

**FACTORS AFFECTING THE GROWTH OF PERSONAL LOANS
IN BARCLAYS BANK NAIROBI, KENYA.**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University or Institution.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This work is dedicated to my son Albert and my loving wife Lucy who encouraged and stood by me throughout my study. Lastly to my sister Cecilia who has been a source of encouragement and inspiration in my life, very special thank you for assisting me pursue this MBA programme.

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ABSTRACT

The primary role of banks is to receive money from depositors and lend the money to those who need to borrow. Performance in the banking sector is mainly measured on the degree to which money has been lent out, as this will ensure the Bank earns interest income. This study therefore sought to find out the factors affecting the growth for personal loans sector within Barclays Bank of Kenya, with a specific case study of Barclays Bank in Nairobi. The specific objectives of the study assessed the extent to which interest rates, collateral, Barclay's conditions and procedures, and competition affect growth of the personal loan product in Barclays Bank of Kenya.

The study adopted a descriptive design in its methodology. The target population was personal loan customers of Barclays Bank Nairobi. The researcher used random sampling method to draw 370 respondents; i.e. 10 each from the 37 branches in Nairobi. The researcher therefore randomly picked ten customers from each branch in Nairobi to complete a questionnaire. Primary data was collected by questionnaire method.

The outcome was that majority of the respondents had taken personal loans, from other banks and SACCOs other than Barclays bank. The level of interest rate was found to have influenced the decision on where to borrow to a great extent and the respondents suggested its reduction. There was also a general feeling of dissatisfaction by the respondents towards Barclays bank. It was also evident that competition from other banks affected the respondents demand for personal loans in Barclays. The respondents also revealed that Barclays has difficult conditions and procedures attached to the application of the personal loan but not lengthy and

cumbersome. Collateral is the most important factor affecting the growth in demand for personal loans, while despite the conditions and procedures being complicated, they are the least important factor affecting the demand for personal loans.

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DEFINITION OF TERMS AND ACRONYMS

BBK	Barclays Bank of Kenya.
Kshs	Kenya Shillings.
CBK	Central Bank of Kenya.
SACCO	Savings and Credit Co-operative organisation.
SME	Small medium enterprise
Growth	Rate of Increase.
Interest rate	The proportion of return a lender charges for amounts borrowed by a borrower.
Personal loan	Loan given to an individual for his or her own personal use.
Collateral	Security or guarantee given by a borrower to a lender for amounts lent as a loan.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

A personal loan is form of debt, which is given to an individual customer by the Bank. There are many other types of loans including corporate loans and Business loans. Corporate loans are given to Corporate companies which are registered as legal entities as per the provisions of the Companies Act, while business loans are given for business purposes where the business could be running as partnership or as sole proprietorship. In both cases the primary source of repayment is from the business for which the amount is borrowed.

A personal loan could be used to purchase personal assets such as furniture of motor vehicles or even to pay for services such as school fees. The main difference between a personal loan and other forms of loans is that the source of repayment is normally the salary or personal income of the borrower. (BBK 1999). In general any loan whose repayment does not come from an asset purchased with the loan but from another source such as wages would be termed as a personal loan.

The decision of an individual to take a personal loan is driven by the needs identified by “Maslow” in his theory of Motivation which tries to highlight the needs of individuals and place them in some order of priority of importance (Armstrong 2001). This starts with the most basic needs and working towards man’s materialistic requirements. These requirements can broadly be divided into physical needs or the requirements for food, clothing and warmth, safety needs\Social needs or the desire to be accepted or loved (sense of belonging), Status needs and self – actualisation or the needs for self-achievement. Maslow suggested that the most basic needs are the need

for oxygen, food, water and sex. He termed these as physiological needs. The next level of needs was what he described as safety needs which include the needs for protection against danger and the deprivation of physiological needs. Social needs he described as the need for love, affection and acceptance as belonging to a group. The need for esteem he saw as the need to have a stable, firmly based high evaluation of oneself (self esteem) and to have the respect of others (prestige). These needs may be classified into two subsidiary sets: first the desire for achievement for adequacy, for confidence in the face of the world and for independence and freedom, and second, the desire for reputation of status defined as respect or esteem from other people, and manifested by recognition, attention, importance, or appreciation. The final and highest level of needs Maslow identified was self actualisation which he termed as the need to develop potentialities and skills, to become what one believes one is capable of becoming. People therefore borrow to fulfil any of these needs depending on the level where one places himself in the hierarchy.

According to Marsh and Wild (1990), when looking at customer needs in the financial sense and also in the modern world we now live in, we tend to have categories such as, the need to make money or save money and to acquire material things that money will buy. This is the single most important factor in shaping most people's behaviour. Another category is the desire for financial power or control. This might be required in order to reduce credit losses, borrowing costs or just simply greater funds availability. Gain achievement or recognition which could stem from being financially successful or simply by establishing acclaim from the bank or colleagues and the need for self-preservation or security are other factors which can be cited. Financial worry is a real fear, but under this heading you can also include the desire to

protect valuables or merely the need to provide for retirement. Another important consideration is satisfaction feelings which are also an important financial motivator, wanting to enjoy a modern orderly environment with the right degree of space and convenience is directly related to other needs already mentioned (Marsh and Wild 1990).

There are good reasons to borrow money. Borrowing to buy a house, a car or a washing machine which yields a substantial return on investment, in services, and convenience makes sense. Borrowing to finance education or training which would increase your future income is an example of how a personal loan can be used as an investment. The purchase of assets, including consumer durables and investment in improving skills are two of the most common and economically justifiable reasons for borrowing. Investments of this type will long outlast monthly payments (Marsh and Wild 1990).

Another good reason to borrow is to match lifetime income to lifetime needs and expenditures. Young couples just starting a household have substantial needs e.g. cars, appliances, furniture etc but frequently have relatively low income. Older couples are more likely to find their incomes reaching a peak just when their children are grown and the mortgage on the house retired. For them, income exceeds expenses. While they undoubtedly can find uses for the additional income, it could have made life easier and more pleasant had they been able to transfer some of the income backwards to the time when their needs were greater and their incomes smaller. Borrowing makes this transfer from surplus to deficit years feasible as illustrated below.

Access to loans is the ability and willingness to borrow and to repay at a price that covers the long-run cost of an efficient lender. Access to loans is the nexus of creditworthiness demand based on ability and willingness to repay and technology supply passed on an efficient way to judge credit worthiness and to enforce repayment. More access means that loans depend more on demand and less on the constraints of supply. While the ability to post standard physical collateral such as mortgage on real estate can signal creditworthiness and help to insure the lender against default, some collateral increases costs for borrowers, those with the least risk and the lowest expected returns may opt not to borrow.

The breakthrough of personal loans has been to find cost effective ways to judge creditworthiness and to enforce repayment on uncollateralized loans to small income earners who have constant incomes from wage jobs. However in Kenya the CBK uses the presence or the absence of collateral as a basis to judge the risk of portfolios. Uncollateralized loans have high requirements for capital and for loan- loss provisions. This ties the bank capital and so increases both costs for lenders and prices for borrowers. All else constant, this decreases access. Growth is the rate of increase per unit time (Pearson 2001). If businesses are to survive, growth is imperative, not an option. Often the most straightforward way to increase shareholder value is top line revenue growth which is also usually less painful than alternative methods of value creation. However for all its positive implications achieving growth is complex and difficult equation. Only a small minority of companies succeed in their attempts at sustained growth.

For companies selling into mature markets, profitable growth can be a particularly tall order. Finding creative ways to increase the size of the pie rather than new ways to cut up the old one is the challenge facing many of today's managers. (Zook 2004)

Growth strategies search for expansion through, greater share of the profit pool for existing products and services in existing channels, new products and services, new markets and channels and increased customer retention. (Zook 2004)

1.1.1 Barclays Bank of Kenya personal Loan

Barclays Bank of Kenya Ltd (BBK) is one of the leading Banking institutions in Kenya and is a limited liability company registered in Kenya. It is incorporated under the companies Act Cap 486 to conduct banking business under the banking act. The Bank introduced personal unsecured loans about ten years ago when other financial institutions did not have such a product. In the past loans were largely given on the basis of the security provided and most of the loans were mainly given to businesses to finance of working capital requirements and capital investments.

Barclays Bank of Kenya was among the first Banks to enter the personal loan sector within the Kenyan Industry. Banks have always given loans to businesses and individuals for specific purposes mainly capital and working capital financing. However most of these loans were only on collateralised basis. The introduction of non-collateralised loans heralded a new phenomenon as most banks were averse to unsecured lending and adopted a wait and see attitude. On entry due to aggressive marketing and the fact that the loans were unsecured, the rate of growth was phenomenal. The returns were good due to the interest charged which was higher in

comparison to Corporate and Business loans where customers have more negotiation power for interest charges and can readily provide collateral.

