested that banking crises are less likely to occur in countries with greater regulated disclosures and transparency. Tadesse (2013) puts forward a transparency theory which holds that greater disclosure and thus greater transparency facilitates efficient resource allocation by reducing informational symmetry. If accounting information is viewed as public good (Watts and Zimmerman, 2013)central banks are funded by the public's conscripted taxpayers (and thus conscripted investors)then it is not unreasonable for central banks to produce extensive disclosures to satisfy the information needs of that public. This, of course, flies in the face of transparency-fragility theory which avers that greater disclosure may indicate widespread problems in the banking system which in turn creates negative externalities such as runs on money and concern about the financial system's vulnerability. But as Smellie (2011) explains, that there is now a global acceptance that the struggle against organized crime cannot be won unless some kind of enforcement is put in place. Such enforcement should be found in the contribution of central banks' extensive disclosure practices

Crime Pattern Theory of financial crime prevention

Crime Pattern Theory is a way of explaining why crimes are committed in certain areas. Crime is not random, it is either planned or opportunistic (Santos & Rachel, 2010). According to the theory crime happens when the activity space of a victim or target intersects with the activity space of an offender. A person’s activity space consists of locations in everyday life, for example home, work, school, shopping areas, entertainment areas etc. These personal locations are also called nodes (Santos & Rachel, 2010). The course or route a person takes to and from these nodes are called personal paths. Personal paths connect with various nodes creating a perimeter. This perimeter is a person’s awareness space. Crime Pattern Theory claims that a crime involving an offender and a victim or target can only occur when the activity spaces of both cross paths. Simply put crime will occur if an area provides opportunity for crime and it exists within an offender’s awareness space. Consequently an area that provides shopping, recreation and restaurants such as a shopping mall has a higher rate of crime. This is largely due to the high amount of potential victims and offenders visiting the area and the various targets in the area. It is highly probable that an area like this will have a lot of car theft because of all the traffic in and out of the area (Santos & Rachel, 2010).

It is also probable that people may fall victim of purse snatching or pick pocketing because victims typically carry cash with them. Therefore, crime pattern theory provides analysts an organized way to explore patterns of behavior. Criminals come across new opportunities for crime every day (Santos & Rachel, 2010). These opportunities arise as they go to and from personal nodes using personal paths. For example, a victim could enter an offender’s awareness space by way of a liquor store parking lot or a new shopping center being built. If the shopping center is being built in an area where crime occurs a couple of miles away, chances are it will exist in some if not all offenders’ awareness space. This theory aids law

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enforcement in figuring out why crime exists in certain areas. It also helps predict where certain crimes may occur (Santos & Rachel, 2010).

The theory relates to the study as it explains that crime occurs if an area provides opportunity for crime and it exists within an offender's awareness space, therefore areas where financial regulatory practices are loose then opportunity is created for management to defraud the organization. Therefore, the theory is related to the study as it explains the importance of filling all the financial regulatory practices gap in order to ensure financial crime are reduced to minimum.

Consumer Protection Theory on Consumer Credit Protection

Consumer protection theory is a theory designed to ensure the rights of consumers as well as fair trade, competition and accurate information in the marketplace. The theory is designed to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors. They may also provide additional protection for those most vulnerable in society. Consumer protection theory aims to protect the rights of consumers. For example, a government may require businesses to disclose detailed information about products particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of consumer rights, and to the formation of consumer organizations, which help consumers make better choices in the marketplace and get help with consumer complaints.

In relation to the study the theory is relevant as it relates to consumer credit protection in that it emphasizes on prevention of businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors. Hence consumers are protected from high interest rate charged by the MFIs, also the theory emphasizes on the credit acquirement procedure to be made simply to enable easy access.

Empirical Studies

Impact of Systematic Risk Reduction on Microfinance Institution Growth

A study carried by Kapoor (2014) on the impact of systematic risk reduction policy on growth of micro-finances: A study of Indian firms and whose objectives were; To empirically examine the determinants of dividend smoothing by firms and find out its linkage with information content of dividends, to analyze the influence of firms' characteristics like profitability, growth, risk, cash flows, agency cost and on dividend payment pattern that is, to identify various determinants of dividend payout, find the impact of dividend announcement on the microfinance growth' wealth and investigate the association between various ownership groups and dividend payout policies of Indian corporate firms.

The research methodology used was analytical and empirical in nature and makes use of secondary data. The data has been sourced from Prowess database of Centre for Monitoring Indian Economy (CMIE). The sample period undertaken for study of each objective is from the year 2000 to 2014 except for the third objective, which is from the year 2011 to 2014 due to non-availability of data for the year 2000. The data has been taken after 2000 because of definitional change in the shareholding pattern. The data used for achieving each objective was made suitable for analysis as per the methodology. Thus, the data collected from Prowess database has been complied and used with due care and caution as per the requirement of the study. The analysis has been carried out on both panel and pooled data depending on the requirements of the techniques used for analysis. The analysis of first and third research objective has been carried out on panel data as panel data overcomes the various shortcomings of purely cross sectional or time series data.

