

FACTORS CONTRIBUTING TO LOAN DEFAULTING AMONG
SAVINGS AND CREDIT SOCIETIES IN KIRINYAGA
COUNTY, KENYA

MILLICENT N. MURITHI

*A Thesis Submitted to the School of Business Management and
Economics in Partial Fulfillment of the Requirements for the
Award of the Degree of Masters of Administration (Strategic
Management) of Dedan Kimathi University of Science and
Technology*

DECEMBER 2017

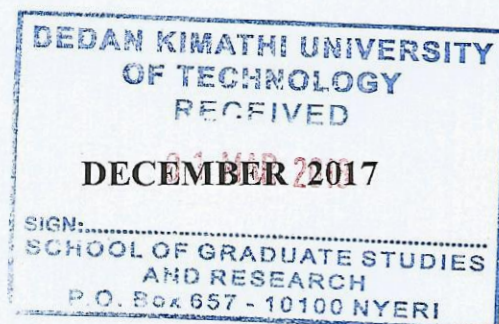
**FACTORS CONTRIBUTING TO LOAN
DEFAULTING AMONG SAVINGS AND
CREDIT SOCIETIES IN KIRINYAGA
COUNTY, KENYA**

DEDAN KIMATHI UNIVERSITY LIBRARY

MILLICENT N. MURIITHI

B211-0013/2011

**A Research Thesis Submitted to the School of Business Management and
Economics in Partial Fulfillment for the Award of the Degree of Masters
of Business Administration of Dedan Kimathi University of Technology.**



DECLARATION

Candidates' Declaration

This is my original work and to my knowledge has not been presented for a degree award in any other University.

Signature.....

Date.....24/01/2018.....

Millicent Nyaguthii Muriithi,

Student Registration Number: B211-0013/2011

Dedan Kimathi University of Technology

DEDAN KIMATHI UNIVERSITY LIBRARY

Supervisors' Declaration

The Thesis has been submitted with our approval as University supervisors.

Signature.....

Date.....24/01/2018.....

Dr. Riro Kamau, PhD

School of Business Management and Economics

Department of Business Administration

Dedan Kimathi University of Technology

Signature.....

Date.....24/01/2018.....

Dr. Anita Wachira, PhD

School of Business Management and Economics

Department of Business Administration

Dedan Kimathi University of Technology

ABSTRACT

The specific objectives of this study was to establish the effect of loan appraisal system to loan defaulting by Sacco client, to establish the effect of management skills to loan defaulting, to establish the effect of loan policy to loan defaulting and to establish whether poor loan use contributed to loan defaulting. A descriptive research design was employed in the study. Random samples were drawn from all credit managers and clients in the selected Sacco's from Kirinyaga County strata which formed the sampling frame. A proportional approach to sampling was utilized within the strata. A total of 30 credit managers and 383 Sacco clients were picked through simple random technique for each stratum using a table of random numbers. Quantitative data was collected from the respondents. Statistical Package for Social Scientists (SPSS) version 19 was utilized to do the regression and correlation analysis with a 0.05 level of significance. The data collection instrument ,questionnaires was distributed to the credit managers and the clients from the selected Saccos in Kirinyaga County. The response rate was 92%.The data collected was presented in form of tables, pie charts, cross tabulations, correlations and figures. From the study, it was found that loan appraisal system related well to loan defaulting. Where poor loan appraisal was done, it resulted to loan defaulting. It was also found that the management skills also related well to loan defaulting. Where the management applied poor skills it resulted to loan defaulting. Loan policy related well to loan defaulting. Where poor loaning policy was applied, it resulted to loan defaulting. It was also found that loan use related to loan defaulting. When the loan granted was diverted to other uses other than investing in income generating projects, it resulted to loan defaulting. The results from this study showed that loan appraisal system, management skills, loan policy and loan use have a relationship to loan defaulting. The major contributors to loan defaulting were poor loan appraisal system, poor management skills, poor loan policy and poor loans. These can be controlled and avoided if only the Sacco was under good supervision. The researcher recommended the Saccos to formulate a comprehensive loan appraisal system and train the credit officers on how to use it effectively to reduce loan defaulting.