Personal unsecured loans were therefore considered a new product and hence other Banking institutions joined in competition for what was seen to be a lucrative product. The reasons why the product was considered lucrative by the banks was the relatively high interest rates charged because the small borrowers do not have bargaining power as far as interest rates were concerned. In addition the risk of lending has been spread over many small borrowers compared to the big corporate business, which on default a higher amount of money was at risk. During these Ten years, the product, which has a maximum term of five years, has gone through the full cycle. However the rate of growth has continued to slow down. Arguably due to the Keynesian effect, personal borrowings stir economic growth as it leads to domestic savings and investment Keynes (1936). Due to the success and high returns compared to the corporate and business sectors, this attracted other banks in Kenya to offer similar products. In addition micro finance institutions mushroomed and SACCOs also became more innovative to avoid losing members to the main Banking institutions.

1.2 Statement of the Problem

Due to changes in the banking industry and increasing competition from non-banks, there is an increasing need for lenders to become more than loan providers and be active players in all forms of investments and financial planning. Changes in the banking industry include consolidation of lenders, shrinking markets, increasing financial services, increasing technology, increasing cross-selling opportunities, consolidation of debt, bank mergers, more information accessibility (Internet), and less employee loyalty. All of these changes indicate that lending institutions will be

challenged to maintain a personal relationship with their customers. Institutions need to know who their customers are, what credit/loan products and financial services they are using (with them or their competition) and be able to examine all the information in a systematic approach. The institution then can use socio-economic, demographic, and financial information to efficiently target customers with loans and services they require. Targeting customers with every service is time consuming and inefficient. The application of databases can be used to capture the customer at the point of anticipation rather than the point of sale.

Target marketing and database analysis will be more cost efficient and the bank will have a higher probability of reaching customers who will use a product/service. With a computer database, customers can be treated differently. The value of a customer determines the level of time that a firm can allocate its resources to improve either the customer's loyalty or to improve the share of that customer's business. Bank data indicate that a strong positive relationship exists between profitability and net non-interest income (non-interest income less non-interest expense). One strategy for increasing non-interest income is to transform a bank into a broad-based financial service company. Under this model banks are managed as financial service businesses where bankers know their customers and use this knowledge to 'cross-sell' products (Stensland and Pederson, 1995).

By using databases, banks will be able to develop a more advanced customer knowledge system, overcoming the challenges of staff turnover, which will allow the bank to segment its customer base and target market resources to the segment that has the highest probability of using a product/service. This reduces unnecessary

marketing efforts to many customers and saves the bank time and money. Information on the customers allows the institution to understand what products/services are currently being used, and who is using them.

There are also concerns that interest rates on personal loans in Kenya are high and the country remains among the most unfriendly countries in the world in terms of cost of lending. Studies undertaken on loans are “Credit Scoring Practices and the Non-Performing Loans in Kenyan commercial banks”, by (Mutie, 2001), “The relationship between Interest rates and Non-performance loans in commercial banks in Kenya” by (Bochaberi, 2007). However, no known study has been undertaken on factors affecting growth of personal loans in Kenya. The purpose of this study was therefore to investigate and establish to what extent the levels of interest charged on personal loans, collateral requirements, and competition from MFIs and SACCOs, as well as borrowing conditions and procedures, affect the growth of personal loans in Barclays Bank Nairobi, Kenya.

1.3 Objectives of the Study

General Objectives

The broad objective of this study was to establish factors affecting the growth of personal loans in BBK Nairobi, Kenya.

Specific Objectives

The specific objectives of the study were:

- i) To assess the extent to which interest rates affect growth of personal loans in BBK.
- ii) To determine the extent to which competition from Micro finance institutions and Savings and credit co-operatives affects growth of personal loans in BBK.
- iii) To examine the extent to which collateral affects growth of the personal loan within BBK.

- iv) To determine what extent borrowing conditions & procedures affect growth of personal loan within BBK.

1.4 Significance of the Study

The findings are expected to help management make informed strategic decisions on issues of determining interest rates, countering competition, insurance against job loss and in setting conditions & procedures on personal loans. In addition it is expected to help the bank understand to what extent the requirement for collateral on most loan products affect growth of the personal loans. This is expected to form a baseline study, which can be used to formulate marketing strategies for personal loans by banks in future.

To the government, the study will provide information and methodologies, which can be used in encouraging personal sector borrowing as this has a direct impact on the economy. It is worth noting that Banks mostly determine interest rates based on underlying macro economic environment, which the government is able to control.

To future researchers and academicians, the study will offer a basis for further academic investigations into the areas of factors affecting personal loans sector within the banking institutions in Kenya. There are so many other factors which affect growth of personal loans which cannot be covered by this study. This study therefore can be used in future as reference by other researchers wishing to further investigate additional factors. In addition the banking environment is dynamic and keeps on changing; this study can therefore be used by researchers to understand historical trends.

CHAPTER TWO: LITERATURE REVIEW

2.1 Growth Strategies

According to Kotler, growth is the rate of increase with time. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each stage of their life cycle. A normal product will go through a four stage process of introduction, growth, maturity and decline. In the introduction stage, growth strategies will include high promotional expenditures in advertising to inform potential consumers. It also involves distribution channels which should be many and accessible to the customers. Firms focus on those buyers who are the readiest to buy, usually high income groups. Prices tend to be high because costs are high due to low output rates and high required margins to support the heavy promotional expenditures.

Strategies for the growth stage involve lowering prices depending on how demand picks and how fast competition kicks in. Companies maintain promotional expenditure at the same level or at a slightly increased level to meet competition and to continue to educate the market. To sustain rapid growth firms improve product quality and add new product features and improved styling. Firms can also add new models, enter new market segments, increase distribution coverage, shift from product-awareness advertising to product-preference advertising and lowers prices. These market expansion strategies strengthen the firm's competitive position. (Kotler 2003).

In the maturity stage, the rate of sales slow, and the product will enter a stage of relative maturity. This stage normally lasts longer than the previous stages and poses formidable challenges to marketing management. In this stage the main growth

strategies that can be used are one; market modification, which involves working with the two factors that make up sales volume i.e. number of brand users and usage rate per user. Two; product modification whereby managers try to stimulate sales by modifying the products characteristics through quality improvement, feature improvement or style improvement. (Kotler 2003)

In the decline stage, the firm can apply the following growth strategies to stimulate growth. It can increase investment on the product to dominate the market or improve competitive position. The firm can choose to maintain investment level until the uncertainties about the industry are resolved. The firm can also choose to reduce investment level selectively by dropping unprofitable customer groups while simultaneously strengthening the firm's investment in the lucrative niches. The firm can also choose to harvest which is aimed at recovering the firms cash quickly and lastly the firm can choose to divest from the line quickly by disposing of its assets advantageously as possible. (Kotler 2003)

2.2 Growth of Personal Loans

The primary role of banks is to lend money and receive money from depositors. (Kenya Banking act (2001) Performance in the banking sector is therefore mainly measured on the degree to which money has been lent out, as this will ensure the Bank earns interest income. In the economic survey of 2005, economic growth was to a larger extent attributed to SMEs most of which were funded by personal borrowings of the sponsors. According to (Cole 2000) performance is the degree to which set goals are accomplished. One of the measures of performance is growth. Most

organisation therefore measure their performance based on the degree or level of growth both in absolute and percentage terms.

There have been many loan products offered by local banks in Kenya mainly for business and individual loans. However there emerged another distinct sector targeting one aspect that was seen as a deterrent to borrowing. This is the requirement for borrowers to provide collateral to the Bank. According to Mishkin (2004) collateral is property promised to the lender as compensation if the borrower defaults on a loan, the lender can sell collateral and use the proceeds to make up for its losses.

Therefore when banks introduced the unsecured personal loans there was phenomenal growth as those who had been restricted from borrowing due to lack of collateral were able to borrow. However this fact notwithstanding there has been a general downward trend in the growth of the personal loans sector within the banking industry in Kenya.

Ansoff (1990) emphasises that organisations will only achieve success if they align their strategy to the dictates of the external environment. We shall therefore focus our objectives on both the external factors and internal factors. Internal factors will relate to procedures, processes and requirements whilst external processes will consider activities of SACCOs and MFIs. The overall set of growth indicators should give a balanced picture of the personal loan sector trends including outcomes from the borrowers' perspective. Also continuous refinement factors affecting growth should be kept under close monitoring in order to meet changing borrowers perceptions and environmental trends.

2.3 Interest Rates

In a monetary economy, interest refers to the price which has to be paid for the funds which are required to purchase capital equipment. Loans are demanded however for purposes other than the purchase of capital and it would be more realistic to describe interest as a payment for the use of money. In order to create a supply of loans, people with necessary financial resources have to be persuaded to lend. In normal circumstances, loans can only be obtained when lenders are offered some reward for the sacrifices, risks and troubles involved. This reward is the rate of interest and it contains several elements such as a payment for the sacrifice of current spending power. The lender forgoes the opportunity to spend and consume now. It also includes a payment for the risks involved. The future is always uncertain and circumstances are always changing. For this reason, all lenders run the risk that the borrower may default. Another element is a payment to compensate, if only partially, for any fall in the value of money. (Stanlake, 1987). The rate of interest is generally seen as a reward for lenders, but it is also the price that has to be paid when a purchaser of an asset uses his own savings. In this case the rate of interest is the opportunity cost of using one's own resources. It is the interest forgone when one decides to buy rather than lend. If the interest rate is a price, then in a free market, it must be determined by forces of supply and demand, two theories attempt to explain the rate of interest in terms of supply and demand. These are the classical theory which explains interest rates in terms of demand for capital i.e. investment and the supply of savings. There is also the theory of Keynesian or monetary theory which holds that interest rate is the price which equates the demand for the money i.e. the desire to hold wealth in the form of money and the supply of money. According to Keynes (1936) classical theorists

regarded money as no more than a medium of exchange. In their view if people are prepared to pay interest for borrowed money it must be because they want money to buy real assets. Money is not demanded for its own sake, but also serves as a means of holding wealth. The demand for funds reflects the capital goods. Likewise the supply of funds available to borrowers must represent the willingness to save. The classical theorists maintain that the rate of interest is the price which balances the community's saving with its capital investment.

