

An Evaluation of Factors influencing Loan Default among Group Borrowers of Deposit Taking Microfinance Banks in Kenya

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Abstract: Microfinance is provision of small amount of institutional credit and saving to jointly liable low income people, who are unable to obtain loans from formal sector banks for lack of collateral. There has been a decrease in in employment levels, client's business closures and cash flow problems in Microfinance institutions in Kenya which is occasioned by high default or non-repayment of loans lend to borrowers. The purpose of this study was to evaluate the factors influencing loan default among group borrowers in microfinance banks in Kenya. The study was carried out in microfinance bank in Kenya. The theories discussed were; Pearson Greeff Theory, Group Developmental Stage Theory, Grameen theory and Peer pressure model. The study adopted descriptive research design. A survey was carried out to the factors affecting default among group borrowers of Deposit taking Microfinance banks in Kenya. A sample of respondents was drawn from relationship officers of microfinance banks in Kenya. The study used only primary data. Primary data was collected using structured questionnaires which were issued to the sampled relationship officers. Data collected was analysed using inferential statistics and the results of the analysed data revealed that loan sizes has a significant influence on loan default among group borrowers while, group cycle, loan cycle and borrowers' education do not have a significance influence. The results of the linear regression analysis revealed that the combined effect of Group Life Cycle, Loan Size, Group borrower's education levels and Loan Cycle only explained 10.6% of the total variations in loan default risk. This means that about 89.4% of the variations in loan default are accounted for by other factors not within the scope of the study.

Keywords: (Grameen Theory, Group Life Cycle, Loan Cycle, Loan Default, Microfinance)

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I. Introduction

Jonathan Swift an author and Journalist in 1700s authored and initiated the Irish Fund system. This system developed the Irish Loan Fund system which is one of the earlier and longer-lived microcredit organizations providing small loans to rural poor with no collateral. In 1840s Swift's idea which had begun slowly had become a widespread institution of about 300 funds all over Ireland. Various types of larger and more formal savings and credit institutions which were organized primarily among the rural and urban poor began to emerge in German and Europe in 1800s (Amwayi, Omete, & Mukatia, 2014). The said organized institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. Microfinance institutions or Credit Unions as they are known in some European countries were developed in an effort to meet the fundamental human or community need as well as to find a way of saving and borrowing methods without taking risks and without handing over too much power to the moneylender. Two community business leaders namely Freidrich Reifesen and Herman Schultze Delitsche invented these microfinance institutions in south Germany in 1846. These leaders are considered as the founding fathers of the Microfinance movement (Alfredo & Raed, 2004).

The Indonesian People's Credit Banks (BPR) or the Bank Perkreditan Rakyat opened in 1895 in Indonesia. The BPR in turn became the largest microfinance system in Indonesia with close to 9,000 units (Todd, 1996). In the early 1900s, various adaptations of these models of credit began to appear in parts of rural Latin America (Yaron, 1994). According to Yaron (1994) between the years 1950s and 1970s, institutions of governments and donors focused mainly small and marginal farmers so as to provide agricultural credit to them, in hopes of raising the farmers' productivity and incomes. In addition to the above models, there were other efforts to expand access to agricultural credit through government intervention in the form of certain targeted credit through state-owned financial institutions, or issuing concessional loans cooperatives owned by farmers. These cooperatives would then lend to members at below market rates. These efforts of subsidized schemes were rarely successful. Due to the subsidized lending rates and poor repayment discipline rural development

banks suffered a massive erosion of their capital base. In addition the subsidized funds did not always reach the poor, often ending up concentrated in the hands of better-off farmers thus not achieving the government agenda.

On the other hand, experimental programs in Bangladesh, Brazil, started in the 1970s, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses (Sharma & Zeller, 1997). Sharma and Zeller (1997) also stated that, this type of microenterprises credit were based on solidarity group lending model in which every member of a group guaranteed and took responsibility of the repayment of all credits advanced to members. These microenterprise lending programs was mostly focusing on credit for borrowers who had income generating activities (in some cases accompanied by forced savings schemes) and they targeted the very poor (often women) borrowers. The Grameen Bank in Bangladesh through Professor Mohammad Yunus was the first institution to start practicing microfinance lending through this method of solidarity groups in 1976 (Wright, 1999).

