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EFFECT OF LOAN REPAYMENT DEFAULT ON REPOSSESSION OF ASSETS AMONG BODA-BODA OPERATORS IN KISUMU COUNTY, KENYA

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ABSTRACT

Access to credit remains a critical enabler of economic participation for informal sector workers in developing economies. For boda-boda operators in Kenya, loans from financial institutions facilitate motorcycle acquisition and business sustainability. However, loan repayment default threatens both borrower livelihoods and lender financial health. This study examined the effect of loan repayment default on repossession of assets among boda-boda operators in Kisumu County, Kenya. The research was anchored on the Credit Default Theory and adopted a descriptive correlational research design. The target population comprised 1,200 registered Boda-boda operators with active financial institutions loans in Kisumu Central Business District, from which a sample of 300 respondents was derived using the Yamane formula. Primary data were collected using a structured questionnaire, achieving an 82% response rate. Descriptive statistics including means and standard deviations, as well as inferential statistics (Pearson correlation and regression analysis), were used for analysis. Findings revealed a moderate level of loan repayment default and a high level of asset repossession among respondents. The correlation analysis showed a strong positive relationship between loan repayment default and asset repossession. The regression model indicated that loan repayment default explains a substantial proportion of the variance in asset repossession. The study concluded that loan repayment default significantly affects asset repossession, with late payments and default frequency being critical predictors. Recommendations include flexible repayment structures, financial literacy programmes, and fair debt collection practices.

KEYWORDS: *Loan repayment, default, repossession, assets, boda-boda.*

INTRODUCTION

1.1 Background of the Study

Access to credit serves as a fundamental pillar for economic participation and poverty reduction, particularly for individuals operating within informal economic sectors. For many micro-entrepreneurs in developing nations, loans provide the necessary capital to initiate, sustain, and expand income-generating activities that would otherwise remain inaccessible. The informal transport sector, in particular, has demonstrated remarkable growth across sub-Saharan Africa, driven by urbanisation, unemployment among young populations, and the increasing demand for flexible, affordable mobility solutions in areas underserved by formal public transport systems (Berger & Udell, 2021).

In Kenya, the boda-boda (motorcycle taxi) industry has expanded exponentially over the past decade, creating employment opportunities for hundreds of thousands of young people, particularly in urban centres and peri-urban areas. According to the AA Kenya Autonews report, Kenya has over 2.2 million licensed boda-boda riders, and the sector injects approximately KSh 1 billion daily into the economy, cementing its role as one of the key drivers of Kenya's GDP (AllAfrica, 2025). These operators typically rely on credit from Financial institutions and other non-bank financial institutions to finance motorcycle purchases, fuel, maintenance, and insurance (Mwangi & Otieno, 2022). The asset-backed lending model, where the motorcycle itself serves as collateral, has enabled many individuals without formal credit histories to access financing that would otherwise be unavailable through traditional commercial banking channels.

Despite the transformative potential of such credit access, loan repayment default has emerged as a significant challenge affecting both borrowers and lenders. Default occurs when a borrower fails to meet agreed-upon repayment obligations, encompassing late payments, missed instalments, partial repayments, or complete non-payment. For

boda-boda operators, whose income streams are inherently irregular and susceptible to external shocks such as fuel price fluctuations, vehicle breakdowns, accidents, illness, or seasonal demand variations, maintaining consistent repayment schedules presents considerable difficulty (Nkusi & Uwitonze, 2023).

Kisumu County, serving as a major commercial and transport hub in the Lake Victoria region of western Kenya, has witnessed substantial growth in boda-boda operations. The Central Business District (CBD) hosts numerous SACCOs that specifically target transport sector workers with tailored loan products. However, the operating environment for boda-boda operators in Kisumu is characterised by intense competition, thin profit margins, and limited access to social safety nets or emergency savings. These conditions render operators particularly vulnerable to default when unexpected expenses arise or when daily earnings fall below subsistence levels (Odhiambo & Achieng, 2023).

