

**AN INVESTIGATION OF STRATEGIC MANAGEMENT OF LOAN
DEFAULT IN MICROFINANCE INSTITUTIONS IN MOMBASA
COUNTY, KENYA.**

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ABSTRACT

The research aimed at examining the management of loan default with the main concern being that by the year 2011, microfinance institutions had a default rate of 15 per cent, about double what is considered an acceptable industry average. A recent study on Microfinance Banana Skins 2012 revealed that credit risk and indebtedness as the greatest risks for MFIs in Africa. Existence of non- performing loans reduces the profitability of an institution and its sustainability or survival. The main objective of the research was to investigate strategies used in the management of loan defaults in MFIs Kenya. The research looked at the relationship between supervision of borrowers, alignment of loan repayment to cash flow and the effectiveness of credit committees on loan default management. Simple random sampling was used to select the respondents from a population size of one hundred respondents. Questionnaires were used to collect data that was coded and analyzed through SPSS. The data was analyzed from questionnaires using quantitative and qualitative techniques and tabulated by use of frequency tables. The research found out that loan default management can be managed by supervising loan borrowers through group visits and training; and aligning of the borrower's business cash flow to loan repayments. The findings also revealed that effective credit committees are important on establishing the collateral, character and capacity of the borrower hence managing loan default.