Johanna (1999) described a microfinance institution as a financial institution whose major activities include provision of small loans typically for working capital after an informal appraisal of the prospect borrowers and investors is done. Johanna (1999) further stated that in this form of lending, there is a provision collateral substitute (such as group loans), there is also provision of social intermediation via group formation as well as training on financial literacy and management capabilities. Formal sector banks has had a tendency of not lending to the poor as it is difficult for them to identify the truly reliable and honest borrowers, monitor their character, behavior and to make them accountable, this has led to the rapid spread of Microfinance Banks all over the world (Morduch, 2000). The reason is due to that, the low income earners do not operate bank accounts so as to have a proof that they have the ability to repay loans neither do they have tangible securities to offer for the loans. It is with this view that microfinance movement emerged so as to overcome this phenomenon by substituting material collateral with social collateral, organized social pressure from group members among the poor to make each member of the solidary group responsible to and for the collective responsibility to enhance social solidarity (Morduch, 2000).

The aim of microcredit is to help the poor and the lower income group in the community to get funds for their business activities and to improve their lives as it was described by Norhaziah Nawai (2010) in the Journal on Determinants of Repayment Performance in Microcredit Programs. The study indicated that the loans given are usually very small, with short repayment term period, without collateral needed and mostly repayments done on weekly basis. However, the major obstacle for microcredit institutions services was described as loan repayment problems.

Microfinance programme is aimed at promoting development by integrating the poor into the economic circuit thus alleviating poverty through creation of income and jobs for the low income earners (Aguilar, 1999). To that end, investing the microloans in a productive activity that generate enough income to enable the low-income households to exit from poverty, expand their businesses and improve the quality of their lives is a requirement by participants of microfinance programmes (Rahman 1999). On the other hand, Nannyonjo and Nsubuga (2004) stated that, the two fundamental function of Microfinance are financial intermediation and investment. That is bringing savers and borrowers together in a one system that enables them to bring their money as savings and shares, and after acquiring sufficient funds transforming them into loans. This view is also shared with Dichter and Kamuntu (1997) and (Birchall, 2004).

Poverty alleviation, promotion of entrepreneurial development and increasing the profile of disadvantaged people in numerous countries throughout the world has been recognized by Microfinance as an essential socio-economic and financial mechanism (Hossain et al., 2012). Entrepreneurial opportunities that encourage elimination of unemployment has been promoted by microfinance institutions by creating potential business based on the interest and skill of rural livelihoods and urban poor. The poor people are targeted by microfinance because these people usually lack tangible collateral, have no steady employment and verifiable credit history, which therefore, deter them from meeting the most minimal qualifications so as to gain access to normal banking.

A major role is played by microfinance institutions in development strategies due to their direct relationship to both poverty alleviation and to the empowerment of small and medium size enterprises in Kenya. One of the major object being given great attention globally since 1990's is poverty alleviation. Okumadewa (1998) stated that International organizations are coming to the realization that Microfinance Institutions (MFIs) are effective and veritable channels to ensure program effectiveness of implementation, particularly in poverty alleviation projects and have first-hand knowhow of the needs and interest of the poor. The raising of microfinance institutions in Kenya and globally, with micro credits has been portrayed as a way to reach the poor people in the development process, as a new innovative strategy for alleviating poverty and meet the UN Millennium Development Goals (Dondo, 1999).

The microfinance industry's main customers are micro-lending customers. Many parts of the world have used group micro-lending successfully to expand the reach of microcredit programs to many borrowers who could not have been reached by commercial banks. The method of lending involves individuals who know

each other well forming groups of not less than five members, giving the group a name and registering it to relevant authorities. They then contribute saving known as loan security fund (LSF) which they deposit to their respective and targeted financier for them to access loans. The loans are secured through co-guarantor mechanism in the group. These groups are usually referred to as solidarity groups and they use solidarity lending method (Aguilar, 1999).