The study findings revealed that out of six extracted factors 5 were found to be significantly related. A positive and significant relationship between factor of systematic risk, dividend signaling and smoothing, long term solvency and financial leverage. Negative and significant relationship has been found between Factor of liquidity and ownership and Factor of growth and expansion. This implies that if the systematic risk increases these firms increase their dividend payout. Higher the growth opportunities available to a firm lower will be the dividend payout ratio. Thus, these firms follow stable dividend payments year on year basis, even though earnings might change dramatically. The study concluded that managers are very reluctant to cut dividends once they are initiated. This reluctance leads to dividends that are sticky, smoothed from year to year and tied to long run profitability of the firm.

A study carried out by Casper (2011) on microfinance growth effects of mergers and acquisitions: An empirical investigation of systematic risks in the European market. The study objective was to look at the value generated to target and bidder shareholders by the announcement of mergers and acquisitions in the European Union over the period 2000-2014 in a sample of 288 deals and the reduction of systematic risks. Cumulative abnormal shareholder returns, the difference between the expected return on a stock and the actual return that comes from the mergers and acquisitions announcement, reflect the expected value resulting from synergies. Target firms receive on average a statistically significant cumulative abnormal return of 14.92% in a five-day window around the announcement day. Bidders' cumulative abnormal returns are on average zero due to minimizations of risks by use of stringent rules and regulations governing the same on the returns.

The evidence is consistent with previous empirical findings in the field. When distinguishing in terms of means of payment, the findings show that share price reaction is

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sensitive to means of payment for both targets and bidders, but there is not enough statistical evidence to document significant procedures and rules on how it should be done. Likewise, it is not possible to find a significant difference between domestic and cross-border mergers and acquisitions announcements suggesting that the market neither compensate nor penalize for the obstacles that the target and bidder might face in cross-border mergers and acquisitions. The relatedness between the target and the bidder based on their codes is also examined, but no difference is detected. The study concluded that UK targets on average receive larger cumulative abnormal return than their Continental European counterparts which is consistent with previous findings and theories of corporate governance regulations and shareholder protection.

METHODOLOGY

The Research

The study adopted exploratory design. The study was carried out in Bungoma County. The county has a population of 1,660,651 which is 4.15% of the population of Kenya. 52% are females and 48% males as per the 2009 population census (GoK, 2009). The average population density is 522 people per km^2.

Target Population

According to Mugenda, (2013) target population is the total group of individuals from which the sample might be drawn. Generalizability refers to the extent to which we can apply the findings of our research to the target population we are interested in. The study targeted all the 13 micro-finances institution in Bungoma County with a population of 143 employees. The MFIs included SMEP, Rafiki Microfinance Bank Ltd, Remu Microfinance, Jamii Bora, Choice Microfinance Bank Limited, Century Microfinance Bank Ltd, Sumac Microfinance, Daraja Microfinance, U & I Microfinance, Caritas Microfinance, Arise and shine, Eclof and Maisha Microfinance Bank Limited. The study adopted census study because of the small size of the Population.

Table 1: Population frame

MFIS	Manager	Employees	Total
SMEP	3	8	11
Rafiki Microfinance	3	8	11
Remu Microfinance	3	8	11
Daraja Microfinance	3	8	11
Jamii Bora	3	8	11

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Choice Microfinance	3	8	11
Century Microfinance	3	8	11
U&I Microfinance	3	8	11
Caritus Microfinance	3	8	11
Sumac Microfinance	3	8	11
Arise and Shine	3	8	11
ECOLF	3	8	11
Maisha	3	8	11
Total	**39**	**104**	**143**

Table 1...

Source: Ministry of Trade, Bungoma County Government (2016)

Description of Research Instruments and Data Collection Procedure

Data sheet was used to collect secondary data. A datasheet was used to collect information on dividends, price earning and price earnings per share of the MFI for the past 3 years. Datasheet offered an average value, a typical value, a typical range, engineering tolerances, or a nominal value. The type and source of data was stated on the datasheet. The questionnaires were administered using a drop and pick method.

Data Reliability and Validity

Data Reliability

To ensure reliability of the research instruments, the data sheets that was used for the purposes of this study was subjected to a pilot study. Reliability is the consistency of the research instrument. Mugenda and Mugenda (2012) observed that reliability is a measure of degree to which a research yields consistent results after repeated trials.