The consequences of loan default extend beyond immediate financial penalties. When borrowers default, lenders typically initiate asset repossession proceedings to recover outstanding loan balances. For boda-boda operators, the motorcycle represents not merely a piece of equipment but the primary income-generating asset upon which their entire livelihood depends. Repossession therefore results not only in asset loss but also in complete elimination of the borrower's capacity to earn income, perpetuating a cycle of poverty and financial exclusion from which recovery proves exceptionally difficult (Asiedu & Agyapong, 2022). Evidence of this trend is visible in the broader SACCO sector, where the Kenya Union of Savings and Credit Cooperatives (Kuscco) has launched a massive recovery drive targeting KSh 1.7 billion worth of defaulted housing loans from 684 borrowers, with recovery processes involving 90-day statutory demands and auctioneer notices before asset sale (Nation Africa, 2025).

Recent reports indicate that non-bank lenders operating in East Africa have experienced rising loan defaults and deteriorating repayment behaviour among informal transport operators. Watu Holdings, a Kenyan buy-now-pay-later startup, reported a sharp 85% drop in profit to $1.2 million in 2024, with rising loan defaults and deteriorating repayment behaviour in its core markets of Kenya, Uganda, and Sierra Leone cited as primary factors (TechCabal, 2025). In Kenya specifically, Car & General faced a dip in sales largely due to customer loan defaults that began during the COVID-19 pandemic, forcing the company to repossess many motorcycles and reintroduce them into the market (MarketScreener, 2025). This situation underscores the urgent need to understand the relationship between specific default behaviours and repossession outcomes to inform more sustainable lending practices and borrower protection mechanisms.

1.2 Statement of the Problem

Loan repayment default among boda-boda operators in Kisumu County has reached levels that threaten both individual livelihoods and institutional sustainability. While financial institutions and other lenders have responded with asset repossession as a primary recovery mechanism, this approach has generated significant concerns regarding fairness, proportionality, and long-term socioeconomic consequences. Many boda-boda operators report losing their motorcycles after missing only a few payments, often without adequate notice, opportunity to rectify the default, or consideration of partial payments already made (Njagi, 2024).

The persistence of this problem suggests fundamental misalignment between loan product design and the economic realities of informal transport sector work. Most loan products offered to boda-boda operators feature rigid repayment schedules requiring fixed payments at regular intervals (typically weekly or monthly). However, boda-boda operators experience considerable daily income volatility, with earnings fluctuating based on weather conditions, passenger demand, fuel availability, and personal health. This mismatch between repayment obligations and income patterns creates conditions where even motivated borrowers may default due to timing mismatches rather than unwillingness to pay (Waweru & Kiprop, 2022).

Furthermore, limited empirical research has specifically examined the relationship between loan repayment default and asset repossession among boda-boda operators in Kisumu County. While studies have investigated default causes or repossession practices separately, few have integrated multiple indicators of default (late payments, missed payments, and default frequency) to predict repossession outcomes (assets repossessed, repossession frequency, and asset recovery rate). Understanding these relationships is essential for designing interventions that reduce default rates while protecting borrowers from the devastating consequences of asset loss. This study therefore sought to answer the following research question: What is the effect of loan repayment default (measured by late payments, missed

payments, and default frequency) on repossession of assets (measured by assets repossessed, repossession frequency, and asset recovery rate) among boda-boda operators in Kisumu County, Kenya?

LITERATURE REVIEW

2.1 Theoretical Framework

This study was anchored on the Credit Default Theory, which was introduced by Robert C. Merton in 1974 as part of the structural approach to credit risk modelling. Merton (1974) posits that default occurs when a borrower's asset value falls below the value of their outstanding debt obligations at the time of loan maturity. Merton's model conceptualises a firm's equity as a call option on its assets, with default representing the decision to exercise the put option when liabilities exceed assets. This framework shifted understanding of default from purely behavioural explanations toward recognition of underlying economic conditions and borrower capacity (Merton, 1974). The application of option pricing theory to risk bonds and loans for credit risk measurement has since become a defining feature of modern credit risk models (Zhongwai Qiyejia, 2005).