II. Literature Review

This study is supported by four theories; Pearson and Greeff theory, Tuckman's Stages Model, Grameen Theory and Peer Pressure Model. First, Pearson and Greeff Theory explains about the default of an installment in the sense that it acts an indicator of behavior if the risk increases, the borrower will fail to honour the loan obligation and fail to repay the loan. Pearson and Greeff (2006) defined default as a risk status where the borrower has reached to a point and misses payment of his loan on at least three instalments within a period of 24 months in one loan cycle. According to Balogun and Alimi (1990), loan default can be defined as the inability of a borrower to fulfil his or her loan repayment obligation as at when it is due. Pearson and Greeff Theory states that some "bad," non-paying members in a group can "free ride" off good paying members by relying on their payments to help them to repay the loan even though they have the ability to repay on their own especially if the loan was advanced to them individually/personally rather than as a group. The fact that the SHGs in Andhra Pradesh also serve as the organization base for programs and activities other than group lending indicates that the potential social penalties can be very harsh and that the free-rider problem is likely to be minimal. These social penalties could include being kept out of the group by the peers due to intensive process of selection and failure to access other group programs. The theory continues to elaborate that the constant interaction among the members in a group help them to repay the loans even if other peers in other groups do not pay. This good loan history creates good reputation and would help them to join other groups in the same village later, should the group fail.

Tuckman's stages model states that there are four linear stages that a group will always go through in its growth and decision making process. These stages are forming, storming, norming and performing. Upon the review and continued studies, fifth stage called adjourning was added in 1977 (Tuckman & Jensen, 1977). Each of the five stages in the Forming-storming-norming-performing-adjourning model proposed by Tuckman involves two aspects: interpersonal relationships and task behaviors. Such a distinction is similar to Bales' (1950) equilibrium model which states that a group continuously divides its attention between instrumental (task-related) and expressive (socio-emotional) needs.

The four stages of growth of a group are explained in the words of Tuckman and Jensen. These must be well observed when managing groups in the microfinance industry. The first stage which is the foundation stage is characterized a lot of violation of rule and values. This is due to the fact that members are new, do not know each other's character and they are in the process of learning how to come together. Towards the end of this stage, the group starts developing some norms which start bring them together. These norms usher in the understanding of group rules and policies, paving way for the next stage which is the stability stage which is characterized with great and high cohesiveness and common objective. At this second stage, the group experiences high success in its objectives as greater alignment of its values. This second stage is where the group grows and reaches to its climax of performance ushering in the third stage of chaos. The third stage which is decline is characterized with lots of chaos and internal wrangles which destroys group stability. These chaos occur because the group norms, values and objectives are not followed to latter and different group members have developed subgroups. These subgroups each develop its objectives, norms and policies. At this stage if the issues are not properly handled and resolved, the group may become extinct but if well handled, the group becomes more stable and starts a new cycle (Tuckman & Jensen, 1977).

The Grameen theory emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunis in Bangladesh. It essentially adopted the a method of having bank workers led by a field manager cover 15 to 22 villages for the purpose of creating groups. These bank officials started by familiarizing themselves with the environment of operation as well as prospecting potential clients. They then went ahead and explained the purpose, functions, and mode of operation of the bank to the prospects in the area of operation. After the prospects were convinced, at first they formed groups of five prospective borrowers, where only two of them are eligible for, and receive, a credit from the bank. To confirm whether the group members were adhering to the rules of the bank, the group was given a grace period of one month. For other members in the same group to access the loan facility, the first two had to have cleared their loans plus interest within a period of fifty weeks. These rules and restrictions made the group have a lot of group pressure so as each individual to keep a clean loan record. In this kind of lending where there was no collateral, collective responsibility of the group served as collateral for the loan and group peer pressure whereby loans were made to individuals in groups of four to seven (Berenbach & Guzman, 1994).

There was collective guarantee by the group members for the loans taken by individual member and access to subsequent loans depended on successful full loan repayment by all group members whose installments were weekly (Ledgerwood, 1999). According to BerenbachandGuzman (1994), a method to curb default successfully is through the solidarity groups as evidenced by loan repayment rates attained by the Grameen Bank, who use this type of microfinance model. Their study also highlighted the social benefits brought about by this model of lending because there is mutual trust arrangement at the heart of the group guarantee system. This broader social network is encouraged by the group itself often becomes the building block.