The pilot study was conducted in Kakamega County involving microfinance institution in Kakamega Town. Since the researcher sampled 143 respondents, 14 respondents were used for piloting because according to Mugenda and Mugenda (2012) a thumb rule of 10% is used to find out the respondents to be piloted. The researcher administered 14 questionnaires to the piloted respondents and obtained a Cronbach's alpha of 0.843 which was considered reliable because it is above the acceptable Cronbach's alpha of 0.7.

Data Validity

Construct validity was established by correlating the scores on one instrument with scores from another instrument, a high correlation of 0.7 and above indicated that the measuring instrument were measuring the same construct (Rapando, 2010)

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Data Processing and Analysis

The data was analyzed using both qualitative and quantitative. Quantitative data was analyzed using descriptive and inferential statistics. Regression analysis was also used to test research hypothesis by adopting the multiple regression analysis technique. It was used to measure the relative influence of each independent variable based on its covariance dependent variable and was useful in forecasting understandable descriptive results. The final model contained only statistically significant factors at an alpha level of 0.05.

The model was in the form of:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \epsilon$………………… (i)

$Y = \beta o + \beta 1X1M1 + \beta 2X2M2 + \beta 3X3M3 + \epsilon$.... (ii)

Where: Y =Growth of Microfinances Institution

X1, X2, X3, andX4 =Independent Variables

X1=Risk reduction

X2=Financial crime prevention

X3=Customer credit protection

β0=Constant

β1, β2, β3 =Regression coefficients

ϵ= Error term

M_1, $M_{2,}$ M_3= Moderating variables (Micro Finance factors)

The dependent variable is the growth of microfinance institutions while the independent variables are systematic risk reduction, financial crime prevention and customer credit protection. The growth was measured by dividends earned and earnings per share.

RESULTS AND DISCUSSIONS

Correlation analysis of financial regulatory practices, organization factors on growth of MFIs

Table 2: Financial regulatory practices and growth of MFIs correlation results

		Growth of MFIs
Systematic risk reduction	Pearson Correlation	**.100****
	Sig. (2-tailed)	.275
	N	120
Financial crime prevention	Pearson Correlation	**.454****
	Sig. (2-tailed)	.000
	N	120

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Table 2...

Customer credit protection	Pearson Correlation	**.573****
	Sig. (2-tailed)	.000
	N	120
Growth of MFIs	Pearson Correlation	**1**
	Sig. (2-tailed)	
	N	120

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed)

Study results in Table 2 reveal the following: there is a weak positive and insignificant relationship between systematic risk reduction and growth of MFIs at 0.01 level of significance (r=.1; p=.275; N=120); there is a moderate positive and significant relationship between financial crime prevention and growth of MFIs at 0.01 level of significance (r=.454; p=.000; N=120); and there is a strong positive and significant relationship between customer credit protection and growth of MFIs at 0.01 level of significance (r=.573; p=.000; N=120).

Further, the results reveal that elements of customer credit protection had the greatest positive effect on growth of MFIs followed by elements of financial crime prevention and lastly, elements of systematic risk reduction which is insignificant. The study result are in agreement with past research findings that found out the financial regulatory practices have a positive and significant relationship with growth of MFIs (Kapoor, 2014; Casper, 2011; Ajoke, 2012; Gallardo, 2013; Thence, 2013; Cheng and Pike, 2012; and Kans, 2012).

Table 3: Financial regulatory practices, organization factors and growth of MFIs correlation results

		Growth of MFIs
SRROF	Pearson Correlation	**.490****
	Sig. (2-tailed)	.000
	N	120
FCPOF	Pearson Correlation	**.489****
	Sig. (2-tailed)	.000
	N	120
CCPOF	Pearson Correlation	**.547****
	Sig. (2-tailed)	.000
	N	120
Growth of MFIs	Pearson Correlation	**1**
	Sig. (2-tailed)	
	N	120

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed)

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Study findings in Table 3 show the results of the correlation analysis when organization factors of age and size is involved in the relationship between financial regulatory practices and growth of MFIs. It can be noted that the correlation coefficient has greatly increased. This is shown by a positive and significant relationship at 0.01 level of significant relation between growth of MFIs and systematic risk reduction, financial crime prevention and customer credit protection in presence of organization factors with correlation coefficients of 0.490, 0.489 and 0.547 respectively. The results depict that organization factors of age and size plays an important role in improving MFIs performance.

Regression analysis of financial regulatory practices, organization factors on growth of MFIs

The results below show the test of hypothesis on the effects financial regulatory practices on growth of MFIs in Bungoma County, Kenya. The table has model summary, ANOVA and coefficient of determination for the purpose of either rejecting or failing to reject the study hypotheses one to three. The study used the correlation **r** (Beta, β) to test the hypotheses. The test criteria is set such that the study rejects the null hypotheses if $\beta_1 \neq \beta_2 \neq \beta_3 \neq 0$, otherwise the study will have failed to reject the null hypothesis if $\beta_1=\beta_2=\beta_3=0$ (Elam, 1979). The *F* – statistic generated by regression results was used to test the goodness of fit (Hoe, 2008) or simply significance of the regression models (Blackwell III, 2005).

