Assessment of the application of 5Cs credit appraisal model by micro-finance institutions in appraising credit worthiness. A survey of MFIS in Nairobi County

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WORTHINESS
A SURVEY OF MFI'S IN NAIROBI COUNTY

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ABSTRACT

The purpose of this research was to find out the application of the 5C’s credit appraisal model by registered MFI’s in Kenya. The 5C’s of credit appraisal looked into were Capital, Collateral, Condition, Character and Capacity. Through the application of the 5C’s, the study created a picture on how the MFI’s reduced the default risk by their clients.

The research was guided by the following research objectives; To determine how capital affects credit appraisal, to investigate how condition affects credit appraisal, to determine how character affects credit appraisal, to determine how collateral affects credit appraisal and to investigate how capacity affects credit appraisal.

The study diversified narrowly to a sample of eight (10) MFI’s out of the forty two (42) MFI’s registered with AMFI. Data collection was done mainly with the use of a self administered questionnaire and data collected analyzed using quantitative methods of analysis. Descriptive statistics was used to describe and summarize the data. This involved the use of percentages, charts and frequency distribution tables.