The Credit Default Theory has been extended and critiqued across several dimensions since its introduction. One significant limitation is that the original model assumes efficient markets and continuous trading, conditions rarely satisfied in developing economies where information asymmetry, transaction costs, and market imperfections are prevalent (Altman, 2020). Additionally, the theory focuses primarily on corporate borrowers and does not adequately account for behavioural and psychological factors that influence individual repayment decisions, such as overconfidence, present bias, or peer influence. Despite these limitations, the theory provides a useful lens for understanding borrower-lender relationships in contexts where income volatility and asset valuation play central roles. Applying the Credit Default Theory to this study, boda-boda operators can be understood as borrowers whose asset value (daily income potential from motorcycle operations) must be sufficient to meet debt obligations. When income falls below the required loan instalment due to various shocks or seasonal fluctuations, default becomes structurally inevitable. Lenders respond by repossessing the collateral (the motorcycle) to recover outstanding balances. This theoretical framework guided the study by suggesting that default indicators such as late payments, missed payments, and default frequency should systematically predict repossession outcomes, with the severity of repossession corresponding to the depth and duration of the borrower's asset value shortfall.

2.2 Empirical Review

Several empirical studies have examined loan default and asset repossession across different contexts, providing valuable insights for this investigation. Internationally, Berger and Udell (2021) examined small business lending practices across twelve European countries, analysing loan-level data from over 5,000 small enterprises. The researchers found that collateral requirements significantly reduced default rates but simultaneously increased the likelihood of asset seizure when default occurred. Businesses with higher debt-to-asset ratios were approximately three times more likely to experience asset repossession following default compared to those with lower ratios, suggesting that while collateral mitigates lender risk, it creates moral hazard where borrowers may become less cautious if they perceive asset loss as inevitable.

In an African context, Asiedu and Agyapong (2022) conducted a mixed-methods study on microfinance lending and loan recovery practices in Ghana, focusing specifically on informal sector workers. The study surveyed 400 respondents and found that late payments represented the strongest predictor of eventual default and subsequent asset seizure. Borrowers who delayed payments by more than fourteen days were 67% more likely to have their collateral repossessed within six months. The study also highlighted the psychological toll of repossession, with affected borrowers reporting elevated stress levels, reduced business confidence, and social stigma. The authors recommended that microfinance institutions adopt grace periods and flexible restructuring options to mitigate negative consequences of default.

Another relevant investigation was conducted by Nkusi and Uwitonze (2023) in Rwanda, examining loan default among motorcycle taxi operators in Kigali. Using a longitudinal design tracking 350 operators over eighteen months, the study found that default frequency, rather than the monetary size of missed payments, was the most significant determinant of repossession. Operators who defaulted more than twice within a year had an 82% probability of motorcycle repossession, compared to only 23% for those who defaulted once. The study also identified seasonal income fluctuations as a major contributor to default, with higher repossession rates occurring during rainy seasons when passenger demand decreased substantially.

In East Africa, Waweru and Kiprop (2022) examined asset-backed lending to transport sector workers in Uganda. The researchers analysed loan portfolio data from three microfinance institutions operating in Kampala and found that default rates among motorcycle taxi operators averaged 34% annually, with repossession occurring in approximately 60% of default cases. The study identified borrower financial literacy as a significant protective factor, with operators who received basic financial education being 40% less likely to experience repossession compared to those who did not. The study also documented that over 65% of boda-boda riders rely on financing, yet 30% face repayment difficulties, and a substantial proportion of financed motorcycles are repossessed before full payment.