The theory was fronted by Keynes who pointed out that the demand for money is not related solely to the demand for new capital goods and the supply of funds was not depended solely on the current level of savings. He pointed out that money was in demand not simply because it was a medium of exchange; it was also in demand as an asset. The demand for money over other kinds of assets is known as liquidity preference. Liquidity describes the readiness with which an asset can be converted into cash without any significant loss in value. Wealth held in the form of money provided us with the maximum freedom of action because it is readily convertible into any other type of asset and money by definition has a constant money value. When interest rates are low, liquidity preference will be high. The opportunity cost of holding cash balances will be low when interest rates are low because the amount of interest forgone is relatively low.

The whole structure of interest rates will be affected by changes in demand and supply of money. While one individual rate may change relative to another the general level of interest rates will tend to move with the basic rate of interest. The major reasons for so many different rates of interest existing at the same time include

the duration of the loan, Interest refers to cost of funds for the borrowed funds. It is meant to cover the cost of funds by the banks which have to pay depositors some interest on deposits. In addition the bank has to cover the administrative expenses incurred in processing the loan and undertaking the necessary credit assessment to confirm ability to repay. Further to this interest costs, invariably a proportion of the loan will get bad. The bank also therefore factors a certain margin to cover the risk that part of the loan could get bad.

However it has generally been felt that banks are charging a higher margin than would be difficult to justify. High interest rates charged by banks are a common disincentive to borrowing in sub-Saharan Africa. They arise for a number of reasons, which include perceived high risks of the venture being financed and lack of collateral, lack of a properly functioning market in financial services, high rates of default on loans, inefficient means of outreach resulting in high transaction costs, the rediscount rates of the central banks and high inflation rates prevailing in most sub-Saharan African economies. The study will therefore seek to establish to what extent interest rates affect growth of the personal loans sector.

2.4 Banks Competition from MFIS and SACCOS

The stability of locally owned banks has been a major concern of depositors and small scale savers as some of them have lost money to locally owned banks which have gone under due to poor management especially in the early 80s and late 90s. Due to this fact many of the small savers and depositors opted for the multinationals which have been known to have strong management and integrity. It was therefore thought that these banks are safer to depositors. However in the late 1990s banks started

restructuring and also discovered that some of the account holders were merely using their bank accounts mainly for salary receipts and would therefore not earn meaningful income from these accounts. In addition the number of depositors in some of the rural areas would not justify the existence of such branches. This therefore resulted to closure and exit from some rural towns by most of the multinational banks. In addition the banks felt that to cover their costs and increased infrastructure requirements they had to strike a balance between the number of depositors and the income they are earning from them. This resulted to most of the multinational banks increasing their minimum balance requirements to levels that were felt to be too high for the average Kenyan. These events heralded the increase of SACCOs and MFIs to fill in the gap created.

SACCOs and MFIs were seen to be more stable because members formed them with common interests and in most instances people elected by the members have managed them. These though limited in amounts they could lend have been seen to be in direct competition with banks especially on the personal unsecured loans sector. We are going to establish to what extent this has affected the growth of personal loans.

2.5 Collateral, Conditions and Procedures for Loans

Banks have a number of conditions and procedures, which need to be met and followed before one can obtain a loan. When you apply for a personal loan the first thing you are asked to do is fill out forms that elicit a great deal of information about your personal finances (Mishkin 2004). You are asked about your salary, your bank accounts and other assets and your outstanding loans, your record of loan, credit card and charge account repayments. The lender uses this information to evaluate how

credit worth you are by calculating you credit score. The loan officer whose job is to decide whether you should be given the loan or not, might even make a judgement based on your demeanour or appearance especially in the developed countries.

The main aim of this conditions and procedures is firstly to understand the borrower's character. The borrower's character will usually be researched and checked by the lender if the later is not acquainted with the borrower. Character refers to the borrower's honesty, integrity, reputation, trustworthiness and judgement. Character is in a sense synonymous of credit. Credit, which was defined as the ability to borrow money, is a valuable asset for the borrower. In fact, borrowing money can be thought of as exchanging the borrower's credit for the lender's money. A dishonest and untruthful individual or business with the reputation of lack of integrity in business dealings and sluggishness in loan repayments or meeting other financial obligations is not creditworthy. Such a borrower with unfit character would have difficulties obtaining a loan from the lender. A lender will also evaluate the applicant's judgement or decision-making ability.

Secondly the conditions and procedures are also aimed at assessing the borrower's capacity to repay the loan obligations. Banks will therefore require the borrower to complete a lot of paperwork that provides information regarding the borrower's commitments and cash inflows. This is seen to cause not only delays in communicating a decision to the borrower but is also seen to be asking for too much detail almost bordering on infringing on the borrowers privacy. This is mainly because the borrower does not appreciate the need for the information.

The processes and procedures of MFIs and SACCOs on loan application are seen to be more open, less time consuming and more transparent leading to faster decisions. However it has not been empirically proven that this could be a factor affecting growth of the personal loans sector within the Banking sector. This factor shall therefore be investigated in this research. Though collateral is not a primary requirement for assessment of credit worthiness, it has long played a central role in the lending function of banks in the formal sector. It is a well-established and sound mechanism for providing the lender with a form of guarantee that the borrower will not default on repayment of the loan and the interest it accrues. By offering collateral, the borrower risks the seizure and sale of property in case of failure to repay the loan. This is in itself an incentive for the borrower to respect repayment obligations, which reduces the lender's risk, thereby increasing the borrower's chances of obtaining the loan. Thus, the availability of collateral plays a major role in influencing banks' decision to lend.

The availability of collateral also influences the amount that a bank is willing to lend and the interest rates at which it might be lent. Everywhere, when the borrower can offer the lender collateral for a loan, private creditors offer larger loans, at lower interest rates, payable over longer periods of time. In many instances, compared to a debtor who cannot offer good collateral, one with such collateral can anticipate receiving six to eight times more loan, taking two to ten times longer for repayment, and paying lower interest rates (Bjulian 1994). However, most of the salaried borrowers whom the personal loans sector has been targeting have no collateral to offer which becomes difficult for them to have better bargaining power. The introduction of personal loans, which do not require collateral, heralded a new era and elicited a lot of interest to the personal loans. Conditions have largely been unchanged

and collateral are still not a requirement for the personal loan but the performance in terms of growth appears to be on the decline. We shall investigate if this collateral has a material effect on the appetite to borrow.

2.6 Empirical Studies

Many studies have found that the customer's relationship with the lender/institution can be more important than interest rates. Hanson, Robison, and Siles (1996) observed in a recent study that the success and profitability for a bank to build customer relationships depends directly on the loyalty that customers develop through a good relationship with their banker. They found that an interest rate margin of 74 basis points (nearly 3/4 percent) would be required to change lenders when the relationship was described as "friendly". Gwin and Lindgren (1986) found that personal relationships and the quality of customer service in retail banking are often of greater importance to customers than interest rates, fee structure, innovations, and convenience.

Bankers that provide customers with home banking software only for bill paying, for example, will fall short in meeting the intrinsic buyer values of the customer segment that actually wants help in finding the lowest cost consumer loan or the best investment product. According to AT&T (1997) banks need to have a thorough understanding of buyer values, a steady supply of customer-based innovations that target those values, and superior performance. The digital age is here and banks are going to have to enter it to remain competitive. It is important for them to be able to offer products in a competitive way, so customers are not lured away by digital commerce. "Relationships often lead to business transactions because when business

opportunities exist, qualities that promote positive social relationships may also produce positive business relationships." (Siles et al., 1994) This article provides evidence that loan approval is not always based on financial characteristics. The major factors that contribute to the development of a good business relationship are customer's demonstrated honesty, understanding of the customer's business, and the bank staff's friendly attitude toward the customer. Lenders may often approve a loan to maintain or improve an existing business or social relationship. In addition, they may receive "vicarious" satisfaction from improving the well being of a friend. In a survey completed by bankers, they found that, when the loan approval decision based on financial characteristics is unclear, the relationship appeared to be the deciding factor. It was much more significant to have a loan denied because of a low-quality business relationship rather than have a loan approved due to a high-quality business or social relationship.

