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CAUSES AND IMPACTS OF YOUTH LOAN DEFAULT IN MICROFINANCE INSTITUTIONS IN MATABELELAND ZIMBABWE.

BY

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ABSTRACT

The purpose of this study is to identify the causes and impacts of youth loan default in microfinance institutions in Matabeleland Zimbabwe. The problem identified was that youths have been defaulting in both the microfinance sector and the banking sector. Hence, there was a need to identify the causes of youth loan defaults and the impacts that youth loan defaults have on the microfinance institution. The research utilized face to face interviews and structured questionnaires to capture data on the causes and impacts of youth loan defaults. The research relied on primary data and available literature. A random sample of 84 youths was chosen out of a total population of 150 youth loan beneficiaries. The data collected was analyzed using a logic model on SPSS 16.0. the results from the study revealed that high interest rate, short loan repayment period, fund diversion, poor appraisal system, project failure, number of income sources, gender, loan amount, and inadequate loan size are the major causes of loan default. Data on the impacts of youth loan default was collected from three microfinance institutions in Bulawayo. The results revealed that youth loan default negatively impact the microfinance institution performance via the rollover effect and a high non-performing loan rate. It was recommended that the microfinance institutions must reduce loan interest on youth loans, increase loan tenure, and advance significant loan amounts to the youth as a measure to reduce or curb youth loan default.