Finally, according to peer pressure model peers know how to manage each other at each stage of loan repayment and they can in turn ensure controlled default irrespective of the group stage, loan cycle of the borrower or even loan size. Henderson, Mieszkowskiand Sauvageau(1978) describe that success of group lending has been attributed to, among other things, the ability of such groups to mitigate adverse selection and moral hazard through peer effects. Studies in relation to literature of education and social interactions have been done to define how peer effect affects ones performance while working with peers. According to Henderson et al. (1978), group lending has the peer effects which arise from the joint liability arrangement among the group member's utility. This is due to the fact that the loan payment isnot only determined by his or her own action but also by the fellow members' actions. Peers can affect a member's repayment decision through peer selection, peer monitoring and peer pressure, all of which are believed to be less costly than the tools available to formal institutions in achieving the same goals (Besley&Coate, 1995; Morduch, 1999; Conning, 2005). The process of peer selection during group formation tends to screen the more risky households out of a group lending program.

Peer monitoring by members in a group helps the group to effectively monitor the usage of loans by the members which in turn reduce moral hazards such as risky investments or diversionof loan purpose as asserted by Besleyand Coate(1995).Peers can put a lot of pressure to loan borrowers in a group to repay their loans so as to mitigate ex-post moral hazards which sometimes can be deliberate default. The effectiveness of these peer effects especially to groups who live in close-knit poor communities centers on the foundation that group members can effectively identify and punish irresponsible members or deliberate defaulters through social penalties.

Another study conducted by Korankye (2014), deduced that borrowers and project participants in microcredit programs use peer pressure model to ensure full participation and repayments and it acts as a moral linkage between the two parties. This kind of pressure could be not taking or giving a loan in a group unless the initial borrowers in the group repay with default. Hence pressure to the initial members to repay is put to them through external NGO identified, natured and trained community leaders; NGOs and banks field officers. The 'pressure' applied can take the form of group members having frequent visits to the nonpaying member or having meetings with the members chaired by the trained community leaders where they are identified and requested to comply on loan repayments.

The area of default has attracted a large number of empirical papers with scholars giving a variety of causes. A seminarpaper written by Carpenterand Peterson (2002), states that adverse selection and moral hazard problems in lending can be caused by having microfinance institutions charge loan rate without government interventions or even using collateral as a requirement to access loan facility and loosen strict monitoring. A study conducted by Khandler (2012) concluded that group members have the responsibility of monitoring members with loans and this forms the burden of the moralhazard problem between borrowers and the lender. Another study by GinéandKarlán (2010) on repayment productivity established that education as one of the a measure of productivity improves loan repayment. A most recent study by Gichema (2018) on Strategic Models to Counter Loan Defaultrevealed that that self-selected groups have slightly higher willingness to repay.

III. Research Methodology

The study applied a descriptive research design with a sample of 94 respondents who comprised of groups relationship managers of microfinance banks. To identify the respondents of the study a stratified random sampling technique was used. A sample of 76 respondents was picked using convenience sampling technique A closed ended questionnaire was used to collect data from the respondents. A drop and pick method was used where the questionnaires were left with the respondents and collected after two weeks. Sixty four questionnaires were returned and this represented 84.2% response rate which was deemed to be high enough for the purpose of data analysis. Inferential data analysis method was used to analyze the data. This involved Inferential data analysis;regression and hypothesis testing.

IV. Results and Discussion

The results of the regression of the study were analyzed in accordance with the objectives and hypotheses of the study. The first objective was to determine whether group life cycle has an influence on loan default in microfinance banks in Kenya. The results of the study indicated that the group life cycle on its own can explain 6.3% of the variation in default loan repayment. Other factors explain 93.7% of the variation. The results are as indicated in table 1.

Table 1: Model Summary of Group Life Cycle

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.251	0.063	0.054	3.885668

Analysis of the regression model coefficients is shown in table 2 It has a positive beta coefficient of 0.912 with a p-value = 0.000 and a constant of 3.145 with a p-value 0.151 > 0.05. Therefore, the constant does not contribute significantly to the model and it is not different from zero. However, group life cycle contributes significantly to the model. Therefore, the model can provide the information needed to predict default of loan repayment from group life cycle.