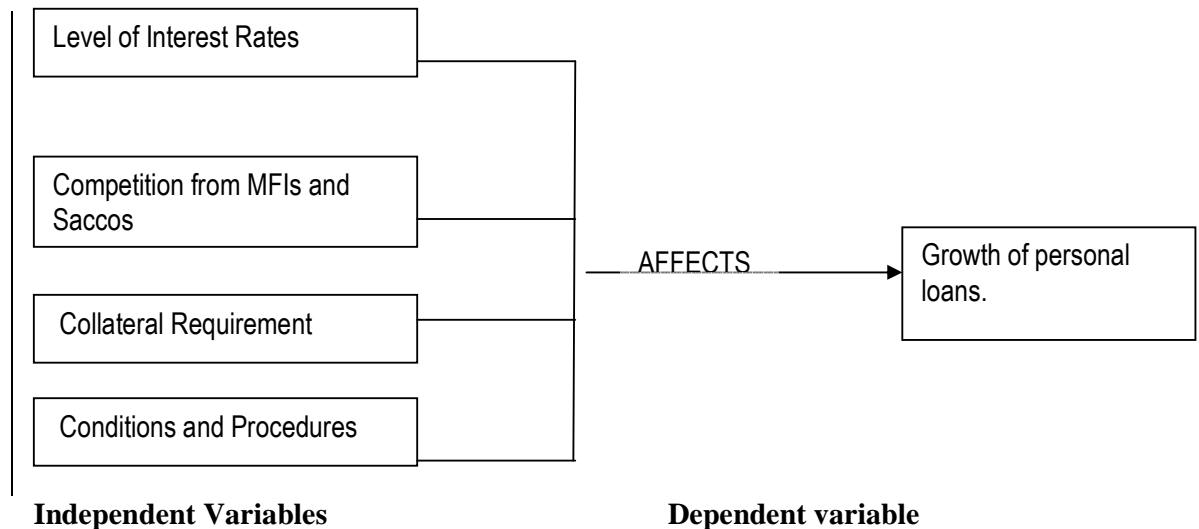
Collender (1994) recognizes three important reasons for financial services efficiency research. First, a general principal of economics is that improved efficiency will lead to increases in economic wellbeing and economic growth. Secondly, given this general principle, there is a need to identify the root causes of observed inefficiencies, their relative importance, and policies to facilitate improving efficiency. Changes in markets that lead to efficiency improvements are likely to have differential impacts on various sectors of the economy, and the transition period is likely to produce some dislocation and economic losses in certain sectors. The third reason is the one most important in agricultural lending. "Fear persists in rural areas that relaxing bank regulations will decrease lending to small local businesses, small communities, and agriculture." (Collender 1994). High capital ratios, low loan-to-deposit ratios, high

profitability, and smallness typically characterize agricultural banks. The smallness factor may be the result of barriers to expansion or lack of scale economies in sparsely populated areas.

2.7 Conceptual Framework

Not much has been done to study the factors affecting growth of personal loans within the Banking industry in Kenya. If growth is found to be affected by any of these factors or other factors not highlighted in this research, banks will be able to know which areas to address the problem. In addition if additional factors beyond the scope of this project are identified, it leaves room for further research.

Figure 2.1 Conceptual Framework



Level of interest rates, competition from MFIs and SACCOs, collateral requirements and conditions and procedures are the independent variables. Growth is the dependent variable because it depends on the other factors which control its behaviour. The study therefore sought to establish the extent to which the independent variables had an impact on the dependent variable of growth of personal loans.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Study Design

Descriptive research design was used which is a process of collecting data in order to answer questions concerning the current status of the subjects under study. The design was appropriate for the study because the study intended to come up with findings that show the current situation of the personal loans sector within Barclays Bank of Kenya. The design covered the issues of levels of interest rates, competition from other Financial Institutions, lack of viable projects, conditions & procedures and collateral.

3.2. Target Population

The target population of this study were personal loan customers of Barclays Bank Nairobi, there are 37 Barclays Bank branches in Nairobi. As per Bank records in April 2010, there were 290,235 customers in Nairobi. The researcher however targeted only 10 customers from each branch forming a total population of 370 customers from 37 branches in Barclays Bank, Nairobi.

3.3 Sample Design

Random sampling technique was used. Out of the above population of 290,235 the researcher took a sample of 370 using random sampling techniques.

This type of sampling design was chosen because not all customers of the bank have taken personal loans. It therefore required the judgement of the one carrying out sampling to choose the respondents. Additional banking information was considered confidential and was only used where the customer volunteered it.

3.4 Data Collection

Primary data was collected using a questionnaire that was administered to personal customers in Barclays Bank of Kenya, Nairobi.

The questionnaire contained a mix of open ended and closed questions, which allowed the respondents freedom in answering questions and the chance to provide in depth responses. Interviews were used to allow the researcher to be able to collect accurate data and improve the response rate. The questions allowed the respondent freedom in answering questions and the chance to provide in-depth responses. An introductory letter was obtained from the University.

Questionnaires were administered to customers by assistants within the banking hall of the Branches in Nairobi described in section 3.3 with instructions to request an allocated number of customers to complete the questionnaires. Due to the perceived confidentiality of information required and the fact that many people were not willing to disclose the information, a combination of both judgemental and convenience sampling methods were used. In addition, the customers name was left optional to ensure confidentiality of the customer.

Research assistants were used to administer the questionnaire to customers when they visit the branch to do their normal banking.

3.5 Data Analysis

Data was analysed using both quantitative and qualitative methods. Quantitative analysis involves use of statistical techniques to describe, analyse and communicate research findings. One can use descriptive statistics, which includes use of mean,

mode, median, frequency distribution diagrams, tables, charts etc. Inferential statistics includes hypothesis testing, chi-square, regression & corrective analysis. Qualitative analysis makes use of non statistical techniques to communicate and summarise data.

CHAPTER FOUR: DATA ANALYSIS, RESULTS & DISCUSSION

4.1 Introduction

A total of 230 questionnaires were issued to various customers at Barclays bank branches in Nairobi for the research. Out of these, 167 questionnaires had all the questions answered while the remaining 63 questionnaires had some with either no response or incomplete. The researcher therefore excluded them from further analysis. This represented a response rate of 73 %, which was considered sufficient for analysis.

4.2 Data Analysis, Results and Discussion

4.3 Demographic Information

Figure 4.1 Gender of Respondents

61% of the total 167 respondents were male while 39% were women.

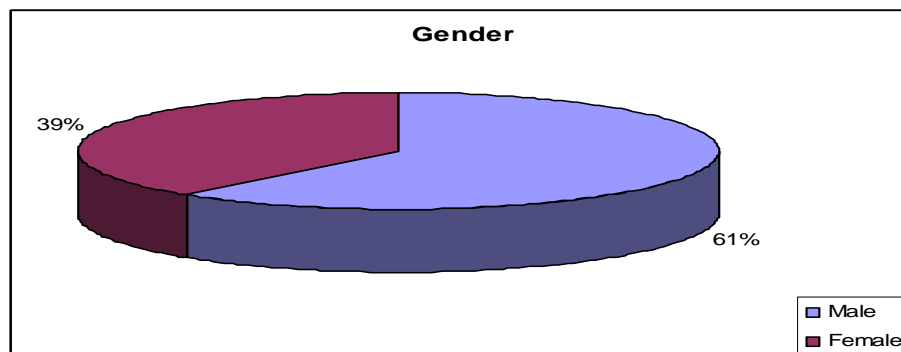


Table 4.1 Age Bracket of Respondents

Majority of the customers interviewed representing 50% of the respondents were between 18-30 years of age bracket, followed by 27% in the age bracket 31-40 years, 16% were from age bracket 41-50 years, while 7% were above 50 years of age.