Within Kenya, Njagi (2024) investigated the impact of digital lending on the debt cycle among boda-boda riders in Nairobi County. The study revealed a strong relationship between low financial literacy and poor debt management, as most respondents lacked awareness of critical loan terms, exacerbating their vulnerability to debt cycles. Over 60% of respondents borrowed from multiple sources to repay debts, indicating the pervasive issue of over-reliance on digital credit. Regression analyses showed a significant correlation between financial literacy and debt cycle management ($\beta = 0.42$, $p < 0.05$), underscoring the critical need for enhanced education programmes tailored to boda-boda riders (Njagi, 2024).

Nyabwari (2023) examined credit management practices and loan performance among deposit-taking SACCOs in Nairobi City County. The study found that client appraisal had insignificant effects on loan repayment, credit terms had a negative but significant effect on loan performance, and credit risk management and collection policy had a positive and significant effect on loan repayment. The study concluded that credit terms reduce loan performance, while client appraisal, credit risk management, and collection policy significantly increase loan repayment among deposit-taking SACCOs.

A study by Mwangi and Otieno (2022) investigated loan repayment challenges among transport sector workers in Nairobi. Surveying 300 matatu and boda-boda operators, the study found that 58% had experienced at least one loan default in the preceding two years. Of those, 41% reported having an asset repossessed, with motorcycles being the most commonly seized asset. The study further revealed that borrowers who maintained emergency savings were significantly less likely to default following income shocks, suggesting that financial resilience building could reduce default rates.

Odhiambo and Achieng (2023) specifically examined factors contributing to loan default among boda-boda operators in Kisumu County. Using a sample of 200 operators drawn from five SACCOs, the study found that income volatility, lack of emergency savings, and poor record-keeping were primary drivers of default. The average default rate among respondents was 47%, with late payments accounting for the majority of default cases. However, this study did not examine the relationship between default and asset repossession, focusing instead on antecedents of default.

2.3 Research Gap

Despite the growing body of literature on loan default in the informal transport sector, several significant gaps remain. First, most existing studies in Kenya have focused on causes of default rather than consequences, particularly the effect on asset repossession. Understanding this relationship is crucial because repossession represents a severe outcome that can permanently exclude borrowers from formal credit markets. Second, previous research has largely been conducted in Nairobi, with limited attention to Kisumu County, where economic conditions, regulatory enforcement, and SACCO practices may differ substantially. Third, while some studies have examined individual default behaviours such as late or missed payments, few have integrated multiple indicators of default (late payments, missed payments, and default frequency) into a single analytical framework to predict repossession outcomes. Fourth, limited research has employed inferential statistical techniques such as correlation and regression analysis to establish the magnitude and significance of the relationship between default and repossession. This study fills these gaps by examining the effect of loan repayment default on asset repossession specifically among boda-boda operators in Kisumu County using comprehensive indicators for both variables and employing both descriptive and inferential statistical analyses.

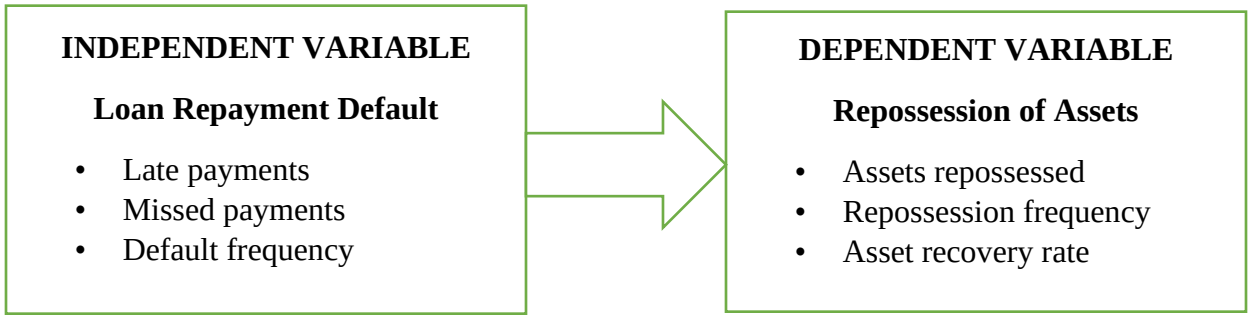
2.4 Conceptual Framework

The conceptual framework for this study illustrates the relationship between the independent variable (loan repayment default) and the dependent variable (repossession of assets). The independent variable was operationalised through

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three indicators: late payments, missed payments, and default frequency. The dependent variable was operationalised through three indicators: assets repossessed, repossession frequency, and asset recovery rate.