Table 4: Financial regulatory practices and growth of MFIs regression results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590[a]	.348	.331	.39036

a. Predictors: (Constant), Customer credit protection, Systematic risk reduction, Financial crime prevention

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.431	3	3.144	20.631	.000[b]
	Residual	17.676	116	.152		
	Total	27.107	119			

a. Dependent Variable: Growth of MFIs

b. Predictors: (Constant), Customer credit protection, Systematic risk reduction, Financial crime prevention

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Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.129	.212		5.332	.000
	Systematic risk reduction	-.267	.149	-.149	-1.795	.075
	Financial crime prevention	.014	.059	.026	.230	.818
	Customer credit protection	.620	.124	.613	5.017	.000

a. Dependent Variable: Growth of MFIs

Summary of multiple regression model results in Table 4 show that there is a positive relationship between financial regulatory practices constructs, that is systematic risk reduction, financial crime prevention and customer credit protection on growth of MFIs (R=0.590). it also reveal that financial regulatory practices accounts for 34.8% of the growth in MFIs and the rest 63.2% of the growth in MFIs is as a result of other factors a part from financial regulatory practices (R^2=0.348).

ANOVA results in Table 4 reveal that the overall multiple regression model is feasible in measuring the relationship between financial regulatory practices effects on growth of MFIs. This is shown by a significant F-statistical test (F=20.631; p=0.000).

Coefficient results in Table 4 depict that systematic risk reduction and financial crime prevention is an insignificant measure of MFIs growth thus an increase in growth of MFIs by 1unit lead to a decrease by 0.267 unit's use of systematic risk reduction and a small increase of 0.014 units' use of financial crime prevention. It also shows that customer credit protection contributes significantly to growth of MFIs, that is, an increase in growth of MFIs by 1 units leads to an increase of 0.620 units of use of customer credit protection. The results can be interpreted that, use of customer credit protection leads to more growth in MFIs in terms of market shares, shareholders wealth and increase in business value.

From the results, the overall multiple regression model can me written as;

Y (growth of MFIs) = 1.129-0.267SRR+0.014FCP+0.620CCP

Where: SRR= systematic risk reduction; FCP=financial crime prevention; and CCP=customer credit protection. -0.267, 0.014 and 0.620 represents β_1, β_2 and β_3 respectively. Since $\beta_1 \neq \beta_2 \neq \beta_3 \neq 0$, the study rejects the first three research null hypotheses and concludes that there is a significant relationship between systematic risk reduction, financial crime prevention and customer credit protection on the growth of MFIs. The study results are in agreement with past research findings that found out the financial regulatory practices have a positive and significant

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relationship with growth of MFIs (Kapoor, 2014; Casper, 2011; Ajoke, 2012; Gallardo, 2013; Thence, 2013; Cheng and Pike, 2012; and Kans, 2012).

SUMMARY

Systematic risk reduction and growth of MFIs

The study found out that MFIs have risk reduction policies and growth standards for reduction of systematic risk. Some of the strategies put in place to reduce systematic risks were as follows: conducting quarterly auditing, establishing growth standards, putting up risk reduction policies, introducing a system of controls, having proper financial systems and proper project evaluation. It was also noted that systematic risk reduction leads to increase in growth of MFIs in terms of increase growth, internal efficiencies, shareholders wealth maximization and increased business value.

The study correlation results found out that there is a weak positive and insignificant relationship between systematic risk reduction and growth of MFIs. The study findings on regression analysis found out that systematic risk reduction is an insignificant determinant of growth of MFIs hence its increase leads to a decrease in MFIs growth. The study thus rejected the first research hypothesis and concluded that systematic risk reduction has a negative and insignificant relationship on growth of MFIs

Systematic risk reduction and growth of MFIs

The study concluded that MFIs have risk reduction strategies that entails conducting quarterly auditing, establishing growth standards, putting up risk reduction policies, introducing a system of controls, having proper financial systems and proper project evaluation.

The study also concluded that there was a weak positive and insignificant relationship between systematic risk reduction and growth of MFIs.

Systematic risk reduction and growth of MFIs

Since systematic risk reduction leads to a slight increase in growth of MFIs, the study recommends that MFIs should be in place mechanism to reduce systematic risks in order to increase its growth.

RECOMMENDATIONS AND SCOPE FOR FURTHER STUDIES

Since systematic risk reduction leads to a slight increase in growth of MFIs, the study recommends that MFIs should be in place mechanism to reduce systematic risks in order to increase its growth.

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Since the study found out that organizational factors moderate relationship between financial regulatory practices and growth of MFIs, a study should be carried out mainly focusing on the effects of organization factors on the growth of MFIs.

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