Percentage

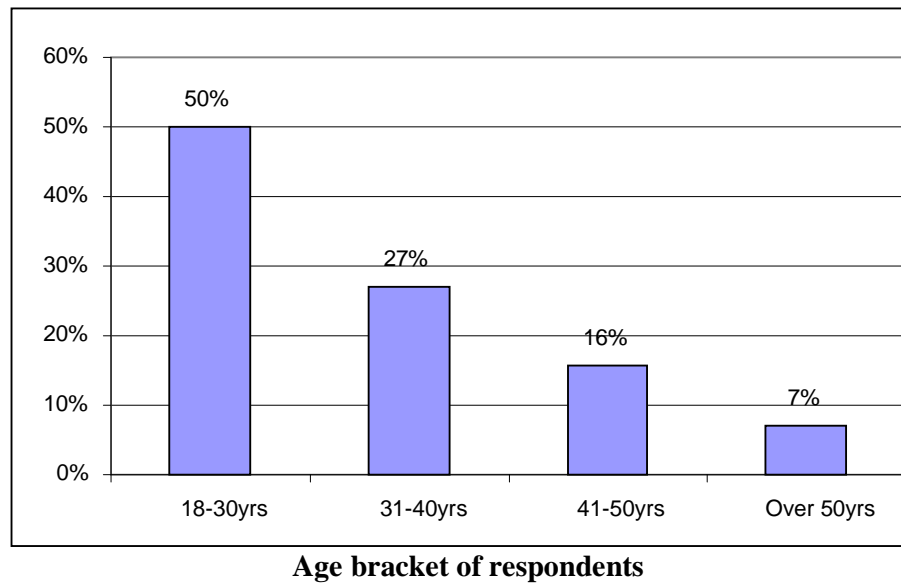


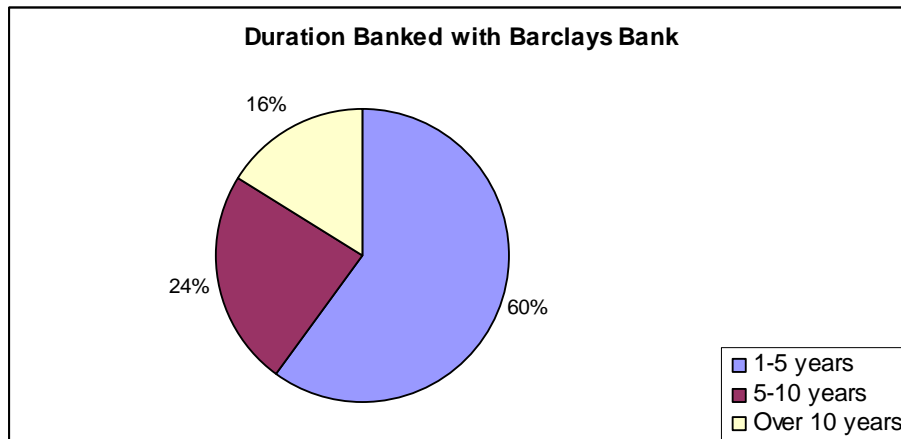
Table 4.2 Level of Education

It was found that among the 167 respondents, 54% had attained the college level of education, 31% had attained a first-degree qualification, and 9% had post graduate qualification while 6% had reached the secondary level. None of the respondents were from the primary education level.

Level of Education	Response rate
Primary	0%
Secondary	6%
College	54%
University	31%
Postgraduate	9%
Others	0%
Total	100%

Figure 4.2 Duration banked with Barclays Bank

When the respondents were asked the duration they had banked with Barclays Bank, 60% of them said they had banked for between 1-5 years, 24% between 5-10 years while 16% had banked for over 10 years.



4.4 Acquisition of Personal Loans

Figure 4.3 Acquisition of Personal Loans

When the respondents were asked to state whether they had ever taken a personal loan, 54% acknowledged to have taken, while 46% of them had never taken.

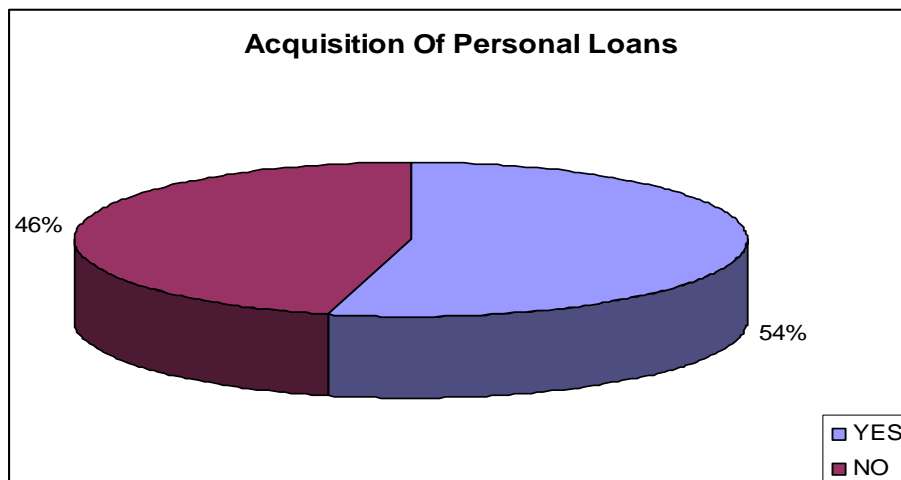


Table 4.3 Providers of the Loan

Among the 54% respondents who claimed to have previously acquired personal loans, 45% said they obtained the loan from other banks, 32% had obtained from Barclays bank, 18% obtained from SACCOs, while 5% obtained from microfinance institutions.

The researcher went a head to inquire from the customers what they considered most important before applying for the personal loan. Majority cited the ability to pay back, the intended use, the interest charged against the loan, the repayment period, the terms and conditions attached to the loan, personal issues, the security required and the reception the customers receive from sales staff or the enquiry desk.

The respondents also gave the following as reasons that would increase their demand for a personal loan from Barclays; interest rates charged against the principal, the need to expand business in terms of market and clientele, considerable conditions and procedures, competitive rates, investment options, the collateral required and the flexibility of the bank to re-negotiate the repayment period.

Institution	Response rate
Barclays Bank	32%
Another Bank	45%
MFI	5%
SACCOs	18%
Total	100%

4.5 Personal loans and the level of interest rates

Figure 4.4 Personal loans and the level of interest rates

The researcher sought to establish whether the level of interest rates had any influence on the respondents' decision on where to acquire a personal loan. The data revealed that 77% agreed to consider the level of interest rates offered by various banks and financial institutions while 23% said they did not consider since they felt that the interest charged by the various banks was more or less the same.

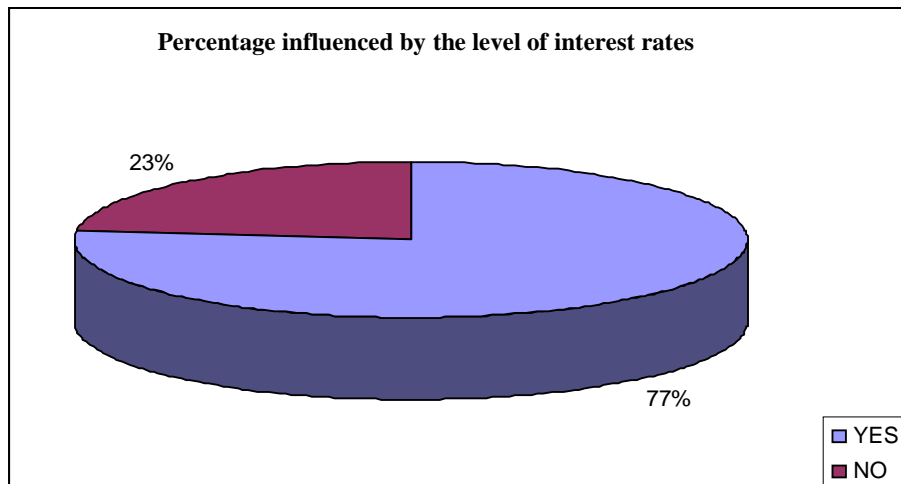


Table 4.4 Extent to which Interest rates influenced borrowing

The extent of effect	Response rate
No effect	0%
To a low extent	14%
To a moderate extent	30%
To a great extent	20%
To a very great extent	36%
Total	100%

The respondents, who said that the level of interest rates influenced their decision on where to borrow, were further asked to state to what extent. Majority of the respondents representing 35% said to a very great extent, 6% said to great extent, 30% said to moderate extent and 29% to low extent, while none of the respondents answered no effect.

4.6 Demand for personal loans

The respondents were asked if they were satisfied with Barclays Bank personal loan compared to other banks and financial institutions. 31% said they were satisfied while 69% were not.

Figure 4.5 Percentage of respondents satisfied with BBK personal loan

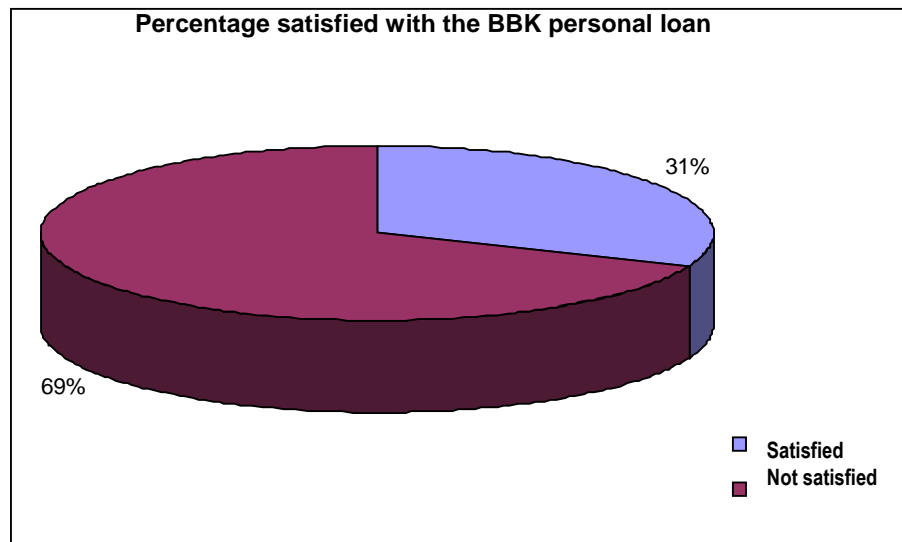
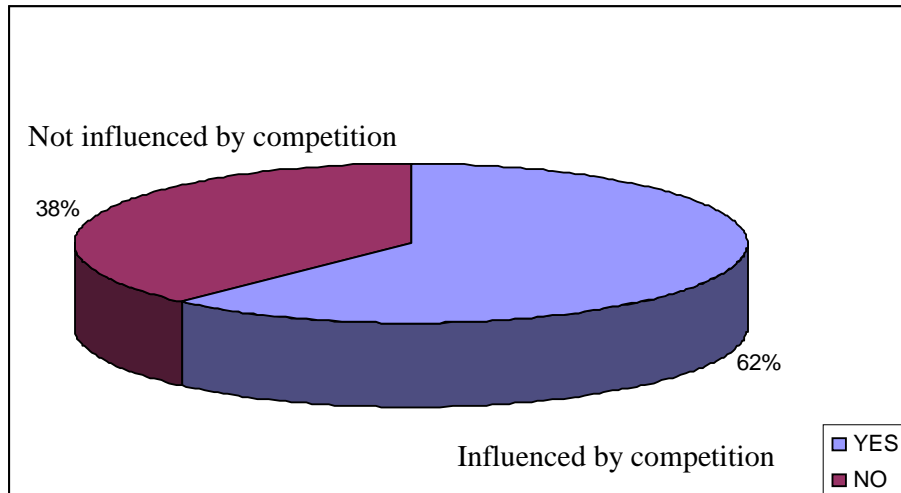