Table 2: Prediction of Default of Loan Repayment from Group Life Cycle

	B	Coefficients		Sig.
		Std. Error	t	
(Constant)	3.145	2.248	1.399	0.151
Group Life Cycle	0.912	0.094	9.702	0.000

On loan size the calculated R – value was 0.321. R² value was 0.103 which means that 10.3% of the corresponding variation in default loan repayment can be explained by change in loan size. The rest 89.7% can be explained by other factors that are not in the model. The results of the analysis are shown in table 3.

Table 3: Model Summary of Loan Size

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.321	0.103	0.0912	3.136358

Analysis of the regression model coefficients as shown in table 4 that indicates a positive beta coefficient of 1.725 with a p-value = 0.000 and a constant of 5.217 with a p-value 0.000 < 0.05. Therefore, both the constant and loan size contribute significantly to the model. Therefore, the model can provide the information needed to predict default of loan repayment from loan size.

Table 4: Prediction of Default of Loan Repayment from Loan Size

	B	Coefficients		Sig.
		Std. Error	t	
(Constant)	5.217	2.514	1.272	0.000
Loan Size	1.725	0.162	8.236	0.000

Regression analysis results for group borrowers’ education levels indicated calculated R – value as 0.275 and R² value = 0.076 which means that 7.6% of the corresponding variation in default loan repayment can be explained by change in group borrowers’ education levels. The rest 92.4% can be explained by other factors that are not in the model. The results of the analysis are shown in table 5.

Table 5: Model Summary of Group Borrowers’ Levels

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.275	0.076	0.061	3.037456

Table 6 indicates a positive beta coefficient of 1.009 with a p-value = 0.000 and a constant of 4.324 with a p-value 0.000 < 0.05. Therefore, both the constant and group borrowers’ education levels contribute significantly to the model. Therefore, the model can provide the information needed to predict default of loan repayment from group borrowers’ education levels.

Table 6: Prediction of Default of Loan Repayment from Group Borrowers’ Education Levels

	B	Coefficients		Sig.
		Std. Error	t	
(Constant)	4.324	2.154	1.209	0.000
Group Borrowers’ Education Levels	1.009	0.109	9.329	0.000

The calculated R – value for loan cycle was 0.311 with R² value being 0.097. This indicated that 9.7% of the corresponding variation in default loan repayment can be explained by change in loan cycle. The rest 90.3% can be explained by other factors that are not in the model. The results of the analysis are shown in table 7.

Table 7: Model Summary of Loan Cycle

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.311	0.097	0.891	3.567234

Analysis of the regression model coefficients is shown in table 8 indicates a positive beta coefficient of 2.111 with a p-value = 0.000 and a constant of 6.231 with a p-value 0.000 < 0.05. Therefore, both the constant and loan cycle contribute significantly to the model. Therefore, the model can provide the information needed to predict default of loan repayment from loan cycle.

Table 8: Prediction of Default of Loan Repayment from Loan Cycle

	Coefficients			Sig.
	B	Std. Error	t	
(Constant)	6.231	2.777	1.554	0.000
Loan Cycle	2.111	0.886	7.288	0.000

The test of the study hypotheses began with running the data into a regression model combining all the component variables for group life cycles, loan sizes, borrower’s education levels and loan cycle as predictors of loan default. The items of each test variables were subjected to factor analysis using Principle Component Analysis (PCA) with Varimax rotation in order to generate standardised (normalized) component variables. This was done to maintain normality which is key assumption of regression analysis. Standardization also removed heteroscedasticity (strong correlations among dependent variables). Durbin-Watson statistic=2.195 which is close to 2 indicated that the variables had no autocorrelation. The data was also checked for multicollinearity and since VIF statistic < 10 for all the predictor variables, it was clear that there was no multicollinearity in the data. Since all the regression assumptions were met, the model was summarised in Table 9. The dependent variable was loan default whereas the independent variables were: loan size, group life cycle, borrowers’ education level and loan cycle.

Table 9: Hypothesis Tests Results

Independent variables	β	T	p-value	Collinearity Statistics (VIF)
Loan size	0.404	2.846	0.006	1.416
Group life cycle	0.105	0.564	0.217	1.416
Borrower's education level	0.03	0.243	0.808	1.053
Loan cycle	0.105	0.875	0.385	1.007

Note¹: Dependent variable: Loan default; $F_{(4, 59)} = 2.86, p = 0.031; R^2 = 0.162; Adjusted R^2 = 0.106; Durbin-Watson statistic = 2.195; Significance at p < 0.05.$

The results indicate that the combined effect of the four predictor variables (group life cycles, loan sizes, borrower’s education levels and loan cycle) only explained 10.6% of the total variations in loan default. This means that there are other factors, which account for bigger variations in loan default that were not covered by the study. Information from Table 9 was used to explain the hypotheses of the study. The hypotheses are as stated below:

H₀₁: There is no statistically significant influence of group life cycle on default of loan among group members of microfinance banks in Kenya.