Figure 1: Conceptual Framework



RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a descriptive correlational research design. The descriptive component allowed for systematic description of loan repayment default and asset repossession levels among boda-boda operators, while the correlational component enabled examination of the relationship between the two variables. This design was appropriate because it required no manipulation of variables and permitted data collection in natural settings, which was essential given practical constraints of conducting research in informal sector contexts.

3.2 Target Population

The target population for this study comprised 1,200 registered boda-boda operators who had active loans with financial institutions operating within Kisumu Central Business District (CBD). Registration was defined as holding a valid membership card or loan account and having an outstanding loan balance as of the data collection period. Financial institutions included in the study were those operating within the CBD for at least three years with documented loan portfolios specifically targeting transport sector workers.

3.3 Sample Size and Sampling Technique

To determine the appropriate sample size, the Yamane formula was applied at a 95% confidence level with a 5% margin of error. The formula is:

n = N / (1 + N(e)^2)

Where n is the sample size, N is the population size (1,200), and e is the margin of error (0.05). Substituting the values:

n = 1,200 / (1 + 1,200 × 0.05^2)
n = 1,200 / (1 + 1,200 × 0.0025)
n = 1,200 / (1 + 3)
n = 1,200 / 4
n = 300

A sample size of 300 respondents was therefore targeted. Simple random sampling was used to select respondents from the sampling frame provided by participating financial institutions. This technique ensured every registered operator had an equal chance of selection, minimising selection bias.

3.4 Data Collection Instrument

Primary data were collected using a structured questionnaire divided into three sections. Section A captured demographic information. Section B contained nine statements measuring loan repayment default across three indicators: late payments (three statements), missed payments (three statements), and default frequency (three statements). Section C contained nine statements measuring repossession of assets across three indicators: assets repossessed (three statements), repossession frequency (three statements), and asset recovery rate (three statements). All statements were rated on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire was pilot tested with 30 respondents not included in the final sample to assess reliability, yielding a Cronbach's alpha coefficient of 0.87 for the loan repayment default scale and 0.84 for the asset repossession scale.

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3.5 Data Collection Procedure

Data collection was conducted over four weeks. Research assistants were recruited and trained on the study purpose, questionnaire content, and ethical protocols including informed consent and respondent confidentiality. Questionnaires were administered face-to-face at designated boda-boda stages within Kisumu CBD, as many operators lacked access to online platforms or formal mailing addresses. Of the 330 questionnaires distributed, 271 were returned fully completed and deemed usable for analysis, representing a response rate of 82%.

3.6 Data Analysis Techniques

Data were analysed using both descriptive and inferential statistics. Descriptive statistics included means and standard deviations. The mean score for each statement was interpreted using the following criteria: 1.00 to 1.80 (Very Low), 1.81 to 2.60 (Low), 2.61 to 3.40 (Moderate), 3.41 to 4.20 (High), and 4.21 to 5.00 (Very High). These interpretations applied to both loan repayment default and asset repossession variables.

Inferential statistics included Pearson product-moment correlation coefficient to determine the strength and direction of the relationship between loan repayment default and asset repossession. Additionally, simple linear regression analysis was conducted to establish the proportion of variance in asset repossession explained by loan repayment default. The regression model took the form:

$Y = \beta 0 + \beta 1X + \varepsilon$

Where:

Y = Repossession of Assets
X = Loan Repayment Default
$\beta 0$ = Constant (intercept)
$\beta 1$ = Regression coefficient
ε = Error term

Analysis was conducted using IBM SPSS Statistics version 26. Findings were presented in tables with clear introductions followed by detailed textual interpretations. Hypothesis testing was conducted at a 95% confidence level ($\alpha = 0.05$).