Figure 4.6 Competition and Demand for BBK personal Loan

When the respondents were asked whether competition from other Banks and Micro finance institutions influenced their demand for personal loans in Barclays bank, 62%

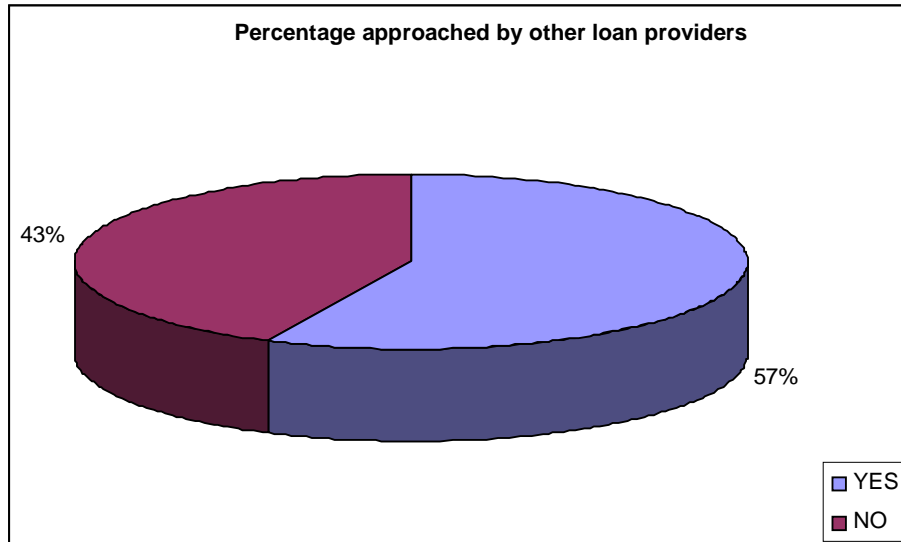
of the respondents said that would first consider what the competition was offering while 38% said competition did not influence them.



Among the respondents who said that competition influenced demand for the Barclays bank personal loan, some felt that the bank rates charged on personal loans should be competitive hence attracting less interest. In turn there will be increased borrowing from the bank while competition should make the services better. Others said competition enabled them to have better optional choices as micro finance institutions charge low interests on the amount of money borrowed as compared to the bank. Other respondents said Barclays Bank has hidden terms which are not made known to the applicant from the start. Among the respondents who thought that competition from other banks and micro financial institutions did not play any role in their demand for the Barclays personal loan had a general feeling that micro financial institutions had minimal or no influence in their borrowing behaviour because they are short term organizations which can't be trusted, they also perceive Barclays bank to be a more stable bank with superior and quality services compared to other banks.

Figure 4.7 Percentage of respondents approached by other loan providers

57% of the respondents had been approached by other banks and financial institutions for similar loan while 43% had not.



The researcher then sought suggestions from the customers on what Barclays should do to increase growth of personal loans in relation to other banks and financial institutions. They said Barclays needed to revise the conditions attached to the personal loan, lower their interest rates, to provide more information and financial advice on personal loan to its clients, not to consider securities, carry out more advertisements, work out on the minimum and maximum amount of money one can borrow from the bank to cater for both low income earners and the high income earners, be open on all charges, like facility fees, processing fees, early repayment fee and other charges. The bank should also consider increasing the loan repayment period, accepting proposals from customers with projects which are viable, being flexible and willing to negotiate on interest rate suitable for individual clients based on the amount involved, after sales follow-up to monitor and give loan applicants advice.

4.7 Personal loan and collateral

Figure 4.8 Percentage of respondents influenced by salary income

When asked whether they think the amount earned in form of basic and net pays influenced their demand for more personal loans, 54% of the respondents agreed while 46% of them did not agree. In addition to agreeing that basic pays and net pays influenced demand for personal loans, there was a general feeling that extension of the repayment period by the bank will allow more salaried customers with lower pay cheques to access loans.

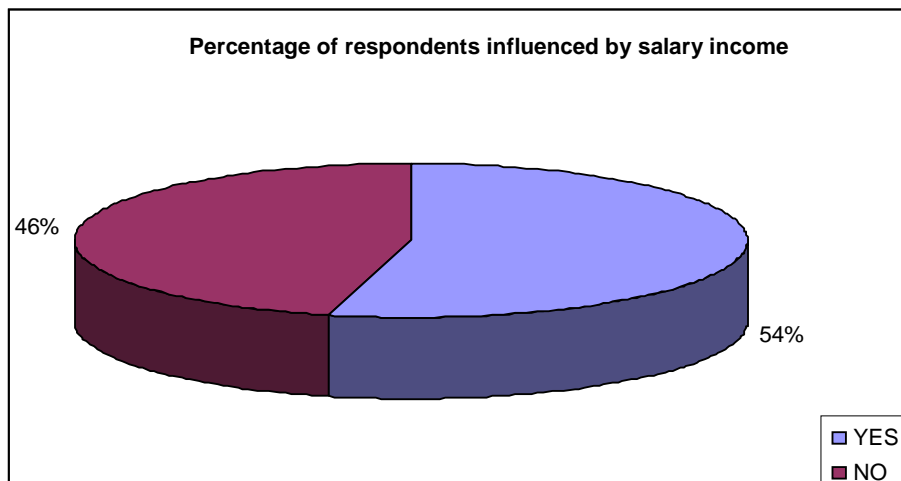
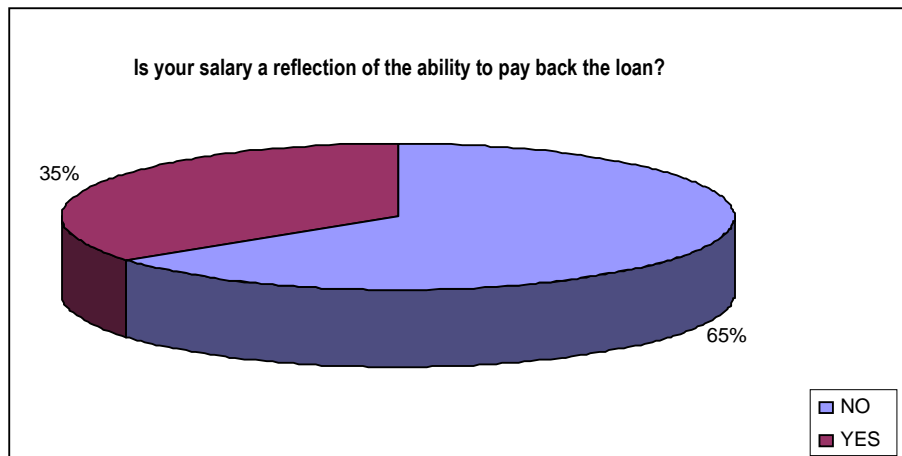


Figure 4.9 Collateral and ability to repay the loan

The researcher further sought to establish whether the respondent's basic and net pay was a true reflection of their ability to repay the loan, 65% of the respondents said no while 35% said yes. This revealed that majority of the respondents had other sources of income.

The respondents were then asked to recommend to Barclays on collateral (Security) to help increase demand for personal loans to customers. Majority said they were

comfortable with the current collateral requirements, although the requirements should be more customer friendly, the bank should not demand any security for a personal loan and much information should be given to prospective clients on application, the best collateral is the ability to develop partnerships with clients based on trust and routine consultations so that there is a common ground of shared vision, advice and realization of the goals set by the person lending so that neither side loses out in the deal, the bank should think of diversifying the security to include such things like domestic animals instead of sticking to motor vehicles and land.



4.8 Conditions and procedures in personal loan application

Figure 4.10 Conditions and procedures in personal loan application

When the respondents were asked to comment about the process of applying a Barclay's personal loan, 69% were of the opinion that conditions and procedures involved in the whole process of loan application were difficult while 31% said they were simple.

