

DETERMINANTS OF LOAN REPAYMENT AMONG WOMEN-OWNED ENTERPRISES IN KENYA: (A CASE OF ELDORET MUNICIPALITY)

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ABSTRACT

The primary concern of this study was to identify the major socio-economic and institutional factors that influence loan repayment capacity of women entrepreneurs in Eldoret municipality. The study was based on the economic theory Genrahtz (1989) model 2 which states that when the entrepreneurs chose the repayment schedule, the chances of failing to repay or default would be reduced to a minimum level. The theory works on the specifications of time and the resources as well as the relationship between the two lending parties. Despite the sharp disjunction in the predictions an order by the rational economics model and the behavioral model, evidence on whether repayment frequency influences default rates in microfinance remains limited. The literature reviewed shows that entrepreneurs find it tricky to repay the loan but the determinants of loan repayment among women owned enterprises is not well addressed. The study was carried out using a descriptive survey of 1327 women owned enterprises and 3 loan officers of each bank in Eldoret municipality. The study included 130 participants which is 10% as suggested by Mugenda in (Mugenda et al, 1999). Stratified sampling was used to select the distinct categories of credit officers from 5 banks and women entrepreneurs who get lending from these institutions. Bank was selected purposively. The respondents were the 3 credit officers from the five institutions which are KWFT, Faulu Kenya, Equity bank, K-Rep bank and Cooperative bank. The significance of the study is that is beneficial to the understanding of determinants of loan repayment which provided a basis for policy recommendations to ensure prompt loan repayment by women entrepreneurs as well as increasing agricultural production and revenue generation which may result in food self-sufficiency in Kenya. The study findings revealed that the main factors affecting loan repayment includes social responsibilities such as the feeding of children, paying of rent, hospital bills, and the number of households members. The study concluded that individual factors, business factors and institutional factors affect the repayment of the loans from the women enterprises according to the findings in this study. The study recommended that the banking sector should review the interest rates, the terms and conditions, the loaning requirements and the repayment duration to help in timely repayment of available loans. The individuals seeking loans should be trained based on the proper loan management and utilization to avoid misappropriation of the desired loans.