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ANALYSIS OF FACTORS AFFECTING LOAN DEFAULT IN SMALL AND MEDIUM ENTREPRISES: A CASE OF GROWTH AFRICA

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ABSTRACT

The purpose of the study is to analyze loan defaulting in small and medium enterprises in Kenya. The specific objectives of the study are; to establish the effect of competition, interest rate and inflation on loan. The study finding would be of great significance to the management of Growth Africa and small and medium businessmen in their formulation policy while other researchers may get some additional insight on what ails the lending institution (SMEs).

The study adopted a descriptive research design which seemed to establish factors associated with certain occurrences, outcomes, conditions or type of behavior. It also enabled the researcher to answer the question of how, who, where, why what and which. The target population was 120 and stratified random technique was used to arrive at a sample size of 60. Questionnaire was used to collect data which was analyzed quantitatively and qualitatively.

Some of the business which acquire loan end up defaulting but with a specific target group and a good research plan analysis can be done and proper advice can be given to avoid or minimize risk of default to lender. The plan is the overall program of the research and includes an outline of what the investigator will do from writing of the hypothesis and their operational implication for the final analysis of data.

Descriptive study is carefully designed to ensure complete description of the organization making sure that there is minimum error in the collection of data and to reduce errors in interpreting the data collected. The study was meant to analyze default in small and medium enterprises.