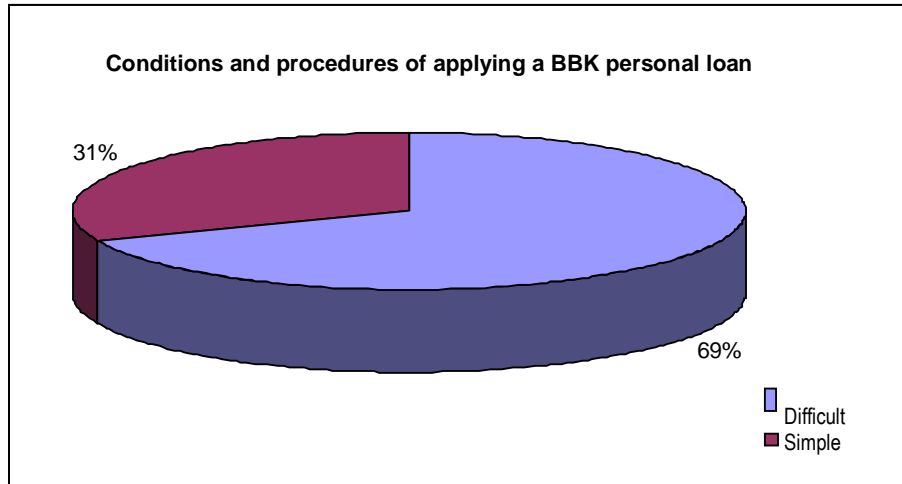


Figure 4.11 Lengthy and Cumbersome

Respondents who said the conditions and procedures for applying the Barclays bank personal loan were complicated, the researcher further asked them whether they were lengthy and cumbersome, 58% of the respondents said no while 42% said yes.

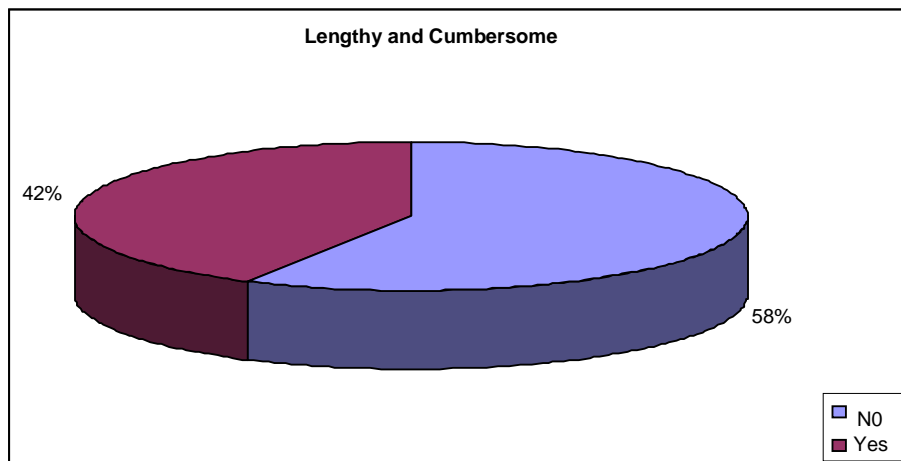
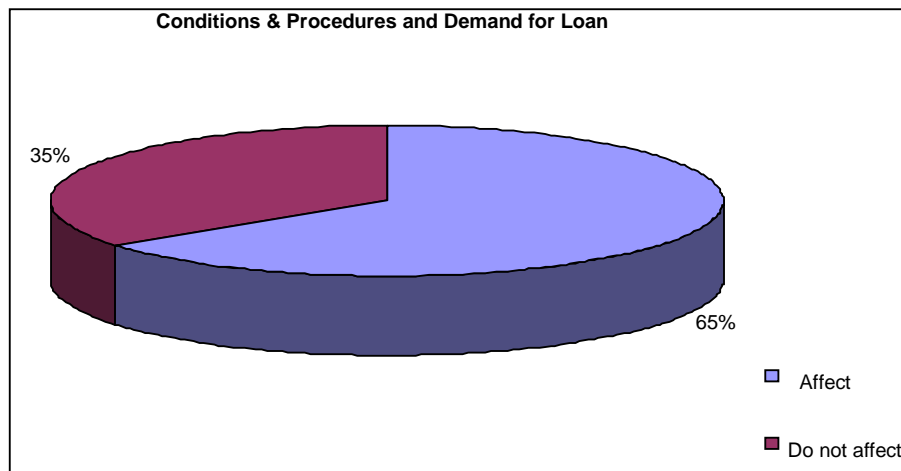


Figure 4.12 Conditions & Procedures and Demand for Loan

65% of the respondents agreed that procedures and conditions affect their demand for more personal loans while 35% said they don't.

According to the questionnaire findings the respondents revealed that the bank should provide more and clear information on the personal loan, the sales staff seemed to

hold back some information. The respondents were of the idea that the bank should work on modalities of allowing salaried customers small income to access unsecured personal loans especially by further reducing the minimum amount to lend since some had other sources of income, simplify further the procedures, lower interest rate and increase repayment period. Concerning employment and income details, the bank should form its own links with the particular employers who should in turn communicate clear guidelines to their staff concerning the loan product to avoid staff dealing directly with the bank.



4.9 Growth in demand for personal loans

Table 4.5 Growth in demand for personal loans

Requirements for collateral were cited as the most important factor affecting the growth in demand for personal loan. The questionnaires revealed that 63% of the respondents rated collateral to affect growth to a high extent, 25% to moderate extent while 12% rated it to low extent. Level of interest was the second factor with 56% of the respondents rating it to high extent, 30% to moderate extent and 14% to low extent. Competition from other financial institutions came third, with 42% of the respondents rating it to high extent, 47% to moderate extent and 11% to low extent. The last in ranking was conditions and procedures where 24% rated it to high extent, 47% to moderate extent and 29% to low extent.

The researcher went further to find out from the customers what they felt should be improved on the Barclays personal loan product. They cited that the time (period) between the applications for the loan and the time the applicant received should be minimized also the bank should reduce the interest rate to encourage more borrowing. The terms and conditions and procedures should be clear and minimal also increase the repayment period, reduce the minimum and increase the maximum amount to borrow. The respondents also felt that the bank should avoid holding back certain information on application of the loan which may help the applicants in making more informed decisions; these include fees like facility fees, processing fees, insurance and early repayment fees. The loan disbursement period should also be shortened to avoid delays. The bank should also target all customers of different groups, have different packages for different segments while customers should be assessed on their proposals for loans rather than pay slips.

	Low Extent	Moderate Extent	High Extent	Ranking
Requirements for collateral	13%	25%	63%	1
Level of interest rates	14%	30%	56%	2
Competition from other Financial institutions	11%	47%	42%	3
Conditions and procedures	29%	47%	24%	4

4.10 Correlation Analysis

The significance of each correlation coefficient is displayed in the correlation table. The significance level is the probability of obtaining results as extreme as the one observed. If the significance level is very small (less than 0.05) then the correlation is significant and the two variables are linearly related. If the significance level is

relatively large, for example, 0.50, then the correlation is not significant and the two variables are not linearly related.

Table 4.6 Occupation and per take of personal loans

The relationship between occupation and per take of personal loans showed strong correlation, meaning that irrespective of the occupation, the demand for personal loans is high.

Sig. (2-tailed)	YES	NO
Employed	0.031	0.015
Self Employed	0.022	0.017
Retired	0.042	0.073
Student	0.028	0.055

Correlation is significant at 0.05 levels (2-tailed)

Table 4.7 Occupation and where the loans are accessed from

The correlation between the occupation and the access of personal loans was carried out. The employed showed a high correlation with accessing loans from Barclays Bank and Sacco's, while self employed access loans from micro-finance institutions. Students showed a high correlation with other Banks while the retired customers did not correlate with any financier.

Sig. (2-tailed)	SACCOs	MFIs	Another Bank	Barclays Bank
Employed	0.022	0.082	0.088	0.015
Self Employed	0.073	0.031	0.085	0.581
Retired	0.081	0.091	0.099	0.241
Student	0.076	0.087	0.032	0.057

Correlation is significant at 0.05 levels (2-tailed)

Table 4.8 Education level and satisfaction with Barclays Loan

The relationship between the level of education and the satisfaction with Barclays Bank was high for all the levels of education.

Sig. (2-tailed)	YES	NO
Secondary	0.014	0.039
College	0.021	0.032
University	0.018	0.029
Post graduate	0.015	0.031

Correlation is significant at 0.05 levels (2-tailed)

Table 4.9 Duration Banked and Satisfaction with Barclays bank

There was high correlation between the duration of banking and the satisfaction with Barclays Bank. However the people who have banked with the Barclays for over five years tend to be dissatisfied with the bank.

Sig. (2-tailed)	YES	NO
1-5 years	0.023	0.031
5-10 years	0.014	0.047
Over 10 years	0.019	0.047

Correlation is significant at 0.05 levels (2-tailed)

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of findings, conclusions and recommendations on the factors affecting the growth of personal sector loan sector within Barclays bank, Nairobi.