DATA ANALYSIS

4.1 Introduction

This chapter presents analysis of data collected from 271 boda-boda operators in Kisumu County. Analysis is organised into two main sections corresponding to the two variables under investigation. For each variable, the mean score for each statement is calculated and interpreted according to predetermined criteria. Findings are presented in tabular form followed by detailed descriptive interpretations. Inferential statistics including correlation and regression analysis are also presented.

4.2 Analysis of Loan Repayment Default

Table 1 presents descriptive statistics for the nine statements measuring loan repayment default among boda-boda operators in Kisumu County. The statements are grouped under three indicators: late payments, missed payments, and default frequency. As shown in the table, mean scores ranged from 2.98 to 3.72, indicating moderate to high levels of default behaviour across the sample.

TABLE 1: Loan Repayment Default

Statement	Mean	Std. Dev.
I often make loan payments after the due date.	3.45	1.12
I struggle to meet the exact repayment schedule set by the lender.	3.72	0.99
I have missed loan payments in the past 6 months.	3.38	1.15
Sometimes I skip installments due to financial difficulties.	3.41	1.08
I sometimes pay less than the required loan installment.	3.23	1.21
Partial repayments affect my loan standing negatively.	3.35	1.04
I frequently fail to fully pay my loan on time.	2.98	1.28
My loan defaults occur more than once a year.	3.18	1.16
My loan payments are overdue for long periods.	3.30	1.22
Overall Mean	**3.33**	

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The overall mean score for loan repayment default was 3.33, falling within the moderate range (2.61–3.40), indicating that Boda-boda operators in Kisumu County experience a moderate level of default. The highest mean was recorded for the statement on struggling to meet the exact repayment schedule (mean = 3.72, SD = 0.99), suggesting that rigid repayment schedules are a significant challenge for operators with irregular daily income. Late payments are common, with a mean of 3.45 and SD of 1.12, reflecting cash flow constraints where operators have funds but not precisely when repayments are due. Skipping installments due to financial difficulties scored a mean of 3.41 and SD of 1.08, indicating that temporary financial shocks directly affect repayment behaviour. Missed payments in the past six months had a mean of 3.38 and SD of 1.15, showing moderate frequency, while paying less than the required instalment averaged 3.23 (SD = 1.21). Partial repayments affect loan standing, with a mean of 3.35 and SD of 1.04, demonstrating that even small deviations from full repayment can have consequences.

Complete failure to pay on time had the lowest mean at 2.98 (SD = 1.28), indicating that total non-payment is less frequent than partial or late payments. Loan defaults occurring more than once a year averaged 3.18 (SD = 1.16), highlighting that default is often a recurring issue rather than an isolated event. Loan payments overdue for long periods scored 3.30 (SD = 1.22), showing moderate delays across respondents. Standard deviations ranged from 0.99 to 1.28, indicating variability in repayment behaviour due to factors such as income fluctuations, savings capacity, and specific loan terms. The findings suggest that while default is generally moderate, it is widespread and significantly influenced by inconsistent income and structural financial constraints in this informal sector.

4.3 Analysis of Repossession of Assets

Table 2 presents descriptive statistics for the nine statements measuring repossession of assets among boda-boda operators in Kisumu County. The statements are grouped under three indicators: assets repossessed, repossession frequency, and asset recovery rate. As shown in the table, mean scores ranged from 3.14 to 4.28, indicating moderate to very high levels of asset repossession across the sample.

