AN EVALUATION OF FACTORS CONTRIBUTING TO LOAN DEFAULT BY MICRO AND SMALL ENTREPRENEURS

(A Case Study of Nakuru Trade Development Joint Loans Board)

By

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This dissertation is submitted in partial fulfillment of the requirements for the award of a Master of Business Administration (MBA) from St Paul's University

August, 2015

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ABSTRACT

The Government of Kenya has come up with a number of policies and funds that are aimed at assisting the needy citizens who comprise of women and the youth. Unfortunately the majority of these funds are performing poorly. Despite the fact that the government has initiated various Trade Development Joint Loans Boards to finance small and medium enterprises and with all its favourable terms and conditions, the majority are doing poorly in terms of amounts that have been defaulted. Very few micro and small entrepreneurs have benefited from the fund. A number of joint loan boards have become dormant and others have substantial amounts committed to non-performing loans and thus constraining that program's ability to help other enterprises. The study investigated the factors contributing to loan default in Nakuru Trade Development Joint Loans Board scheme. Specifically the study evaluated the contribution of pre-loan training, fund's administrators' management skills, types of collateral offered and the extent to which gender affects loan default in Nakuru Trade Development Joint Loans Board. The study targeted the micro and small operators who previously benefited from the loan fund. The study was based on a case study design. Data was collected through questionnaires. A total of 128 respondents were selected through stratified sampling technique. The data was analyzed by use of descriptive and inferential statistics with the aid of SPSS and findings presented in tables. The study concludes that pre-loan training, type of collateral, the funds administrators' management skills and gender of borrowers contributed to loan default in micro and small entrepreneurs funded by the Nakuru Trade Development Joint Loans Board. The study findings may be used by the Ministry of Trade to come up with strategies on how to improve the general performance of the Nakuru Trade Development Joint Loans Board and it may further act as reference data for other scholars.

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