The results of Table 9 indicate that there was no significant influence of Group life cycle on Loan default at 95% confidence ($\beta = 0.105, t = 0.564, p > 0.05$). The null hypothesis that there is no statistically significant influence of Group life cycle on default of loan among group members of microfinance banks in Kenya is therefore accepted.

H₀₂: There is no statistically significant influence of loan size on default of loan among group members of microfinance banks in Kenya.

From linear regression, there was a significant relationship between loan size and loan default ($\beta = 0.404, t = 2.846, p < 0.01$). Therefore the null hypothesis that there is no statistically significant influence of Loan size on default of loan among group members of microfinance banks in Kenya is therefore rejected at 99% confidence. This means that the higher the loan size, the higher the likelihood of loan default.

H₀₃: There is no statistically significant influence of Group borrower’s education levels on default of loan among group members of microfinance banks in Kenya.

The results of the linear regression in Table 9 indicated that there was no significant relationship between Group borrower's education levels and default of loan among group members ($\beta=0.03$, $t=0.243$, $p>0.05$). Hence the hypothesis is accepted. This means that the level of education has nothing to do with loan defaulting.

H₀₄: There is no statistically significant influence of Loan cycle on default of loan among group members of microfinance banks in Kenya.

Hypothesis testing results of Table 9 indicated there was no significant relationship between loan cycle and loan defaulting among group members at 95% confidence ($\beta=0.105$, $t=0.875$, $p>0.05$). This implies that the null hypothesis that there is no statistically significant influence of Loan cycle on default of loan among group members of micro finance institutions in Kenya is accepted.

V. Conclusion and Recommendations

The study also checked for the influence of group life cycle, loan size, borrowers' level of education and loan cycle on loan default among group borrowers of deposit microfinance banks in Kenya. Linear regression analysis found out that loan size and loan cycle explain the highest amount of individual variation on default loan repayment at 10.3% and 9.7% respectively. Group life cycle indicates the lowest amount of individual amount of variation when other variables are held constant. The four predictors when put together indicate that their combined effect only explained 10.6% of the total variations in loan default. This is higher than the individual variations of the four predictors. This means that there are other factors, which account for bigger variations in loan default that were not covered by the study. Out of four hypotheses of the study, three of them were rejected and one accepted. The study rejected that null hypothesis that that loan size has no significance influence on default loan repayment in microfinance banks in Kenya and concluded that in deed the loan size has an influence on default loan repayment.

This study recommends that the Microfinance banks should put in place solid measures on enhancement of default management. Non-performing loans is a key factor in realization of profits in the microfinance banks and therefore banks should be effective in its management so that they can achieve their purpose of existence in business which is to make higher profits. Therefore, these banks should have strategies put in place at the board level on how to manage default.

The study also recommends that the microfinance banks need to assign specific people in the top level management to carry out the routine of monitoring, follow ups and reporting to the board on the status of non-performing loans, how the repayments are done, if there are new entrants of default loans and even to an extent of loan counts which are in default. A greater emphasis should be put on the groups in their first and second lifecycles. The same must be encouraged to loans sizes of Kshs100,000 and below as these are the areas where loan default is likely to occur.

Apart from the routine monitoring, the study also recommends that the microfinance banks should have a laid down training strategy on how their relationship officers should handle group borrowers throughout the group's life cycle, borrower's loan sizes as well as borrower's loan cycles. A lot of effort should be put on understanding characteristics of the borrowers' life cycle and how to handle exceptional issues in each cycle. This will call for the management in the microfinance banks to invest on internal and external trainings on their relationship officers so as to acquire higher group, credit and relationship management skills. This will ensure that default is managed at all levels and it will in turn bring down the banks' non-performing loans thus increasing the profitability of the microfinance banks.

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