TABLE 2: Repossession of Assets

Statement	Mean	Std. Dev.
I have had my motorcycle or equipment repossessed due to loan default.	4.05	0.96
Loan repayment problems have led to repossession of business assets.	3.92	1.04
Repossession of my assets occurs more than once a year.	3.61	1.18
The lender repossesses my assets quickly after default.	4.28	0.91
I have been able to recover my assets after repossession.	3.14	1.30
Repossessed assets are returned in good condition.	3.58	1.24
The type of asset repossessed affects my business operations.	4.15	0.94
The monetary value of repossessed assets impacts my business significantly.	4.09	0.98
Recovered assets are returned within a reasonable time frame.	3.45	1.20
Overall Mean	**3.92**	

The overall mean score for repossession of assets was 3.92, which falls within the high range, showing that asset repossession is a significant issue among Boda-boda operators in Kisumu County. The statement on how quickly lenders repossess assets after default recorded the highest mean of 4.28 with a standard deviation of 0.91, indicating that repossession happens rapidly once a loan is in default. Many operators have experienced repossession of motorcycles or equipment, reflected in a mean of 4.05 and SD of 0.96. Other business assets are also affected, with a mean of 3.92 and SD of 1.04, showing that loan repayment problems extend beyond motorcycles. Repossession occurs more than once a year for some operators, with a mean of 3.61 and SD of 1.18, highlighting the recurring nature of default and asset recovery challenges.

The ability to recover assets after repossession is limited, with a mean of 3.14 and SD of 1.30, indicating delays or permanent loss. The condition of returned assets has a mean of 3.58 and SD of 1.24, while the timeliness of asset recovery scored a mean of 3.45 and SD of 1.20, showing variability in lender practices. The type of asset repossessed affects business operations significantly, with a mean of 4.15 and SD of 0.94, while the monetary value of repossessed assets has a mean of 4.09 and SD of 0.98, confirming the substantial impact on operators' financial stability and operational capacity. Overall, the results indicate that loan default has severe consequences on both assets and livelihoods in this sector.

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4.4 Inferential Statistics: Correlation Analysis

To determine the strength and direction of the relationship between loan repayment default and repossession of assets, Pearson product-moment correlation coefficient was computed. Table 3 presents the correlation matrix.

TABLE 3: Correlation Between Loan Repayment Default and Repossession of Assets

Variables	Loan Repayment Default	Repossession of Assets
Loan Repayment Default	1	0.687**
Repossession of Assets	0.687**	1

**Correlation is significant at the 0.01 level (2-tailed).

Table 3 presents a Pearson correlation coefficient ($r = 0.687$) between loan repayment default and repossession of assets, indicating a strong positive relationship significant at the 0.01 level ($p < 0.01$). This means that as loan repayment default increases, asset repossession also increases. The finding aligns with Credit Default Theory (Merton, 1974), which holds that default triggers collateral seizure, while acknowledging that other factors also influence repossession outcomes. Similarly, Njagi (2024) found significant correlations between financial literacy and debt management among boda-boda riders in Nairobi ($\beta = 0.42$, $p < 0.05$).

4.5 Inferential Statistics: Regression Analysis

To determine the proportion of variance in asset repossession explained by loan repayment default and to predict repossession outcomes based on default levels, simple linear regression analysis was conducted. Table 4 presents the model summary.

TABLE 4: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.687	0.472	0.470	0.517

The model summary in Table 4 shows an R Square value of 0.472. This indicates that loan repayment default explains 47.2% of the variance in repossession of assets among boda-boda operators in Kisumu County. The adjusted R Square value of 0.470 accounts for the number of predictors in the model, confirming that approximately 47% of the variation in asset repossession can be attributed to loan repayment default. The remaining 52.8% of variance is explained by other factors not included in this model, such as lender policies, regulatory environment, individual borrower characteristics, or macroeconomic conditions.

This R Square value is comparable to findings from similar studies. Njagi (2024) reported that financial literacy explained a significant proportion of variance in debt cycle management among boda-boda riders in Nairobi. The substantial explanatory power of the model confirms the theoretical expectation that default behaviour is a primary driver of repossession outcomes.

