

Abstract

This paper gives an evaluation of the causes of loan default among the customers of Equity bank. A sample of 80 respondents out of 240 respondents which comprised of both the bank managers and loan defaulters at Equity Bank was used in the study. This represented 33% of the target population. The population was stratified into bank managers and loan defaulters while loans were stratified into performing and nonperforming loans. Data was collected using two sets of questionnaires which were administered separately to the target population. Data was analyzed using Microsoft Excel Data Analysis Tools. In the evaluation of the causes of nonperforming loans, the paper considered the contribution of the factors such as the banks' lending practices as well as the economic backgrounds and financial decision making among loans recipients at Equity Bank Ltd. Microsoft Excel Data Analysis Tools were used to establish the relationship between amounts of loan advanced to an individual and the amount of loan defaulted. The paper established that the major factors influencing nonpayment of borrowed loans at Equity Bank Ltd were both internal and external. The paper recommended that banks' credit policies be reviewed to match the highly volatile economic trends within financial markets with a strong emphasis on institutional appraisals on credit worthiness.