5.1 Summary of findings

Majority of the respondents were male representing 61% of the total 167 respondents while 39% were women. Most of the customers, interviewed were between 18-30 years of age. Majority had attained the college level of education and above. 60% had banked for between 1-5 years, 24% between 5-10 years while 16% had banked for over 10 years.

54% acknowledged to have obtained loans while 46% of the respondents had never taken a loan, of the 54% who had acquired personal loans, 45% said they obtained the loan from other banks, 32% obtained from Barclays bank, 18% obtained from SACCOs while 5% obtained from micro finance institutions. 77% of the respondents agreed that the level of interest rate had some influence in their decision to borrow while 23% were of the opinion it did not. 62% of the respondents think that competition from Banks and Micro finance institutions influence their demand for personal loans while 38% think that it does not influence them.

The respondents learned about the Barclays personal loan through Radio and Television, print media, sales staff, through friends, through the mail from the branch, from a relative, billboards, and advice from customer care, personal invitation and fliers within banking halls. 57% of the respondents had been approached by other

banks and financial institutions for similar loans while 43% had not. 54% of the respondents accepted that basic and net pays influenced demand for more personal loan while 46% of them did not agree. 65% of the respondents did not agree that basic and net pay was a true reflection of their ability to repay the loan, while 35% agreed. 69% of the respondents were of the opinion that conditions and procedures for loan application were difficult while 31% said they were simple. Of those who said the conditions and procedures of applying personal loan were difficult, 58% of the respondents did not see them as lengthy and cumbersome while 42% had a different opinion.

Requirements for collateral was cited as the most important factor affecting the growth in demand for personal loan where 63% of the respondent answered to a high extent, 25% to moderate extent while 12% rated it to low extent. Level of interest was the second factor with 56% of the respondents rating it to high extent, 30% to moderate extent and 14% to low extent. Competition from other financial institutions came third, with 42% of the respondents rating it to high extent, 47% to moderate extent and 11% to low extent. The last in ranking was conditions and procedures where 24% rated it to high extent, 47% to moderate extent and 29% to low extent.

The correlation between occupation and partake of personal loans was found to be directly correlated. All the occupation categories showed strong correlation with the access to personal loans, showing that irrespective of the occupation, the demand for personal loans is high.

The correlation between the occupation and the access of personal loans was carried out. The employed showed a high correlation with accessing loans from Barclays

Bank and Sacco's, while self employed access loans from micro-finance institutions. Students showed a high correlation with other Banks while the retired did not correlate with any financier. The relationship between the level of education and the satisfaction with Barclays Bank was high for all the levels of education. There was high correlation between the duration of banking and the satisfaction with Barclays Bank. However the people who have banked with the Barclays for over five years tend to be dissatisfied with the bank.

5.2 Conclusion

The broad objective of the study was to establish factors affecting the growth of personal loans in Barclays Bank. From the findings interest rates, competition from Micro-finance institutions, collateral and borrowing conditions & procedures were found to have a great effect on the borrowing decision of customers.

There is high demand for personal loan but the customers have shifted from Barclays bank to other banks and micro finance institutions, first because of the unfriendly interest rates, cumbersome procedures and hidden charges, but on contrary some customers felt that despite all that, Barclays is still the best because of its stability, thus room for further growth of personal loans.

Collateral was found to be the most important factor affecting the growth in demand for personal loans, in relation to the other factors influencing the partake of personal loans, conditions and procedures are the least important factor for consideration.

5.3 Recommendations

The personal loan product has a room for growth by Barclays bank, despite the stiff competition from Micro finance institutions and other banks, but only if Barclays bank will consider the following recommendations:

The Bank needs to lower its interest rates on personal loans; the interest rate should be customer friendly and take into consideration the economic times. The bank should work on the repayment period and probably increase the period to make the personal loan more affordable.

The Bank should disclose all the information pertaining the loan to the customer at the point of application, the customer should be told everything awaiting him/her after the approval of the loan, this will allow the customer to make an informed decision on whether to borrow or not.

In order to increase the partake of the personal loan, the bank should introduce a help desk to offer free financial advice, as most of the customers have little knowledge on the financial matters and thus either misusing the funds after approval or feel dejected/ dissatisfied with the bank when their application is turned down. This may also make the bank to lose some of the loyal and prospective personal loan customers to competitors.

5.4 Suggestion for further study

The banking industry in Kenya is undergoing tremendous changes. Banks are reporting improved performance, particularly of the smaller and indigenous banks. It

is suggested that further research should be carried out focusing on personal loans in micro finance institutions (SME) and the degree of their growth in these micro-finance institutions. Additional research can be carried out to understand the lending model of Micro finance institutions and SACCOs as quite a number of respondents had preference for loans from these institutions rather than Barclays Bank of Kenya.

5.5 Limitations

The extent of this study was limited by time to administer all the questionnaires to the respondents which may have led to different and improved conclusions. Out of the 350 target population, 230 questionnaires were administered and only 167 were satisfactorily answered. In addition, time limited the degree of analysis of the data that could have improved the conclusions reached in the study. Time limitation since the research involved personal delivery of questionnaires to the respondents followed by personal explanations and clarifications

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APPENDIX I: LETTER OF INTRODUCTION

Dear Sir/Madam,

RE: REQUEST TO CARRY OUT RESEARCH

I am a post graduate student at the University of Nairobi studying Masters of Business Administration (MBA) degree and specializing in marketing in partial fulfilment of the requirement of the stated degree, I am conducting a research entitled “FACTORS AFFECTING THE GROWTH OF PERSONAL LOANS IN BARCLAYS BANK NAIROBI.”

Your branch has been chosen for the study. The choice is based on your strategic importance in the achievement of objectives of the study. The information obtained will be confidential and purely used for academic purposes and the findings of the research shall be made available to you upon request.

Kindly avail any other information or comment not included in the questionnaire that you think is of importance to the research.

Thank you for your co-operation.

Yours faithfully,

Antony Ngila
MBA Student

Catherine Ngahu
Lecturer / Supervisor

Sign.....

Sign.....

APPENDIX 2: QUESTIONNAIRE

Section A

1. Name of Respondent _____ (Optional)

2. Gender

- Male [] Female []

3. Age

- 18-30 []
- 31-40 []
- 41-50 []
- Over 50 []

4. Highest Level of Education.

- Primary []
- Secondary []
- College []
- University []
- Post Graduate []
- Other (Please Specify) []

SECTION B

5. Have you ever taken a personal loan in Barclays bank?

- Yes [] No []

6. From which Institution did you take the loan from?

(a) Barclays Bank (b) [] Another Bank [] (c) Micro Finance Institution []

d) SACCOs [] (e) Other Please specify _____

7. Do you think that the level of interest rates influences your decision on where to borrow?

▪ Yes [] No []

To what extent does it influence your decision on where to borrow? (Please tick as appropriate)

5.	4.	3.	2.	1.
To a very Great extent	To a great extent	To a moderate extent	To a low extent	No effect
[]	[]	[]	[]	[]

8. Suggest what the bank and the government can do to improve on interest rates.

9. Do you think competition from Banks and Micro finance institutions affect your decision to borrow?

▪ Yes [] No []

10. Have you been approached by other banks and financial institutions for a similar loan?

▪ Yes [] No []

11. Suggest what you would recommend to the bank on how to increase lending of personal loans in relation to other Banks and Financial Institutions so as to win competition

12. In personal loans the target group is the working community. Do you think the Collateral requirement influence the demand for more personal loans?

Yes [] No []

13. Does your basic and net pay influence your decision to borrow?

Yes () No ()

14. Is your salary a reflection of the ability to pay the personal loan?

Yes () No ()

15. To what extent does the Collateral requirement influence your decision to borrow?

5.	4.	3.	2.	1.
To a very great extent	To a great extent	To a moderate extent	To a low extent	No effect
[]	[]	[]	[]	[]

16. What do you recommend to the bank on collateral (security) to help increase demand for personal loans to customers?

17. Did you find the conditions and procedures of applying the personal loan simple?

a) Yes_____ b) No_____

18. To what extent do the procedures and conditions affect your demand for more personal loans?

5.	4.	3.	2.	1.
To a very great extent	To a great extent	To a moderate extent	To a low extent	No effect
[]	[]	[]	[]	[]

19. Suggest what you want removed or done on procedures and conditions to facilitate the growth of personal loans?

20. How would you evaluate the financial implications of personal loans to Barclays?

Very Important () Important () Less Important ()

21. How did you learn about the Barclays bank personal loan?

a)	Radio/TV advert	[]
b)	Print media	[]
c)	Barclays Sales Staff	[]
d)	Friend	[]
e)	Other (Please specify)_____	

22. For how long have you banked with Barclays bank of Kenya?

- (A) 1-5 yrs [] (b) 5-10 yrs [] (c) Over 10 yrs []

23. How importance is your decisions on the following variables in relation to the personal loan product?

	Very Important	Important	Less Important
(i) Level interest rates.	[]	[]	[]
(ii) Competition from other Financial institutions.	[]	[]	[]
(iii) Requirement for Collateral (Security).	[]	[]	[]
(iv) Conditions and procedures.	[]	[]	[]
(v) Management decisions	[]	[]	[]

24. What recommendations would you propose to improve on the personal loan product?