Table 5 presents the analysis of variance (ANOVA) results for the regression model.

TABLE 5: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.283	1	64.283	240.456	0.000
Residual	71.917	269	0.267		
Total	136.200	270			

The ANOVA results in Table 5 show an F-statistic of 240.456 with a significance value of 0.000 ($p < 0.05$). This indicates that the regression model is statistically significant and that loan repayment default is a meaningful predictor of asset repossession. The null hypothesis that loan repayment default has no significant effect on asset repossession is therefore rejected.

Table 6 presents the regression coefficients.

TABLE 6: Regression Coefficients

Model	Unstandardised Coefficients	Standardised Coefficients	t	Sig.	
	B	Std. Error	Beta		
(Constant)	1.485	0.127		11.693	0.000
Loan Repayment Default	0.731	0.047	0.687	15.508	0.000

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The regression coefficients in Table 6 yield the following regression equation:
$Y = 1.485 + 0.731X$
Where:
Y = Repossession of Assets
X = Loan Repayment Default
The constant term ($\beta 0 = 1.485$) indicates that when loan repayment default is zero, the predicted level of asset repossession is 1.485, which falls within the low interpretation range. The regression coefficient ($\beta 1 = 0.731$) indicates that for every one-unit increase in loan repayment default, asset repossession increases by 0.731 units. The positive coefficient confirms the positive relationship observed in the correlation analysis.

The t-statistic for loan repayment default is 15.508 with a significance value of 0.000 ($p < 0.05$), confirming that loan repayment default makes a significant unique contribution to predicting asset repossession. The standardised coefficient (Beta = 0.687) indicates that a one standard deviation increase in loan repayment default is associated with a 0.687 standard deviation increase in asset repossession.

These findings have practical significance in light of current industry trends. TechCabal (2025) reported that Watu Holdings experienced an 85% drop in profit due to rising loan defaults, while Car & General was forced to repossess many motorcycles and reintroduce them into the market (MarketScreener, 2025). The regression results from this study provide empirical evidence supporting the observed relationship between default and repossession in the Kenyan market.

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study examined the effect of loan repayment default on repossession of assets among boda-boda operators in Kisumu County, Kenya. The findings revealed that loan repayment default, characterised by late payments, missed payments, and default frequency, is prevalent at a moderate level among operators. The most common form of default is the struggle to meet rigid repayment schedules, reflecting a mismatch between loan product design and the income volatility of the transport sector. In response to default, asset repossession occurs at a high level, with lenders acting quickly to seize collateral, often before borrowers have adequate opportunity to rectify the default. The inferential statistics confirmed a strong positive correlation ($r = 0.687$, $p < 0.01$) between loan repayment default and asset repossession, with default explaining 47.2% of the variance in repossession outcomes. The motorcycle, being the primary income-generating asset, is frequently repossessed, resulting in severe economic consequences for affected operators. Recovery of repossessed assets is possible but not guaranteed, and even when recovery occurs, delays and poor condition of returned assets further undermine business viability.

5.2 Recommendations

Based on the findings, this study makes the following recommendations. First, financial institutions should redesign loan products to accommodate the income volatility of boda-boda operators by offering flexible repayment schedules, grace periods during low-income seasons, and the option to make reduced payments during financial hardship. Second, financial institutions should invest in financial literacy programmes specifically tailored to boda-boda operators, covering cash flow management, emergency savings, and the consequences of default. Third, regulators such as the Sacco Societies Regulatory Authority (SASRA) should enforce fair debt collection practices requiring lenders to provide adequate notice and restructuring options before initiating repossession, consistent with the High Court ruling that emphasised the importance of grace periods and proper notice before repossession. Fourth, future research should examine the long-term economic trajectories of operators who experience asset repossession compared to those who do not, using longitudinal designs to establish causal relationships and incorporating additional variables such as lender policies and regulatory frameworks to explain the remaining variance in repossession outcomes.

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