

**THE EFFECT OF EASY PAY LOAN SCHEME ON THE
GROWTH OF KENYAN LOCAL BANKS**

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Abstract

The researcher based his study on The Effect of Easy Pay Loan Scheme on the Growth Kenyan local Banks. The study covered three local Banks, Kenya Commercial Bank, Cooperative Bank of Kenya and Equity Bank. These are the largest Local bank in the country in terms of asset base, customer base and branch network.

Loans are a major recipe to economic development of any country. According to John Keynes (1936) the demand for money causes the demand for loans which Keynes called consumption in advances. The loan schemes understudy were unsecured loan, Debt Finance Scheme and Top up loan Schemes.

The objective of the study was to analyze the effects of Easy Pay Loan Scheme on the Growth of Kenyan local Banks with special focus on growth in profitability, computerization, competition and branch network.

The study targeted 570 respondents but realized 399 respondents representing 70% of the target population.

Data was collected using Questionnaires, face to face interview with the branch managers and documentary analysis. Data was analyzed using SPSS, Pie charts, frequency tables and bar graphs were used to present the findings of the study. The results of the study showed clearly that Easy Pay Loan Schemes have contributed a lot to the growth of the Kenyan Local Banks. As per 2010 financial result most local banks reported growth of over 50%. The researcher recommended further study on the reasons why local banks are not willing to lower interest rate on loans as advised by the Central Bank of Kenya.

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